COMMONWEALTH OF PUERTO RICO

Basic Financial Statements
and Required Supplementary Information

June 30, 2019

(With Independent Auditors' Report Thereon)

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year Ended June 30, 2019

Commonwealth of Puerto Rico

Honorable Pedro Pierluisi Urrutia
Governor

Prepared by:

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Independent Auditors' Report

The Honorable Governor and Legislature
Commonwealth of Puerto Rico
San Juan, Puerto Rico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Puerto Rico (the Commonwealth) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following entities and funds:

- *Governmental Activities*
  - Corporation of Industries for the Blind and Mentally Retarded and Incapacitated Persons of Puerto Rico, Office of Legislative Services, Office for the Improvement of Public Schools, Superintendence of the Capitol Building, Puerto Rico House of Representatives, Puerto Rico Senate, Puerto Rico Public Housing Administration, Puerto Rico Housing Finance Department – Sales and Acquisition Fund, Puerto Rico Department of Economic Development and Commerce, Solid Waste Authority, Puerto Rico Energy Bureau, and Independent Consumer Protection Office, which collectively represent 5.35% and 2.10% of the total assets and revenues, respectively, of the General Fund.
  - Puerto Rico Maritime Shipping Authority, Special Communities Perpetual Trust, Public Buildings Authority, University of Puerto Rico Comprehensive Cancer Center, Puerto Rico Infrastructure Financing Authority, The Children's Trust, Puerto Rico Fiscal Agency and Financial Advisory Authority, and Ponce Authority, which are non-major governmental funds that represent 20.35% and 6.87% of the total assets and revenues, respectively, of the aggregate remaining fund information.

  These entities and funds collectively represent 30.31% and 1.93% of the total assets and revenues, respectively, of the governmental activities.

- *Business-Type Activities*
  - Unemployment Insurance Fund, which is a major enterprise fund.
  - Puerto Rico Health Insurance Administration, which is a major enterprise fund.
  - Puerto Rico Medical Services Administration, which is a major enterprise fund.

– The Additional Lottery System, the Puerto Rico Water Pollution Control Revolving Fund, Puerto Rico Safe Drinking Water Treatment Revolving Loan Fund, the Governing Board of 9-1-1 Services, Disability Insurance Fund, Drivers' Insurance Fund, and Ponce Ports Authority, which are non-major enterprise funds that collectively represent 28.68% and 59.59% of the total assets and revenues, respectively, of the aggregate remaining fund information.

These entities and funds collectively represent 95.90% and 92.62% of the total assets and revenues, respectively, of the business-type activities.

- *Aggregate Discretely Presented Component Units*

  The discretely presented component units listed in note 1(c) to the basic financial statements. These entities collectively represent 73.15% and 73.84% of the total assets and revenues, respectively, of the aggregate discretely presented component units.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the entities and funds indicated above, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion unit	Type of opinion
Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component units	Qualified
General fund	Unmodified
Debt service fund	Unmodified
ERS Special evenue fund	Unmodified
COFINA Special revenue fund	Unmodified
COFINA Debt service fund	Unmodified
Unemployment insurance fund	Unmodified
Puerto Rico Health Insurance Administration Fund	Unmodified
Puerto Rico Medical Services Administration Fund	Unmodified
Aggregate remaining fund information	Qualified

Basis for Qualified Opinions (Scope Limitation) for Aggregate Discretely Presented Component Units and Aggregate Remaining Fund Information

Basis for Qualified Opinions – Unaudited Contingency

The Puerto Rico Electric and Power Authority's accrued liability for claims and judgments as of June 30, 2019 includes an accounting estimate for certain labor related claims of approximately $137.8 million. We were unable to obtain sufficient appropriate audit evidence regarding management's estimate because certain employee files that were necessary to support management's assumptions in the accounting estimate were either incomplete or unavailable. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

Basis for Qualified Opinions – Unaudited Pension Amounts

The Puerto Rico Highway and Transportation Authority, the Puerto Rico School of Plastic Arts, and the Puerto Rico Conservatory of Music Corporation, which were audited by other auditors, were not able to audit the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* in their respective separately issued financial statements due to the lack of available audited pension amounts from the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico at the time of the respective issuance of their financial statements. The other auditors qualified their opinions due to the lack of sufficient appropriate audit evidence on the pension amounts, including net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Accordingly, we were not able to obtain sufficient appropriate audit evidence about the pension amounts included in the financial statements of the Aggregate Discretely Presented Component Units information. The total pension liability, deferred outflows of resources, deferred inflows of resources, and pension benefit included for these component units in the financial statements of the Aggregate Discretely Presented Component Units for the Commonwealth were $614.7 million, $10.3 million, $38.8 million, and $19 million, respectively.

Basis for Qualified Opinions – Unaudited Cash Balance

The financial statements of the Disability Insurance Fund and the Driver's Insurance Fund (the Disability and Driver's Funds) as of June 30, 2019 were audited by other auditors, whose report thereon, dated June 30, 2021, include a " Basis of Qualified Opinion" paragraph stating that the Disability and Driver's Funds did not maintain adequate accounting records and reconciliation procedures over its cash held by the Puerto Rico Secretary of Treasury amounting to $57.9 million as of June 30, 2019, and were unable to obtain sufficient appropriate audit evidence regarding such balance. Accordingly, we were also unable to obtain sufficient appropriate audit evidence regarding the adequacy of such balances included in the financial statements of the Aggregate Remaining Fund Information of the Commonwealth as of June 30, 2019.

Qualified Opinions

In our opinion, based on our audit and the report of other auditors, except for the possible effects of the matters described in the "Basis for Qualified Opinions (Scope Limitation) for Aggregate Discretely Presented Component Units and Aggregate Remaining Fund Information" paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units and aggregate remaining fund information as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinions

In our opinion, based on our audit and the reports of the other auditors, the 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 the Commonwealth of Puerto Rico as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

Approval of the Plan of Adjustment – Primary Government

As discussed in notes 2 and 3 to the basic financial statements, on May 13, 2017, the Financial Oversight and Management Board created by the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) filed a petition for relief under Title Ill of PROMESA similar to bankruptcy. On January 18, 2022, the Title Ill Court entered an order confirming the Commonwealth's Eight Amended Plan of Adjustment (the Plan). The Plan became effective in accordance with its terms on March 15, 2022, and the Commonwealth emerged from Title Ill of PROMESA. The basic financial statements do not include any adjustments that might result from the outcome of this matter. Our opinions are not modified with respect to this matter.

Uncertainty about Ability to Continue as a Going Concern – Major Discretely Presented Component Units

The accompanying basic financial statements have been prepared assuming that the major discretely presented component units of the Commonwealth will continue as a going concern. As discussed in note 2(b) to the basic financial statements, the Commonwealth has stated that substantial doubt exists for the following major discretely presented component units to continue as a going concern. Management's evaluation of the events and conditions and management's plans in regard to these matters are described in note 2(b) to the basic financial statements. The basic financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinions on the basic financial statements are not modified with respect to these matters.

- *Government Development Bank for Puerto Rico (GDB*)

  The financial statements of GDB as of June 30, 2019 and for the year then ended were audited by other auditors, whose report thereon, dated October 13, 2021, included an emphasis of matter paragraph related to GDB's ability to continue as a going concern. As stated in GDB's independent auditors' report, GDB continues the process of efficiently winding down its operations and on November 29, 2018 (the Closing Date), executed the Qualifying Modification which resulted in a comprehensive financial restructuring and legal discharge of substantially all of its Operating Fund's debts and the ensuing transfer of almost all its revenue earning assets to two newly created separate entities. With the execution of this transaction, the GDB Operating Fund will not emerge as a going concern.

- *Puerto Rico Highways and Transportation Authority (PRHTA)*

  The financial statements of PRHTA as of June 30, 2019 and for the year then ended were audited by other auditors, whose report thereon, dated April 23, 2021, included an emphasis of matter paragraph related to PRHTA's ability to continue as a going concern. As stated in PRHTA's independent auditors' report, on May 21, 2017, the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), at the request of the Governor, commenced a case for PRHTA by filing a petition for relief under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) in the United States District Court for the District of Puerto Rico.

- *Puerto Rico Electric Power Authority (PREPA)*

  PREPA has an accumulated deficit of approximately $6.8 billion as of June 30, 2019, does not currently have sufficient funds available to fully repay its various obligations as they come due, and has defaulted on the payment of various debt obligations. Also, on July 2, 2017, the Oversight Board, at the request of the

Governor, filed a petition on behalf of PREPA for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico.

- *University of Puerto Rico (UPR)*

  The financial statements of UPR as of June 30, 2019, and for the year then ended were audited by other auditors, whose report thereon, dated March 26, 2020, included an emphasis of matter paragraph related to UPR's ability to continue as a going concern. As stated in UPR's independent auditors' report, UPR is highly dependent on the Commonwealth's appropriations to finance its operations.

Restatement of Net Position

As discussed in note 4 to the basic financial statements, the net position of the governmental activities, business-type activities, the Puerto Rico Medical Services Administration, the aggregate remaining fund information and the aggregate discretely presented component units as of July 1, 2018 has been restated to correct misstatements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 7 through 26; the schedules of changes in the total pension liability for single-employer pension plans on pages 218 through 220; the schedule of changes in total other postemployment benefits liability and related ratios for single-employer pension plans on pages 221 through 223; and the schedule of revenue and expenditures – budget and actual–budgetary basis – General Fund on page 224, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We were unable to apply certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, due to the matters described in the "Basis for Qualified Opinions (Scope Limitation) for Discretely Presented Component Units and Aggregate Remaining Fund Information". We do not express an opinion or provide any assurance on the information.

We and the other auditors have applied certain limited procedures to the schedules of changes in the net pension liability for single-employer pension plans; the schedules of changes in total other postemployment benefits liability and related ratios for single-employer pension plans; the and the schedule of revenue and expenditures - budget and actual - budgetary basis - General Fund, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The combining and individual fund financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the supplementary information of the matters described above in the “Basis for Qualified Opinions (Scope Limitation) for Aggregate Discretely Presented Component Units and Aggregate Remaining Fund Information” paragraphs, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

San Juan, Puerto Rico
April 8, 2022

Stamp No. E470519 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

This management's discussion and analysis section (MD&A) provides a narrative overview and analysis of the financial activities of the Commonwealth of Puerto Rico (the Commonwealth) for the fiscal year ended June 30, 2019. The MD&A is intended to serve as an introduction to the Commonwealth 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 Commonwealth's financial activities, (c) present an overview of results for the General Fund on a budgetary basis, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and therefore, in order to gain a thorough understanding of the Commonwealth's financial condition, the basic financial statements, notes, and required supplementary information should be reviewed in their entirety.

Financial Highlights

- The Commonwealth's Primary Government, which encompasses the Commonwealth's Governmental and Business-type activities, reported, in the government-wide financial statements, a net deficit of approximately $59.3 billion at June 30, 2019, which was comprised of approximately $25.1 billion in total assets and approximately $2.3 billion in deferred outflows of resources, less approximately $84.9 billion in total liabilities and approximately $1.8 billion in deferred inflows of resources.
- The net deficit of the Commonwealth's Primary Government decreased by approximately $13 billion during fiscal year 2019. The net deficit for Governmental Activities decreased by approximately $12.5 billion and the net position for Business-type activities increased by approximately $513.3 million during the fiscal year 2019.
- The Commonwealth's Governmental Activities had total revenue of approximately $24.9 billion for fiscal year 2019, which was higher than total expenses of approximately $18.5 billion. The Commonwealth's Business-type activities had total revenue of approximately $4 billion for fiscal year 2019, which represented an increase of approximately $400 million when compared to fiscal year 2018.
- The Commonwealth's Primary Government had total expenses of approximately $22.1 billion in fiscal year 2019, which included expenses of approximately $3.6 billion incurred by Business-type activities, which represented an increase of approximately $537.2 million when compared to total expenses incurred during fiscal year 2018 (as restated).
- For fiscal year 2019, the total excess of revenue over expenditures in the General Fund (budgetary basis) was approximately $3.1 billion. It consisted of the difference between total actual revenue of approximately $11.4 billion (excluding other financing sources), less total actual expenditures of approximately $8.3 billion. The variance between the U.S. generally accepted accounting principles (U.S. GAAP) and budgetary basis deficits results from differences of accounting, entity, and perspective differences between budgetary reporting versus those established by U.S. GAAP and followed in these basic financial statements.

Notwithstanding the circumstances existing on June 30, 2019, based on subsequent events that remediated the Commonwealth's financial condition and addressed its liabilities, management does not believe there is substantial doubt about the Commonwealth's ability to continue as a going concern as of the date of these basic financial statements. For additional information regarding going concern, uncertainties, and liquidity risk, refer to Note 2 and Note 3.

Reporting the Commonwealth as a Whole

The Commonwealth consists of all departments, agencies, funds, functions, and public corporations that have been determined to meet the requirements for inclusion in the Commonwealth's financial reporting entity. The Commonwealth has considered all potential discretely presented component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's basic financial statements to be misleading or incomplete. As noted above, the Commonwealth's basic financial statements consist of three components: (i) government-wide financial statements, which includes the Commonwealth's discretely presented component units, (ii) fund financial statements, and (iii) notes to the basic financial statements. The fund financial statements include governmental, proprietary, and fiduciary types of funds that will be described later in this MD&A. The notes to the basic financial statements provide explanations and/or additional detail for all of the above types of financial statements and are considered an integral part of the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements provide readers a broad view of the Commonwealth's operations in a manner similar to a private-sector business. The statements provide both short and long-term information about the Commonwealth's financial position, which assists in assessing the Commonwealth'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, liabilities, and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in the Commonwealth's net position may serve as a useful indicator of whether the financial position of the Commonwealth is improving or deteriorating.
- ***Statement of Activities*** – This statement presents information showing how the Primary Government'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 (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenue for each function of the Commonwealth.

The Commonwealth's net position is one way to measure whether the Commonwealth's financial health is improving or deteriorating, but other nonfinancial factors, such as changes in the Commonwealth tax structure, population, employment, debt levels, fiscal conditions, economic factors, access to external markets and the condition of the Commonwealth's roads, bridges, and buildings, must also be taken into account in order to assess the overall health of the Commonwealth.

In the statement of net position and the statement of activities, the operations of the Commonwealth are divided into the following activities:

- ***Governmental Activities*** – Most of the Commonwealth's basic services are reported here, including education, health, public housing and welfare, public safety, economic development, general government, and interest on long-term debt. Federal grants (intergovernmental), personal and corporate income taxes, consumption and use taxes, business and other taxes, transfers from lottery revenues, and bond or loan proceeds finance most of these activities. Also included in Governmental Activities are fifteen blended component units, which are entities that, while legally separate from the Commonwealth, meet the blending criteria under GASB to be reported as part of the Primary Government.
- ***Business-type Activities*** – These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These Business-type activities of the Commonwealth include the operations of the following major funds: the Unemployment Insurance Trust Fund, the Puerto Rico Health Insurance Administration (PRHIA), and the Puerto Rico Medical Services Administration (PRMeSA).
- ***Discretely Presented Component Units*** – Although legally separate from the Commonwealth, these discretely presented component units are important to the Commonwealth because the Commonwealth is financially accountable for them or the nature and significance of their relationship with the Commonwealth are such that their exclusion would cause the Commonwealth's basic financial statements to be misleading or incomplete. Discretely presented component units, presented in a separate column in these basic financial statements, are discretely presented principally because of the nature of the services they provide, the Commonwealth's ability to impose its will, principally through the appointment of their governing authorities, and because such discretely presented component units provide specific financial benefits to, or impose financial burdens on, the Commonwealth. The Commonwealth classifies 42 separate legal entities as discretely presented component units, as disclosed in Note 1 to the basic financial statements.

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

Governmental and Proprietary Fund Financial Statements

Financial statements prepared at the fund level provide additional details about the Commonwealth'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 Commonwealth uses fund accounting to help ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the Commonwealth government, reporting the Commonwealth's operations in more detail than the government-wide financial statements. Information presented in the fund financial statements differs from the information presented in the government-wide financial statements because the perspective and basis of accounting used to prepare the fund financial statements are different from the perspective and basis of accounting used to prepare the government-wide financial statements. The Commonwealth's governmental and proprietary funds types use different perspectives and accounting basis. The funds presented in the fund financial statements are categorized as either major or nonmajor funds as required by U.S. GAAP. All of the funds of the Commonwealth can be divided into the following categories:

- ***Governmental Funds*** – Most of the basic services provided by the Commonwealth are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as Governmental Activities in the government-wide financial statements. However, unlike the government-wide financial statements that use the full accrual basis of accounting, the governmental funds financial statements use a modified accrual basis of accounting (also known as the current financial resources measurement focus), which focuses on near-term inflows and outflows of expendable resources. This information may be useful in evaluating the government's near-term financing requirements. These statements provide a detailed short-term view of the Commonwealth's finances and assist in determining whether there will be adequate financial resources available to meet the current needs of the Commonwealth. 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 governmental funds financial statements to the Governmental Activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenue, 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 statement.

The Commonwealth has five major governmental funds. That is, each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances. The Commonwealth's five major governmental funds are:

- General Fund [1]
- Debt Service Fund
- ERS Special Revenue Fund
- COFINA Special Revenue Fund
- COFINA Debt Service Fund

The remaining nonmajor governmental funds, which consist of the Ponce Authority (PA), Public Buildings Authority (PBA), Puerto Rico Infrastructure Financing Authority (PRIFA), Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA), Puerto Rico Maritime Shipping Authority (PRMSA), Puerto Rico System of Annuities and Pensions for Teachers (TRS), Retirement System of the Judiciary of the Commonwealth of Puerto Rico (JRS), Special Communities Perpetual Trust (SCPT), The Children's Trust, and University of Puerto Rico Comprehensive Cancer Center (UPRCCC), and the Commonwealth's capital project funds, which are grouped and presented in a single column in the governmental funds financial statements. The basic governmental funds financial statements can be found immediately following the government-wide financial statements.

- ***Proprietary Funds*** – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, including local governments, they are also known as enterprise funds. 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

[1] The General Fund is the primary operating fund of the Commonwealth. The financial resources received and used in the General Fund mostly includes: the General Fund budgeted resources, as approved by the Legislature of Puerto Rico (the Legislature) and as adjusted for timing and basis of accounting differences, and other financial resources outside the General Fund budget such as: federal funds, pledged funds, resources that otherwise would be accounted for in special revenue funds, and agencies with independent treasuries.

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 Commonwealth has three major proprietary funds:

- Unemployment Insurance Fund
- Puerto Rico Health Insurance Administration (PRHIA)
- Puerto Rico Medical Service Administration (PRMeSA)

Other nonmajor proprietary funds consist of the Disability Insurance Fund, Drivers' Insurance Fund, the Lotteries Fund, which includes the Lottery of Puerto Rico and the Additional Lottery System, Puerto Rico Water Pollution Control Revolving Fund (PRWPCRF), Puerto Rico Safe Drinking Water Treatment Revolving Loan Fund (PRSDWTRLF), Ponce Ports Authority (PPA), and the Bureau of Emergency Services 9-1-1 which are grouped and presented in a separate column in the proprietary funds' financial statements. The basic proprietary funds financial statements can be found immediately following the governmental funds financial statements.

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 and the fund financial statements. The notes to the basic financial statements can be found immediately following the major discretely presented component units' combining financial statements.

Required Supplementary Information/Supplementary and Other Information (Unaudited)

The basic financial statements include a section of required supplementary information and other information immediately following its notes. This section includes information of total other postemployments benefits liability schedules, total pension liability schedules, schedule of revenue and expenditures – budget and actual – budgetary basis – General Fund, supplemental schedule of expenditures by agency – budget and actual – budgetary basis – General Fund, combining schedules for nonmajor governmental funds, nonmajor proprietary funds, changes in assets and liabilities – agency fund, and nonmajor discretely presented component units.

Overall Financial Position and Results of Operations (Government-wide financial statements)

The following is an analysis of the financial position and changes in the financial position of the Commonwealth's Governmental Activities and Business-type activities for fiscal year 2019.

Net Position

Condensed financial information from the statement of net position as of June 30, 2019, and 2018 is as follows (in thousands):

	Governmental Activities		Business-type Activities		Primary Government	
	2019	**2018 (As restated)**	**2019**	**2018 (As restated)**	**2019**	**2018 (As restated)**
Assets:						
Non-capital assets:						
Cash and investments	$ 9,918,481	6,359,348	1,530,241	928,431	11,448,722	7,287,779
Receivables, net	4,370,208	4,144,434	1,042,907	1,190,948	5,413,115	5,335,382
Other	99,611	97,667	22,078	43,828	121,689	141,495
Total non-capital assets	14,388,300	10,601,449	2,595,226	2,163,207	16,983,526	12,764,656
Capital Assets	8,071,285	8,352,280	89,483	92,349	8,160,768	8,444,629
Total assets	**22,459,585**	**18,953,729**	**2,684,709**	**2,255,556**	**25,144,294**	**21,209,285**
Deferred outflows of resources	**2,247,614**	**7,563,858**	**28,957**	**242,398**	**2,276,571**	**7,806,256**
Liabilities:						
Long-term liabilities	76,182,750	87,285,743	1,429,941	1,689,425	77,612,691	88,975,168
Other liabilities	6,878,375	6,704,258	359,117	338,368	7,237,492	7,042,626
Total liabilities	**83,061,125**	**93,990,001**	**1,789,058**	**2,027,793**	**84,850,183**	**96,017,794**
Deferred inflows of resources	**1,802,209**	**5,222,461**	**37,274**	**96,152**	**1,839,483**	**5,318,613**
Net Position:						
Net investment in capital assets	2,844,932	2,217,985	67,464	71,739	2,912,396	2,289,724
Restricted	469,504	712,563	1,416,212	1,070,149	1,885,716	1,782,712
Unrestricted (deficit)	(63,470,571)	(75,625,423)	(596,342)	(767,879)	(64,066,913)	(76,393,302)
Total net position (deficit)	**$ (60,156,135)**	**(72,694,875)**	**887,334**	**374,009**	**(59,268,801)**	**(72,320,866)**

Governmental entities are required by U.S. GAAP to report on their net position. The statement of net position presents the value of all of the Commonwealth's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as net position.

Net position (deficit) may serve over time as a useful indicator of a government's financial position. Total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources of the Primary Government as of June 30, 2019, amounted to approximately $27.4 billion and $86.7 billion, respectively, for a net deficit of approximately $59.3 billion as of June 30, 2019, compared to a net deficit of approximately $72.3 billion as of June 30, 2018 (as restated).

Net position (deficit) for Governmental Activities decreased by approximately $12.5 billion for fiscal year 2019, decreasing to a deficit of approximately $60.2 billion at June 30, 2019, from a deficit of approximately $72.7 billion at June 30, 2018 (as restated). The unrestricted deficit for Governmental Activities – that part of net position that can be used to finance day-to-day governmental operations without constraints established by debt covenants, enabling legislation, or other legal requirements – had a deficit of approximately $63.5 billion as of June 30, 2019. The unrestricted deficit in Governmental Activities, which decreased by approximately $12.1 billion, exists primarily because of cumulative excessive operating expenses in disparity with actual revenues. This deficit can be expected to continue for as long as the Commonwealth continues to have obligations outstanding for purposes other than the acquisition of governmental capital assets. The statement of net position in Governmental Activities reflects outstanding bonds and notes amounting to approximately $37.1 billion and total pension liability amounting to approximately $34.5 billion as of June 30, 2019, as compared to outstanding bonds and notes amounting to approximately $44 billion and net pension liability amounting to approximately $38.8 billion as of June 30, 2018 (as restated).

A portion of the Commonwealth's net position reflects its investment in capital assets such as land, buildings, and equipment, less any related debt used to acquire those assets. The Commonwealth uses these capital assets to provide services to its residents; consequently, these assets are not available for future spending, and except for Business-type assets, do not generate direct revenue for the Commonwealth. They do represent, however, an obligation on the part of the Commonwealth to maintain these assets into the future. Although the Commonwealth investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since most of the capital assets themselves cannot be used to liquidate these liabilities.

The net position in Business-type activities increased by approximately $513.3 million in fiscal year 2019 when compared to fiscal year 2018 (as restated), from approximately a $374 million net position at June 30, 2018, to approximately a $887.3 million net position at June 30, 2019. The principal reason for the increase in net position is related to an increase in transfers made to the PRWPCRLF and PRSDWTRLF from the Commonwealth of approximately $195.1 million and an expense reduction in the Unemployment Insurance Fund and PRMeSA of approximately $85.8 million and $148.6 million, respectively.

Statements of Activities and Results of Operations

Condensed financial information of the statements of activities for the years ended June 30, 2019, and 2018 is as follows (in thousands):

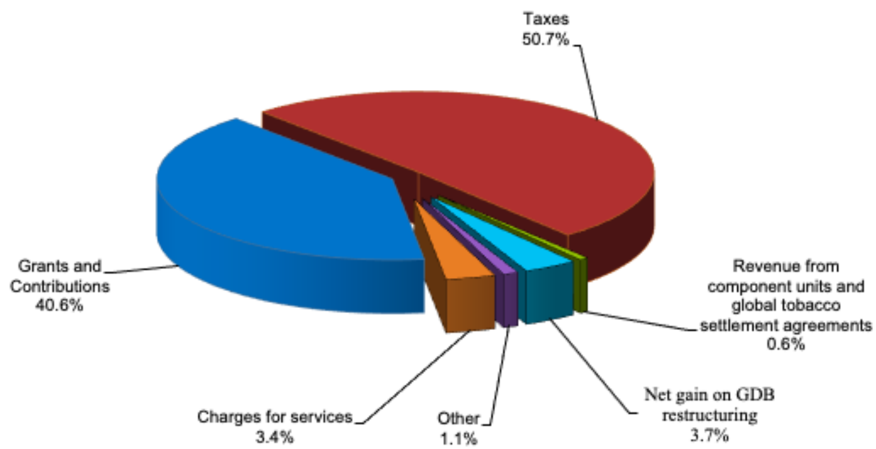
	Governmental Activities		Business-type Activities		Primary Government	
	2019	2018 (As restated)	2019	2018 (As restated)	2019	2018 (As restated)
Revenue:						
Program revenue:						
Charges for services	$ 847,678	687,962	1,397,095	1,211,133	2,244,773	1,899,095
Operating grants and contributions	10,031,946	6,950,260	2,551,716	2,345,463	12,583,662	9,295,723
Capital grants and contributions	77,106	86,205	—	—	77,106	86,205
	10,956,730	7,724,427	3,948,811	3,556,596	14,905,541	11,281,023
General revenue:						
Taxes	12,617,216	10,967,788	—	—	12,617,216	10,967,788
Revenue from global tobacco settlement agreement	75,121	77,842	—	—	75,121	77,842
Revenue from component units	75,561	60,170	—	—	75,561	60,170
Net gain on GDB restructuring	915,303	—	—	—	915,303	—
Other, including earning (loss) on investments	264,011	255,607	25,951	18,270	289,962	273,877
	13,947,212	11,361,407	25,951	18,270	13,973,163	11,379,677
Total revenue	**24,903,942**	**19,085,834**	**3,974,762**	**3,574,866**	**28,878,704**	**22,660,700**
Extraordinary item:						
Gain on PROMESA Tittle III	**6,260,592**	**—**	**—**	**—**	**6,260,592**	**—**
Expenses:						
General government	(199,131)	1,256,379	—	—	(199,131)	1,256,379
Public safety	2,006,474	2,091,586	—	—	2,006,474	2,091,586
Health	3,642,654	3,141,639	—	—	3,642,654	3,141,639
Public housing and welfare	5,157,307	3,717,727	—	—	5,157,307	3,717,727
Education	4,004,633	3,234,503	—	—	4,004,633	3,234,503
Economic development	816,057	1,420,814	—	—	816,057	1,420,814
Intergovernmental	177,337	312,013	—	—	177,337	312,013
Interest and other	2,924,958	2,577,560	—	—	2,924,958	2,577,560
Unemployment insurance	—	—	65,443	151,281	65,443	151,281
Puerto Rico Health Insurance Administration	—	—	2,846,318	2,907,650	2,846,318	2,907,650
Puerto Rico Medical Services Administration	—	—	83,872	232,484	83,872	232,484
Nonmajor proprietary funds	—	—	561,309	506,392	561,309	506,392
Total expenses	**18,530,289**	**17,752,221**	**3,556,942**	**3,797,807**	**22,087,231**	**21,550,028**
Increase (decrease) in net position before transfers	**12,634,245**	**1,333,613**	**417,820**	**(222,941)**	**13,052,065**	**1,110,672**
Transfers	**(95,505)**	**(446,931)**	**95,505**	**446,931**	**—**	**—**
Change in net position	**12,538,740**	**886,682**	**513,325**	**223,990**	**13,052,065**	**1,110,672**
Net position (deficit), beginning of year, as restated (note 4)	**(72,694,875)**	**(73,581,557)**	**374,009**	**150,019**	**(72,320,866)**	**(73,431,538)**
Net position (deficit), end of year	**$ (60,156,135)**	**(72,694,875)**	**887,334**	**374,009**	**(59,268,801)**	**(72,320,866)**

As described above, the Governmental Activities net deficit position decreased from approximately $72.7 billion at June 30, 2018 (as restated) to approximately $60.2 billion at June 30, 2019, a decrease of approximately $12.5 billion. The decrease in total net deficit position is mainly due to an extraordinary gain in the debt restructuring of COFINA of approximately $6.3 billion, an increase in U.S. government grants of approximately $3.1 billion, an increase in the Commonwealth's taxes of approximately $1.7 billion and gain in the trouble debt restructuring of the Commonwealth's debt with the Governmental Development bank of approximately $915.3 million. Approximately 50.7% of the Governmental Activities' revenue came from taxes, while approximately 40.6% resulted from grants and contributions (primarily federal financial assistance). Charges for services represented approximately 3.4% of total revenue. The Governmental Activities' expenses cover a range of governmental services. The largest expenses were for public housing and welfare 27.8% of total expenses, education 21.6% of total expenses, interest and other 15.8% of total expenses, health 19.7% of total expenses, and public safety 10.8% of total expenses. In fiscal year 2019, Governmental Activities' expenses, which amounted to approximately $18.5 billion, were funded by approximately $13.9 billion in general revenue, and approximately $11 billion in program revenue (comprised primarily of federal financial assistance). Also, the implementation of Act No. 66-2014, known as the "Government of the Commonwealth of Puerto Rico Special Fiscal and Operational Sustainability Act "contributed to a reduction in expenses in areas such as:

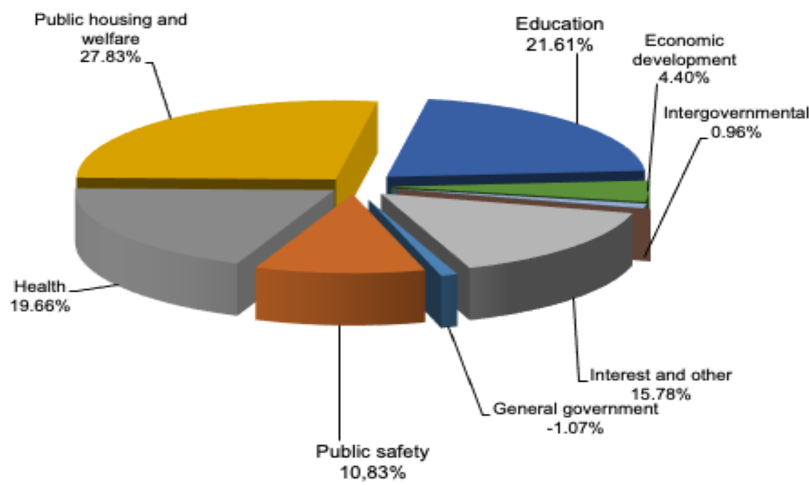
- Reduction in payroll and payroll related expenses.
- Freeze formula base contributions to the University of Puerto Rico, the Commonwealth's Judicial Branch, and the Municipalities.
- Reduction in education expenses, such as, a reduction in school transportation services, payroll savings on account of teacher's retirement system and no contracting to fill vacancies.
- Reduction of special appropriations.
- Elimination of certain subsidies to programs or operations of discretely presented component units.

Total revenue from Governmental Activities for fiscal year 2019 increased by approximately $5.8 billion compared to fiscal year 2018. This increase is mainly related to an increase in operating grants and contributions and taxes. The Commonwealth suffers from a fiscal, economic and liquidity crisis, an economic recession (which commenced in 2006), a high unemployment rate, a population decline, and a high level of debt and pension -related obligations.

Revenues – Governmental Activities



Expenses – Governmental Activities



Business-type activities' total net position increased by approximately $513.3 million from the total net position at June 30, 2018. Approximately 35% of the Business-type activities total revenue came from charges for services, while approximately 64% resulted from grants and contributions (primarily federal financial assistance). Business-type activities expenses cover a range of services. The largest expenses were for Health Insurance Administration. In fiscal year 2019, Business-type Activities' total revenue exceeded expenses by approximately $417.8 million. The excess of revenue over expenses in fiscal year 2019 was increased by net transfers from other funds, mainly by the Governmental Activities, amounting to approximately $95.5 million. Total expenses decreased by approximately $240.9 million in comparison with prior year expenses, related to a reduction of approximately $85.8 million in insurance benefits payments from the Unemployment Insurance Fund, and a reduction in expenses of PRHIA and PRMeSA related to the transition to GASB Statement No. 73 from GASB Statement No. 68

Governmental Funds

The governmental funds financial statements provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Commonwealth's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2019, the Commonwealth's governmental funds, which include the General Fund, the Debt Service Fund, ERS Special Revenue Fund, the COFINA Special Revenue Fund, the COFINA Debt Service Fund, and nonmajor governmental funds, reported a combined ending fund balance of approximately $5 billion. In fiscal year 2019, revenue in these governmental funds exceeded expenditures by approximately $4.2 billion. However, this excess of revenue over expenditures was offset by other financing uses totaling approximately $75 million in the governmental funds. For fiscal year 2019, the excess of revenue over expenditures increased by approximately $3.9 billion when compared with the prior year, primarily as a result of an increase in intergovernmental revenue of approximately $3.1 billion and an increase of approximately $2.4 billion in taxes and an increase in total expenditures of approximately $2.2 billion.

The General Fund is the chief operating fund of the Commonwealth. At the end of fiscal year 2019, the General Fund, which encompasses other financial resources outside the General Fund budget such as federal funds, pledged funds, special revenue funds, and agencies with independent treasuries, had a total fund balance of approximately $7.5 billion. The fund balance of the Commonwealth's General Fund increased by approximately $6.2 billion as a result of the fiscal year's change in financial position. An increase in taxes and intergovernmental revenue of approximately $2.7 billion and $3.2 billion, respectively in combination with the non-payments of general obligation bonds due during fiscal year 2019 of approximately $1.1 billion are the main reason for the increase in the fund balance.

The Debt Service Fund is the fund in which the Commonwealth accumulates the resources for the payment of the long-term general obligations debt. The net change in fund balance of the debt service fund was an increase in deficit of approximately $1 billion in fiscal year 2019, and the fund deficit at the end of year decreased to approximately $2.9 billion at June 30, 2019. Bonds and interest payable during fiscal year 2019 decreased by approximately $57 thousand when compared with fiscal year 2018 as a result of the non-payment of general obligation bonds due during fiscal year 2019. However, as of the commencement of the Commonwealth's Title III case on May 3, 2017, interest stopped accruing on the Commonwealth's bonds and other indebtedness.

The ERS Special Revenue Fund is used to account for the unliquidated assets that are pending to be transferred to the Commonwealth's General Fund after the legal proceedings under the Title III of PROMESA are completed. The fund balance of the ERS Special Revenue Fund decreased by approximately $231.9 million in fiscal year 2019, decreasing to a fund balance of approximately $851.1 million at June 30, 2019.

The COFINA Special Revenue Fund is used to account for and report all financial resources of the Puerto Rico Sales Tax Financing Corporation (COFINA). The fund balance of the COFINA Special Revenue Fund increased by approximately $15.2 million in fiscal year 2019, increasing to a fund balance of approximately $21.4 million at June 30, 2019. The COFINA Debt Service Fund is used to account for the Commonwealth sales tax revenue being deposited in the Dedicated Sales Tax Fund for the payment of interest and principal on long-term obligations of COFINA. The fund balance of the COFINA Debt Service Fund decreased by approximately $313.3 million during fiscal year 2019, to a deficit of approximately $6.4 million at June 30, 2019. COFINA had its debts adjusted under the COFINA Plan of Adjustment pursuant to Title III of PROMESA.

Proprietary Funds

The Commonwealth's enterprise funds provide the same type of information presented in the business-type activities in the government-wide financial statements, but in more detail. The Unemployment Insurance Fund's total net position balance increased from approximately $566.1 million at June 30, 2018, to approximately $677.4 million at June 30, 2019, an increase of approximately $111.3 million. Expenses from the fund for unemployment benefits decreased by approximately $85.8 million, as compared to fiscal year 2018.

The PRHIA enterprise fund total net position decreased from a net position of approximately $202.2 million at June 30, 2018 to a net position of approximately $202 million at June 30, 2019, a decrease of approximately $193 thousands.

The PRMeSA enterprise fund net position decreased from a deficit of approximately $892.9 million at June 30, 2018 (as restated) to a deficit of approximately $758.7 million at June 30, 2019, a decrease of approximately $134.2 million. During fiscal year 2019 total expenses decreased by approximately $148.6 million mainly as a result of the transition to GASB Statement No. 73.

General Fund Budgetary Highlights

The Commonwealth Constitution requires the Governor of Puerto Rico (the Governor) to submit a balanced budget that contains a plan of expenditures for the ensuing fiscal year and identifies the anticipated revenues and other resources enough to meet the proposed expenditures. The Commonwealth adopts an annual appropriations budget for its General Fund. A budgetary comparison schedule has been provided on page 224 as required supplementary information for the General Fund to demonstrate compliance with this budget. The schedule of revenue and expenditures – budget and actual – budgetary basis – General Fund presents only the information for the General Fund for which there is a legally adopted budget, as required by U.S. GAAP.

Total General Fund actual revenue on a budgetary basis for fiscal year 2019 was approximately $11.4 billion (excluding other financing sources), representing an increase of approximately $3 billion, or 36%, from original budgeted revenue and an increase of approximately $1.8 billion or 19% from actual revenue of approximately $9.6 billion for fiscal year 2018.

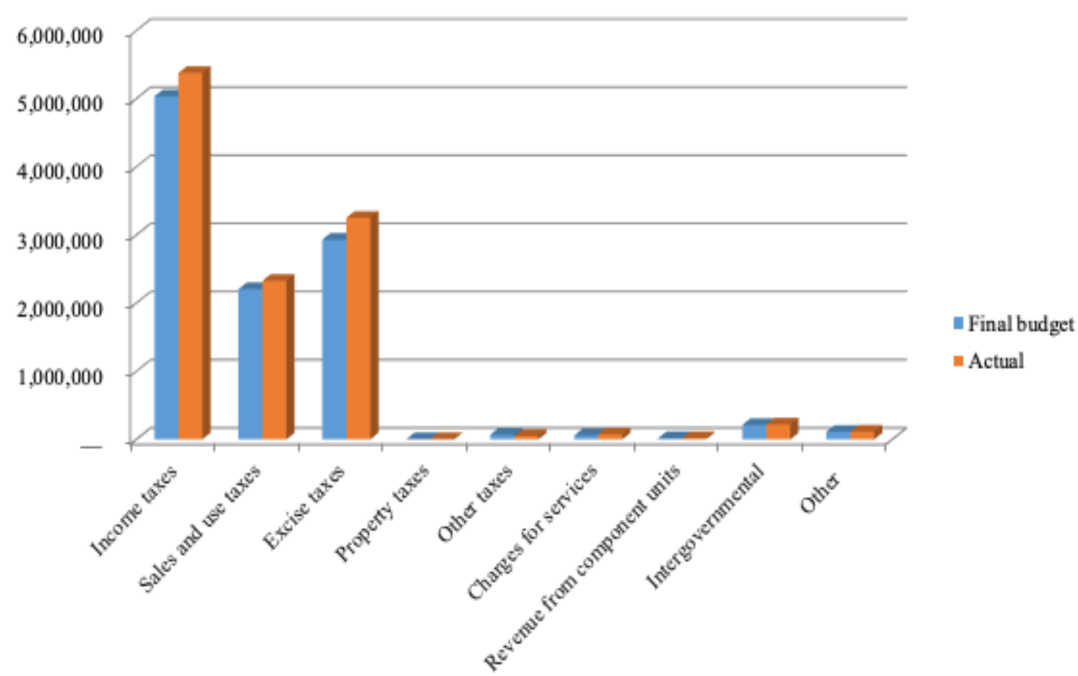
Total General Fund actual expenditures on a budgetary basis for fiscal year 2019 were approximately $8.4 billion, representing a decrease of approximately $402.7 million or 5% from original budgeted expenses and an decrease of approximately $736.7 million or 8% from actual expenditures of approximately $9.1 billion for fiscal year 2018.

For fiscal year 2019, the budgeted excess of revenue over expenditures (budgetary basis) was approximately $3.1 billion, consisting of the difference between total actual revenue of approximately $11.4 billion and total actual expenditures of approximately $8.4 billion. For fiscal year 2018, the excess of revenue over expenditures (budgetary basis) was approximately $511.1 million, consisting of the difference between total actual revenue of approximately $9.6 billion and total actual expenditures of approximately $9.1 billion. The budgeted excess of revenue over expenditures (budgetary basis) for fiscal year 2019 increased by approximately $2.6 billion when compared to the surplus of fiscal year 2018.

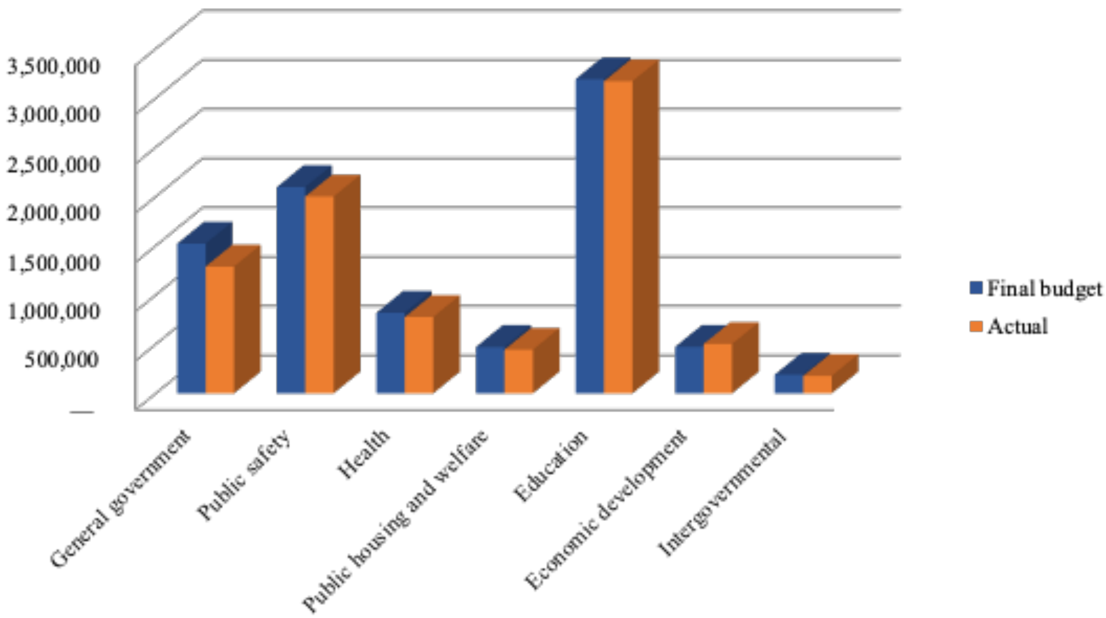
For fiscal year 2019, the total excess of revenue over expenditures in the General Fund (budgetary basis) was approximately $3.1 billion. It consisted of the difference between actual revenue of approximately $11.4 billion (excluding other financing sources), less of total expenditures of approximately $8.4 billion. This surplus of approximately $3.1 billion in the General Fund (budgetary basis) differs from the excess of revenue over expenditures in the General Fund on a modified accrual basis (U.S. GAAP) of approximately $6.5 billion, which was offset by approximately $328 million in other financing uses, principally consisting of transfers to other funds, for a resulting net increase in fund balances of approximately $6.2 billion for the fiscal year 2019. The variance between the U.S. GAAP and budgetary basis deficiency results from differences in the basis of accounting, and perspective differences between budgetary reporting versus those established by U.S. GAAP and followed in these basic financial statements. Examples of such differences include: (i) recognition of proceeds of long-term debt issued as other financing sources, (ii) recognition of receivables (revenue) for reimbursements of expenses allocated to federal funds, (iii) the recognition of revenue and expenditures of entities with independent treasuries, (iv) expenditures incurred in nonbudgetary funds (special revenue funds, internal revenue funds, and other funds), which were not included in the General Fund Budget, and (v) timing differences in basis of accounting such as (a) the recognition of receivables on income and corporate taxes and (b) recognition of expenditure accruals. A reconciliation is presented on page 228 in the notes to required supplementary information section. The Commonwealth's ability to continue reducing the deficit will depend in part on its ability to continue raising revenues and reducing expenditures and debt obligations in the face of economic uncertainties.

The following information is presented to assist the reader in comparing the final amended budget and the actual results.

Actual Revenue – General Fund
Budgetary Basis
Year ended June 30, 2019
(In thousands)



Actual Expenditures – General Fund
Budgetary Basis
Year ended June 30, 2019
(In thousands)



For more than a decade, the Commonwealth has had deficiencies of revenues under expenditures (including debt service payments) that were mainly funded through issuances of bonds and lines of credit.

Capital Assets and Debt Administration

Capital Assets

The following is a summary schedule of the Primary Government's capital assets (in thousands):

	Governmental activities		Business-type activities		Total Primary Government	
	2019	2018 (as restated)	2019	2018 (as restated)	2019	2018 (as restated)
Land	$ 945,618	947,841	36,005	36,005	981,623	983,846
Construction in progress	1,036,102	1,137,985	—	—	1,036,102	1,137,985
Buildings and building improvements, net	5,503,507	5,657,340	37,614	38,764	5,541,121	5,696,104
Equipment, furniture, fixtures, vehicles and software, net	202,254	212,120	15,864	17,580	218,118	229,700
Infrastructure, net	383,804	396,994	—	—	383,804	396,994
Total capital assets	$ 8,071,285	8,352,280	89,483	92,349	8,160,768	8,444,629

The Commonwealth's investment in capital assets for its Governmental Activities and Business-type activities as of June 30, 2019, amounted to approximately $14.2 billion, less accumulated depreciation and amortization of approximately $6 billion, resulting in a book value of approximately $8.2 billion. Capital assets include land, constructions in progress, buildings, building improvements, equipment, and infrastructure. Capital assets included in the Governmental Activities column are principally owned by blended component units (e.g., PBA and PRIFA) and are primarily of value only to the Commonwealth, such as public schools, roads, and buildings used for governmental services. Depreciation and amortization expense for its Governmental Activities and Business-type activities amounted to approximately $330.3 million for the year ended June 30, 2019.

Other infrastructure assets, such as highways, bridges, toll road facilities, water and sewer systems, electricity production, transmission and distribution systems, and similar assets, are owned by discretely presented component units.

Additional information on the Commonwealth's capital assets can be found in Note 10 to the basic financial statements that accompany this report.

Debt Administration – Primary Government

The Commonwealth has incurred long-term debt financing and other obligations, including lease/purchases and contractual obligations where the Commonwealth's legal obligation to make payments is typically subject to and paid from annual appropriations made by the Legislature of Puerto Rico (the Legislature) of the Commonwealth. For example, the debts reported by most blended component units, by Business-type activities and certain discretely presented component units are supported, directly or indirectly, by payments from resources from the Commonwealth's Governmental Activities.

At June 30, 2019, the Primary Government's bonds and notes outstanding amounted to approximately $37.1 billion, and the discretely presented component units' bonds and notes outstanding amounted to approximately $21.2 billion.

General obligation bonds are backed by the full faith, credit, and taxing power of the Commonwealth. The Constitution of the Commonwealth authorizes the contracting of debts as determined by the Legislature. Nevertheless, Section 2, Article VI of the Constitution of the Commonwealth provides that direct obligations of the Commonwealth evidenced by bonds or notes and backed by the full faith, credit, and taxing power of the Commonwealth should not be issued if the amounts of the principal of and interest on such bonds and notes and on all such bonds and notes issued thereafter, which are payable in any fiscal year, together with any amount paid by the Commonwealth in the preceding fiscal year of such proposed issuance on account of bonds or notes guaranteed by the Commonwealth, exceed 15% of the average annual revenue raised under the provisions of Commonwealth legislation and deposited into the Treasury (hereinafter internal revenue) in the two fiscal years preceding the fiscal year of such proposed issuance. Section 2, Article VI of the Constitution of the Commonwealth does not limit the amount of debt that the Commonwealth may guarantee as long as the Commonwealth is in compliance with the 15% limitation at the time of issuance of such guaranteed debt. Internal revenue consists principally of income taxes, sales and use tax, property taxes, and excise taxes. The validity and priority of the Commonwealth's general obligation bonds is the subject of actual and possible litigation in the case filed under Title III of PROMESA by the Oversight Board (as defined herein) on behalf of the Commonwealth.

Certain revenue, such as federal excise taxes on offshore shipments of alcoholic beverages and tobacco products and customs duties, which are collected by the United States government and returned to the Commonwealth, and motor vehicle fuel taxes, crude oil and derivative products excise taxes and license fees, which are conditionally allocated to the Puerto Rico Highways Transportation Authority (PRHTA), a discretely presented component unit, are not included as revenues for the purpose of calculating the debt limit, although they may be available for the payment of debt service. Certain of these revenues are subject to ongoing litigation. For additional information on the current status of this litigation, refer to Note 16. In addition, the portion of sales and use tax conditionally allocated to COFINA is not included as internal revenues consistent with the legislation creating COFINA, which transfers ownership of such portion of the sales and use tax to COFINA and provides that such portion is not "available resources" under the constitutional provisions relating to the payment of debt service. Issues related to this matter were resolved under the COFINA Plan of Adjustment.

Debt of certain discretely presented component units (other than bond anticipation notes) such as PREPA and PRASA is supported by operating revenue. However, the debt of certain blended and discretely presented component units is supported, in whole or in part, directly or indirectly, by Commonwealth appropriations or conditionally allocated taxes.

Additional information on the Commonwealth's long-term debt can be found in Note 12 to the accompanying basic financial statements.

As a direct result of the economic crisis facing the Commonwealth, Act No. 21-2016, known as the Puerto Rico Emergency Moratorium and Rehabilitation Act (as amended, the Moratorium Act) was enacted on April 6, 2016. Pursuant to the Moratorium Act, the Governor issued a series of executive orders declaring an emergency period, a debt payment moratorium, and various other measures with respect to certain obligations of the Commonwealth and several of its instrumentalities. Pursuant to these executive orders, certain Commonwealth entities have either: (i) not made debt service payments, (ii) made debt service payments with funds on deposit with the trustees of their bonds, and/or (iii) not received or transferred certain revenues. Subsequent to the filing of the Commonwealth's Title III case on May 3, 2017, such payments have not been made due to applicable provisions of PROMESA. Litigation regarding these revenues is ongoing in the Commonwealth's Title III case.

The following paragraphs detail the amount of debt service not paid:

PFC Bonds

On July 15, 2015, the Puerto Rico Public Finance Corporation (PFC) filed a notice with Electronic Municipal Market Access (EMMA) indicating that the Legislature had not included in the approved budget for fiscal year 2016 the funds necessary to pay principal and interest on all outstanding PFC bonds. Such appropriation is the sole source of payment of principal and interest on PFC bonds. The first payment of debt service on PFC bonds for fiscal year 2016 came due on August 3, 2015, on which date PFC made a partial payment of interest in the amount of $628 thousand (of the approximately $58 million payment due on that date) from funds held by PFC representing funds remaining from prior legislative appropriations. From August 3, 2015, through March 18, 2022, PFC has not made several debt service payments on its bonds in the total aggregate amount of approximately $603.6 million.

General Obligation (GO) Bonds

On July 1, 2016, approximately $1.1 billion of principal and interest payments were due on the Commonwealth's general obligation bonds. Of this amount, the Commonwealth paid approximately $351.9 million (leaving approximately $778.8 million unpaid). The $351.9 million payment consisted of funds held in escrow accounts ($314.4 million in principal amounts plus $37.5 million from existing capitalized interest thereon). From July 1, 2016, through March 18, 2022, the Commonwealth has not made several debt payments on its general obligation bonds in the total aggregate amount of approximately $6.5 billion.

PBA Bonds

On July 1, 2016, of the approximately $187 million of debt service payments due on the PBA outstanding revenue bonds (consisting of approximately $86.1 million in principal and $100.9 million in interest), all was paid except principal of $25.2 million. Of the outstanding bonds debt service requirements due from August 1, 2016, through March 18, 2022, PBA has not made several debt payments on bonds in the total aggregate amount of approximately$1.5 billion.

PRIFA Bonds

On January 1, 2016, of the approximately $35.9 million debt service payments (all interest) due on the PRIFA bonds, almost all remained unpaid except $14.4 thousand. Since January 1, 2016, PRIFA has not made several debt service payments on its bonds in the total aggregate amount of approximately $842 million, except principal of $100 thousand and interest of $1.1 million.

Port of the Americas (PAA) Bond Purchase Agreement with GDB

The PAA Bond Purchase Agreement with GDB remains unpaid in the aggregate amount of principal and interest of approximately $175.2 million.

Going Concern, Liquidity Risk and Fiscal Plan

Going Concern and Liquidity Risk

The Commonwealth is in the midst of a fiscal, economic and liquidity crisis, the culmination of many years of governmental deficits, an economic recession (which commenced in 2006), a high unemployment rate, a population decline, and high levels of debt and pension related obligations. As the Commonwealth's tax base has shrunk and its revenues have been affected by prevailing economic conditions, health care, pension and debt service costs have become an increasing portion of the General Fund budget, which has resulted in reduced funding available for other essential services. The Commonwealth's level of debt and unfunded pension liabilities and the resulting required allocation of revenues to service debt and pension obligations have contributed to budget deficits during the past several years, which deficits the Commonwealth has financed, further increasing the amount of its debt. These matters and the Commonwealth's liquidity constraints, among other factors, have affected its credit ratings and its ability to obtain financing at reasonable interest rates. As a result, the Commonwealth had relied on short-term financings and interim loans from the GDB, and other instrumentalities of the Commonwealth, which reliance has constrained the liquidity of the Commonwealth in general and GDB and increased near-term refinancing risk. These factors have also resulted in delays in the repayment by the Commonwealth and its discretely presented component units of outstanding GDB lines of credit, which delays have limited GDB's ability to continue providing financing to the Commonwealth and have caused GDB to fail to make principal payment on its debts obligations. Similarly, and pursuant to a series of legislations and executive orders issued during fiscal year 2016 and 2017, the Commonwealth and certain other public corporations also failed to make the debt service payments on some of its debts as they became due, including the general obligation bonds of the Commonwealth. GDB ceased its operations on March 23, 2018, and underwent a consensual restructuring of its debts under Title VI of PROMESA in 2018 and is winding down its operations.

In response to the Commonwealth's current fiscal crisis, the United States Congress enacted the Puerto Rico Oversight, Management and Economic Stability Act (codified under 48 U.S.C. §§ 2101-2241) (PROMESA) on June 30, 2016. In general terms, PROMESA seeks to provide the Commonwealth with fiscal and economic discipline through, among other things: (i) the establishment of the Oversight Board, whose responsibilities include the certification of fiscal plans and budgets for the Commonwealth and its related entities; (ii) a temporary stay of all creditor lawsuits; and (iii) two alternative methods to adjust unsustainable debt: (a) a voluntary debt modification process under Title VI of PROMESA, which establishes a largely out-of-court debt restructuring process through which modifications to financial debt can be accepted by a supermajority of creditors; and (b) a bankruptcy-type proceeding under Title III of PROMESA, which establishes an in -court debt restructuring process substantially based upon incorporated provisions of the U.S. Bankruptcy Code (11 U.S.C. §§ 101, et seq.). For additional information on the key elements of PROMESA and the Title III cases, refer to Note 3. For additional information on the civil actions related to the Title III cases and other litigation contingencies, refer to Note 16.

The risks and uncertainties facing the Commonwealth, together with other factors, have led management to conclude that there is substantial doubt as to the ability of the Commonwealth to continue as a going concern.

Fiscal Plan

Pursuant to PROMESA and the requirements imposed by the Oversight Board, on January 27, 2022, the Oversight Board certified the Fiscal Plan for the Commonwealth. The Fiscal Plan commits to fiscal responsibility and implements specific revenue enhancements and targeted expenditure reductions to return Puerto Rico to fiscal stability and economic growth. For additional information regarding the Fiscal Plan, refer to Note 2.

Currently Known Facts

The following is a summary description of currently known facts, decisions, and conditions that have had, or are expected to have, an impact on the Commonwealth's financial position and results of operations. For additional information and further detail, refer to Note 22.

Confirmed Title III Joint Plan of Adjustment

On January 18, 2022, Judge Laura Taylor Swain confirmed the Commonwealth Plan of Adjustment restructuring approximately $35 billion of debt and other claims against the Commonwealth of Puerto Rico, the Public Buildings Authority (PBA), and the Employee Retirement System (ERS), as well as more than $50 billion of unfunded pension liabilities. The Plan of Adjustment saves Puerto Rico more than $50 billion in debt service and reduces outstanding obligations to just over $7 billion.

Bonds Credit Rating

On July 20, 2021, Moody's withdrawn the general obligation and related ratings of the Commonwealth of Puerto Rico, including all ratings on the Puerto Rico Aqueduct & Sewer Authority, the Puerto Rico Electric Power Authority, and the University of Puerto Rico. At the time of the withdrawal, Puerto Rico's general obligation rating was Ca and the outlook was negative.

Earthquakes

On January 7, 2020, Puerto Rico was struck by a 6.4 magnitude earthquake causing damages to infrastructure, an island wide power outage, water shortages and threatening the lives of its people. On January 11, 2020, the Governor authorized the appropriation of approximately $12 million of the Emergency Fund to be distributed equally between the municipalities of Gúanica, Guayanilla, Peñuelas, Ponce, Utuado and Yauco to be used exclusively for damages and mitigation related to the emergency.

A preliminary assessment of the damages caused by the earthquake and subsequent aftershocks, calculated by the United States Geological Survey, estimated total economic damages ascending to approximately $836 million.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the Coronavirus disease (“COVID19”) as a global pandemic. As a result of the health threat and to contain the virus spread across the island, Governor Váquez Garced issued an executive order on March 12, 2020, declaring a state of emergency in Puerto Rico to concentrate all efforts and implement necessary measures to safeguard the health, wellbeing, and public safety of the citizens of Puerto Rico. The executive order authorized the Commonwealth’s Secretary of the Treasury and the Director of the Office of Management and Budget of the Commonwealth (PROMB) to set up a special budget, from any available funds, including the Emergency Fund, to cover all necessary costs for the containment of the virus throughout the island and sharing information with the municipalities. The impact has been preliminarily estimated at approximately $4 billion. As a direct result of the COVID19 pandemic, the Commonwealth Management has estimated a reduction of revenue collections of approximately $1.6 billion.

Revolving Funds for the Reconstruction of Puerto Rico

On November 18, 2020, Joint Resolution 85 was approved by the Legislature in order to establish a revolving fund in the amount of $750 million to advance funding for permanent work projects under the Public Assistance Program of the Federal Emergency Management Agency (FEMA). This funds will allow municipalities and other state dependencies to access much needed funding to develop permanent reconstruction works. Funding may be used specifically for reconstruction projects needed as a result of recent disasters, such as, the passage of Hurricanes Irma and María, and the earthquakes.

Requests for Information

This financial report is designed to provide a general overview of the Commonwealth’s finances for all of the Commonwealth’s residents, taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the Commonwealth’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Department of the Treasury of the Commonwealth of Puerto Rico, Área de Contabilidad Central, P.O. Box 9024140, San Juan, PR 00902.

COMMONWEALTH OF PUERTO RICO

Statement of Net Position

June 30, 2019

(In thousands)

	Primary government: Governmental activities	Primary government: Business-type activities	Primary government: Totals primary government	Component units
Assets:				
Cash and cash equivalents in commercial banks	$ 8,267,516	552,404	8,819,920	1,896,202
Cash and cash equivalents in governmental banks	—	3	3	2,612
Investments	78,774	—	78,774	1,300,561
Collateral from securities lending transactions	—	—	—	14,326
Receivables – net:				
Income and excise taxes	2,292,119	—	2,292,119	—
Sales and use tax receivable	56,269	—	56,269	—
Insurance premium	—	4,251	4,251	53,037
Intergovernmental	998,948	347,410	1,346,358	257,129
Accounts	101,039	89,437	190,476	829,509
Loans	482,874	—	482,874	334,645
Accrued interest	9,997	52	10,049	62,862
Other	197,838	1,670	199,508	131,735
Due from – net :				
Primary government	—	—	—	78,721
Component units	142,677	—	142,677	158,551
Other governmental entities	109,025	7,225	116,250	1,589,967
Internal balances	(88,625)	88,625	—	—
Inventories	15,469	—	15,469	416,751
Prepaid expenses	25,267	—	25,267	56,210
Other assets	14,133	4,696	18,829	4,960
Restricted assets:				
Cash and cash equivalents in commercial banks	1,399,812	262,586	1,662,398	1,087,748
Cash and cash equivalents under the custody of U.S. Treasury	—	687,202	687,202	—
Sales and use tax receivable	68,047	—	68,047	—
Insurance premium – net	—	46,168	46,168	—
Loans receivable from component units	—	458,069	458,069	—
Investments	172,379	28,046	200,425	956,934
Other	531	17,382	17,913	43,672
Real estate held for sale or future development	44,211	—	44,211	253,064
Capital assets:				
Land and other nondepreciable	1,981,720	36,005	2,017,725	4,456,612
Depreciable, net	6,089,565	53,478	6,143,043	22,877,673
Total assets	22,459,585	2,684,709	25,144,294	36,863,481
Deferred outflows of resources:				
Accumulated decrease in fair value of hedging derivatives	—	—	—	41,340
Loss on bonds refunding	286,204	—	286,204	131,505
Other postemployment benefits related	91,253	1,347	92,600	55,710
Pension related	1,870,157	27,610	1,897,767	1,748,401
Total deferred outflows of resources	2,247,614	28,957	2,276,571	1,976,956

COMMONWEALTH OF PUERTO RICO

Statement of Net Position

June 30, 2019

(In thousands)

	Primary government			
	Governmental activities	Business-type activities	Totals primary government	Component units
Liabilities:				
Accounts payable and accrued liabilities	1,708,644	123,177	1,831,821	2,463,087
Deposits and escrow liabilities	—	—	—	619,376
Tax refunds payable	542,432	—	542,432	—
Due to:				
Primary government	—	—	—	926,248
Component units	131,315	59,191	190,506	2,907,800
Other governmental entities	56,610	2,025	58,635	224,487
Securities lending obligations and reverse repurchase agreements	—	—	—	14,326
Interest payable	3,911,466	143,047	4,054,513	2,956,139
Unearned revenue	126,208	31,677	157,885	283,005
Notes payable to GDB	1,700	—	1,700	—
Tax revenue anticipation notes	400,000	—	400,000	—
Liabilities payable within one year:				
Commonwealth appropriation bonds	114,705	—	114,705	13,422
General obligations and revenue bonds	2,126,349	—	2,126,349	2,142,517
Notes payable to component units	86,182	103,333	189,515	—
Note payable to financial institution	19,011	—	19,011	740,664
Capital leases	10,298	—	10,298	1,124
Compensated absences	213,003	8,615	221,618	59,155
Obligation for unpaid lottery prizes	—	105,218	105,218	—
Voluntary termination benefits	83,406	5,852	89,258	19,337
Net pension liability	—	—	—	224,638
Total pension liability	1,789,418	26,875	1,816,293	285,030
Total other postemployment benefit liability	91,253	1,345	92,598	22,450
Liability for insurance benefits	—	213,594	213,594	740,367
Other long-term liabilities	216,462	1,703	218,165	68,754
Liabilities payable after one year:				
Commonwealth appropriation bonds	462,175	—	462,175	506,460
General obligations and revenue bonds	32,886,438	—	32,886,438	18,090,197
Bond purchase agreement with GDB	225,534	—	225,534	—
Notes payable to component units	765,235	383,125	1,148,360	—
Notes payable to financial institutions	4,753	—	4,753	185,001
Liability under guaranteed obligation	304,718	—	304,718	—
Capital leases	273,234	—	273,234	24,095
Compensated absences	241,274	9,053	250,327	189,684
Obligation for unpaid lottery prizes	—	63,142	63,142	—
Voluntary termination benefits	540,878	16,798	557,676	121,986
Net pension obligation	—	—	—	20,755
Net pension liability	—	—	—	7,366,816
Total pension liability	32,685,901	473,866	33,159,767	5,722,207
Total other postemployment benefit liability	1,057,295	15,032	1,072,327	788,741
Hedging derivatives instruments – interest rate swaps	—	—	—	41,340
Other long-term liabilities	1,985,228	2,390	1,987,618	708,781
Total liabilities	83,061,125	1,789,058	84,850,183	48,477,989
Deferred inflows of resources:				
Service concession arrangements	—	—	—	1,758,303
Gain on bonds refunding	15,705	—	15,705	—
Other post employment benefits related	8,706	—	8,706	37,635
Pension related	1,777,798	37,274	1,815,072	656,236
Total deferred inflows of resources	1,802,209	37,274	1,839,483	2,452,174
Net position:				
Net investment in capital assets	2,844,932	67,464	2,912,396	4,957,993
Restricted for:				
Capital projects	72,425	—	72,425	305,765
Debt service	165,884	—	165,884	145,901
Emergency services	—	20,047	20,047	—
Lending activities	—	673,365	673,365	—
Payment of insurance benefits	—	722,800	722,800	—
Public housing and welfare	—	—	—	64,208
Student loans and other educational purposes	—	—	—	112,349
Other	231,195	—	231,195	408,985
Unrestricted (deficit)	(63,470,571)	(596,342)	(64,066,913)	(18,084,927)
Total net position	$ (60,156,135)	887,334	(59,268,801)	(12,089,726)

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Statement of Activities

Year ended June 30, 2019

(In thousands)

		Program revenue			Net (expense) revenue and changes in net position			
					Primary government			
Functions	**Expenses**	**Charges for services**	**Operating grants and contributions**	**Capital grants and contributions**	**Governmental activities**	**Business-type activities**	**Total**	**Component units**
Primary government:								
Governmental activities:								
General government	$ (199,131)	290,995	645,046	—	1,135,172	—	1,135,172	—
Public safety	2,006,474	139,539	290,856	—	(1,576,079)	—	(1,576,079)	—
Health	3,642,654	247,517	3,167,861	—	(227,276)	—	(227,276)	—
Public housing and welfare	5,157,307	31,513	4,591,481	77,106	(457,207)	—	(457,207)	—
Education	4,004,633	990	944,571	—	(3,059,072)	—	(3,059,072)	—
Economic development	816,057	137,124	392,131	—	(286,802)	—	(286,802)	—
Intergovernmental	177,337	—	—	—	(177,337)	—	(177,337)	—
Interest and other	2,924,958	—	—	—	(2,924,958)	—	(2,924,958)	—
Total governmental activities	18,530,289	847,678	10,031,946	77,106	(7,573,559)	—	(7,573,559)	—
Business-type activities:								
Unemployment insurance	65,443	205,050	966	—	—	140,573	140,573	—
Puerto Rico Health Insurance Administration	2,846,318	279,305	2,547,711	—	—	(19,302)	(19,302)	—
Puerto Rico Medical Services Administration	83,872	111,655	—	—	—	27,783	27,783	—
Nonmajor proprietary funds	561,309	801,085	3,039	—	—	242,815	242,815	—
Total business-type activities	3,556,942	1,397,095	2,551,716	—	—	391,869	391,869	—
Total primary government	$ 22,087,231	2,244,773	12,583,662	77,106	(7,573,559)	391,869	(7,181,690)	—

(Continued)

COMMONWEALTH OF PUERTO RICO

Statement of Activities

Year ended June 30, 2019

(In thousands)

		Program revenue			Net (expense) revenue and changes in net position			
					Primary government			
Functions	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total	Component units
Component units:								
Government Development Bank for Puerto Rico	$ 34,075	133,373	184,039	—	—	—	—	283,337
Puerto Rico Highways and Transportation Authority	1,343,727	209,246	31,828	164,101	—	—	—	(938,552)
Puerto Rico Electric Power Authority	4,376,598	3,611,664	672,701	72,845	—	—	—	(19,388)
Puerto Rico Aqueduct and Sewer Authority	1,581,233	1,060,924	—	77,890	—	—	—	(442,419)
University of Puerto Rico	1,372,591	266,307	304,846	—	—	—	—	(801,438)
State Insurance Fund Corporation	777,341	627,782	—	—	—	—	—	(149,559)
Nonmajor component units	5,045,807	794,237	3,040,165	77	—	—	—	(1,211,328)
Total component units	$ 14,531,372	6,703,533	4,233,579	314,913	—	—	—	(3,279,347)
General revenue:								
Income taxes					5,771,456	—	5,771,456	—
Sales and use tax					2,738,048	—	2,738,048	—
Excise taxes					3,947,349	—	3,947,349	195,787
Other taxes					160,363	—	160,363	—
Revenue from global tobacco settlement agreement					75,121	—	75,121	—
Revenue from State Insurance Fund Corporation					42,859	—	42,859	—
Revenue from Puerto Rico Tourism Company					22,176	—	22,176	—
Revenue from Automobile Accidents Compensation Administration					4,726	—	4,726	—
Revenue from Puerto Rico Electric Power Authority					5,800	—	5,800	—
Grants and contributions not restricted to specific programs					43,822	—	43,822	4,526
Revenue from primary government					—	—	—	1,125,604
Unrestricted investment earnings – net					138,945	24,376	163,321	192,925
Net gain on GDB restructuring					915,303	—	915,303	—
Other					81,244	1,575	82,819	—
Extraordinary item - Gain on PROMESA Tittle III and VI transaction					6,260,592	—	6,260,592	4,175,360
Transfers					(95,505)	95,505	—	—
Total general revenue, extraordinary items, and transfers					20,112,299	121,456	20,233,755	5,694,202
Change in net position					12,538,740	513,325	13,052,065	2,414,855
Net position:								
At beginning of year, as previously reported					(72,761,710)	273,724	(72,487,986)	(14,135,056)
Correction of errors and change in reporting entity (note 4)					66,835	100,285	167,120	(369,525)
Net position (deficit) – beginning of year, as restated					(72,694,875)	374,009	(72,320,866)	(14,504,581)
Net position (deficit) – end of year					$ (60,156,135)	887,334	(59,268,801)	(12,089,726)

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Balance Sheet – Governmental Funds

June 30, 2019

(In thousands)

	General	Debt service	ERS special revenue	COFINA special revenue	COFINA debt service	Nonmajor governmental	Total governmental
Assets:							
Cash and cash equivalents in commercial banks	$ 7,849,971	—	111,831	21,991	—	283,723	8,267,516
Investments	—	—	76,641	—	—	2,133	78,774
Receivables – net:							
Income and excise taxes	2,292,119	—	—	—	—	—	2,292,119
Sales and use tax receivable	56,269	—	—	—	—	—	56,269
Intergovernmental	893,592	103,214	—	—	—	2,142	998,948
Accounts	96,839	—	—	—	—	4,200	101,039
Loans	—	—	296,544	—	—	186,330	482,874
Accrued interest	9,959	—	—	—	—	38	9,997
Other	148,981	—	2,557	244	—	46,056	197,838
Due from – net:							
Other funds	106,678	—	137,235	—	—	6,425	250,338
Component units	142,677	—	—	—	—	—	142,677
Other governmental entities	90,821	—	—	—	—	17,733	108,554
Other assets	12,357	—	—	—	—	1,776	14,133
Restricted assets:							
Cash and cash equivalents in commercial banks	73,125	448,859	409,006	—	189,350	279,472	1,399,812
Sales and use tax receivable	—	—	—	—	68,047	—	68,047
Investments	52,447	—	—	—	12,833	107,099	172,379
Due from other funds	—	—	—	—	—	141,008	141,008
Due from other governmental entities	—	—	—	—	—	471	471
Other assets	—	—	—	—	—	531	531
Real estate held for sale or future development	—	—	—	—	—	1,854	1,854
Total assets	$ 11,825,835	552,073	1,033,814	22,235	270,230	1,080,991	14,785,178
Liabilities, deferred inflow of resources, and fund balances (deficit):							
Liabilities:							
Accounts payable and accrued liabilities	$ 1,580,191	—	22,324	809	—	102,826	1,706,150
Tax refunds payable	542,432	—	—	—	—	—	542,432
Due to:							
Other funds	108,838	—	—	—	276,590	94,543	479,971
Component units	121,352	—	—	—	—	9,963	131,315
Other governmental entities	46,926	—	—	—	—	9,684	56,610
Interest payable	120,772	2,160,200	160,400	—	—	832,650	3,274,022
Unearned revenue	21,865	103,214	—	—	—	1,129	126,208
Notes payable to GDB	14,260	—	—	—	—	87,882	102,142
Tax revenue anticipation notes	400,000	—	—	—	—	—	400,000
Commonwealth appropriation bonds	90,868	—	—	—	—	374	91,242
General obligation and revenue bonds	—	1,194,330	—	—	—	388,678	1,583,008
Compensated absences	—	—	—	—	—	863	863
Other liabilities	70,000	—	—	—	—	4,852	74,852
Total liabilities	3,117,504	3,457,744	182,724	809	276,590	1,533,444	8,568,815
Deferred inflows of resources:							
Unavailable income taxes	1,007,955	—	—	—	—	—	1,007,955
Intergovernmental grants and contributions	48,518	—	—	—	—	—	48,518
Developer fees	123,731	—	—	—	—	—	123,731
Global tobacco settlement agreement	—	—	—	—	—	36,899	36,899
Total deferred inflows of resources	1,180,204	—	—	—	—	36,899	1,217,103
Fund Balances:							
Nonspendable	—	—	—	—	—	487	487
Spendable:							
Restricted	103,547	—	851,090	—	—	671,571	1,626,208
Committed	—	—	—	—	—	11,204	11,204
Assigned	479	—	—	21,426	—	40,223	62,128
Unassigned (deficit)	7,424,101	(2,905,671)	—	—	(6,360)	(1,212,837)	3,299,233
Total fund balances (deficit)	7,528,127	(2,905,671)	851,090	21,426	(6,360)	(489,352)	4,999,260
Total liabilities, deferred inflow of resources, and fund balances	$ 11,825,835	552,073	1,033,814	22,235	270,230	1,080,991	14,785,178

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position

June 30, 2019

(In thousands)

Total fund balances (deficit) of governmental funds	$	4,999,260
Amounts reported for governmental activities in the statement of net position are different than the amounts reported in the governmental funds because:		
Inventories and prepaid expenses that are not reported in governmental funds and are reported in the statement of net position		40,736
Deferred outflows of resources reported in governmental activities but not in governmental funds		
Loss on bonds refunding		286,204
Other postemployment benefits related		91,253
Pension related		1,870,157
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds		8,071,285
Real estate held for sale or future development are not current financial resources and, therefore, are not reported in the governmental funds		42,357
Deferred inflows of resources reported in the governmental funds are recognized as revenue in the governmental activities		1,217,103
Deferred inflows of resources reported in governmental activities but not in governmental funds		
Gain on bonds refunding		(15,705)
Other postemployment benefits related		(8,706)
Pension related		(1,777,798)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accounts payable		(2,494)
Interest payable		(637,444)
Commonwealth appropriation bonds		(485,638)
General obligation and revenue bonds		(33,429,779)
Bond purchase agreement with GDB		(225,534)
Notes payable to component units		(750,975)
Notes payable to financial institutions		(23,764)
Guaranteed obligation		(304,718)
Capital leases		(283,532)
Compensated absences		(453,414)
Voluntary termination benefits		(624,284)
Net pension liability		(34,475,319)
Other postemployment benefit obligation		(1,148,548)
Other long-term liabilities		(2,126,838)
Total net position (deficit) of governmental activities	$	(60,156,135)

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds

Year ended June 30, 2019

(In thousands)

	General	Debt service	ERS special revenue	COFINA special revenue	COFINA debt service	Nonmajor governmental	Total governmental
Revenue:							
Taxes:							
Income taxes	$ 6,099,741	—	—	—	—	—	6,099,741
Sales and use tax	2,324,542	—	—	—	413,506	—	2,738,048
Excise taxes	3,947,349	—	—	—	—	—	3,947,349
Property taxes	4,993	—	—	—	—	—	4,993
Other taxes	155,370	—	—	—	—	—	155,370
Charges for services	847,678	—	—	—	—	—	847,678
Revenue from global tobacco settlement agreement	75,121	—	—	—	—	—	75,121
Revenue from component units	75,561	—	—	—	—	—	75,561
Intergovernmental	10,140,734	43,822	—	—	—	3,155	10,187,711
Interest and investment earnings	94,711	185	1,147	113	21,120	21,669	138,945
Net gain on GDB restructuring	315,474	—	—	—	—	—	315,474
Other	28,525	—	—	775	—	35,168	64,468
Total revenue	24,109,799	44,007	1,147	888	434,626	59,992	24,650,459
Expenditures:							
Current:							
General government	2,292,997	—	54,611	852	4,619	158,710	2,511,789
Public safety	1,988,649	—	—	—	—	684	1,989,333
Health	3,615,052	—	—	—	—	28,506	3,643,558
Public housing and welfare	5,114,625	—	—	—	—	(105,692)	5,008,933
Education	3,042,875	—	—	—	—	20,446	3,063,321
Economic development	1,142,338	—	—	—	—	468	1,142,806
Intergovernmental	177,337	—	—	—	—	—	177,337
Capital outlays	99,240	—	73	—	—	6,504	105,817
Debt service:							
Principal	76,262	351,275	—	—	47,950	290,834	766,321
Interest and other	64,934	709,291	166,519	—	823,702	361,305	2,125,751
Total expenditures	17,614,309	1,060,566	221,203	852	876,271	761,765	20,534,966
Excess (deficiency) of revenue over (under) expenditures	6,495,490	(1,016,559)	(220,056)	36	(441,645)	(701,773)	4,115,493
Other financing sources (uses):							
Transfers in	375,655	—	61,802	64,768	—	346,829	849,054
Transfers out	(724,144)	—	(73,596)	(49,455)	(64,768)	(32,596)	(944,559)
Proceeds from long term debt issued	1,605	—	—	—	—	—	1,605
Proceeds from sale of capital assets	18,872	—	—	—	—	—	18,872
Total other financing sources (uses)	(328,012)	—	(11,794)	15,313	(64,768)	314,233	(75,028)
Extraordinary item:							
Gain (loss) on PROMESA Tittle III transaction	—	—	—	(100)	193,115	—	193,015
Total extraordinary item	—	—	—	(100)	193,115	—	193,015
Net change in fund balances	6,167,478	(1,016,559)	(231,850)	15,249	(313,298)	(387,540)	4,233,480
Fund balances (deficit) – beginning of year, as restated (note 4)	1,360,649	(1,889,112)	1,082,940	6,177	306,938	(101,812)	765,780
Fund balances (deficit) – end of year	$ 7,528,127	(2,905,671)	851,090	21,426	(6,360)	(489,352)	4,999,260

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2019

(In thousands)

Net change in fund balances – total governmental funds		$ 4,233,480
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. In the current period, these amounts are:		
Capital outlays	$ 105,817	
Less depreciation and amortization expense	(322,595)	
Loss on disposal of assets	(47,259)	
Subtotal		(264,037)
The issuance of long-term debt (e.g., bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in thestatement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Principal payments of long-term debt	766,321	
Proceed from long-term debt issued	(1,605)	
Subtotal		764,716
Some revenues in the statement of activities do not provide current financial resources, and, therefore, are deferred in governmental funds. Also, revenue related to prior periods that became available during the current period is reported in governmental funds but are eliminated in the statement of activities.		6,321,060
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		1,481,920
Generally, inventory and prepayments are recorded as expenditures in the governmental funds when purchased rather than capitalized as an asset. However, these assets are capitalized in the statement of net position. This amount is the net decrease in total inventories and prepaid expenses.		1,601
Change in net position of governmental activities		$ 12,538,740

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Statement of Net Position – Proprietary Funds

June 30, 2019

(In thousands)

	Business-Type Activities – Enterprise Funds				
	Unemployment Insurance	Puerto Rico Health Insurance Administration	Puerto Rico Medical Services Administration	Nonmajor proprietary	Total proprietary
Assets:					
Current assets:					
Cash and cash equivalents in commercial banks	$ —	283,436	19,416	249,552	552,404
Cash and cash equivalents in governmental banks	—	3	—	—	3
Receivables – net:					
Insurance premiums	—	—	—	4,251	4,251
Intergovernmental	—	347,410	—	—	347,410
Accounts	—	75,262	7,173	7,002	89,437
Accrued interest receivable	—	—	—	52	52
Other	—	—	127	227	354
Due from other funds	—	—	75,961	3,959	79,920
Due from other governmental entities	—	—	7,225	—	7,225
Other assets	—	74	4,596	26	4,696
Restricted assets:					
Cash and cash equivalents in commercial banks	3,654	—	—	233,065	236,719
Cash and cash equivalents under the custody the U.S. Treasury	687,202	—	—	—	687,202
Insurance premiums receivable	46,168	—	—	—	46,168
Other	807	—	—	492	1,299
Loans from component units	—	—	—	834	834
Total current assets	737,831	706,185	114,498	499,460	2,057,974
Noncurrent assets:					
Cash and cash equivalents in commercial banks – restricted	—	—	25,867	—	25,867
Receivables – net:					
Loans from component units – restricted	—	—	—	457,235	457,235
Due from other funds	—	11,806	—	15,613	27,419
Other	—	1,316	—	—	1,316
Restricted investments	—	—	—	28,046	28,046
Other restricted assets	—	—	—	16,083	16,083
Land and other nondepreciable	—	—	6,872	29,133	36,005
Depreciable, net	—	1,370	46,499	5,609	53,478
Total assets	737,831	720,677	193,736	1,051,179	2,703,423
Deferred outflows of resources:					
Other postemployment benefits related	—	—	1,201	146	1,347
Pension related	—	725	23,713	3,172	27,610
Total deferred outflows of resources	—	725	24,914	3,318	28,957
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	—	94,105	18,282	10,790	123,177
Due to other funds	1,681	2,620	4,435	9,978	18,714
Due to component units	—	—	59,191	—	59,191
Due to other governmental entities	—	—	2,019	6	2,025
Interest payable	—	52,698	83,484	6,865	143,047
Unearned revenue	22,014	—	—	9,663	31,677
Notes payable to component units	—	103,333	—	—	103,333
Compensated absences	—	924	7,397	294	8,615
Obligation for unpaid lottery prizes	—	—	—	105,218	105,218
Voluntary termination benefits payable	—	839	4,618	395	5,852
Liability for insurance benefits	36,736	176,313	—	545	213,594
Total pension liability	—	357	23,713	2,805	26,875
Total other postemployment benefit liability	—	—	1,201	144	1,345
Other long-term liabilities	—	—	1,703	—	1,703
Total current liabilities	60,431	431,189	206,043	146,703	844,366
Noncurrent liabilities:					
Notes payable to component units	—	79,918	282,445	20,762	383,125
Compensated absences	—	2,784	4,326	1,943	9,053
Obligation for unpaid lottery prizes	—	—	—	63,142	63,142
Voluntary termination benefits payable	—	—	15,154	1,644	16,798
Total pension liability	—	5,192	420,788	47,886	473,866
Total other postemployment benefit liability	—	—	13,400	1,632	15,032
Other long-term liabilities	—	—	2,390	—	2,390
Total liabilities	60,431	519,083	944,546	283,712	1,807,772
Deferred inflows of resources:					
Pension related	—	350	32,818	4,106	37,274
Net position:					
Net investment in capital assets	—	1,370	52,941	13,153	67,464
Restricted for emergency services	—	—	13,779	6,268	20,047
Restricted for lending activities	—	—	—	673,365	673,365
Restricted for payment of insurance benefits	677,400	—	—	45,400	722,800
Unrestricted (deficit)	—	200,599	(825,434)	28,493	(596,342)
Total net position (deficit)	$ 677,400	201,969	(758,714)	766,679	887,334

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Statement of Revenue, Expenses, and Changes in Fund Net Position – Proprietary Funds

Year ended June 30, 2019

(In thousands)

	Business-Type Activities – Enterprise Funds				
	Unemployment Insurance	**Puerto Rico Health Insurance Administration**	**Puerto Rico Medical Services Administration**	**Nonmajor proprietary**	**Total proprietary**
Operating revenue:					
Health insurance administration	$ —	279,305	—	—	279,305
Insurance premiums	205,050	—	—	18,263	223,313
Lottery ticket sales	—	—	—	756,190	756,190
Patient service, net of provision for bad debts	—	—	107,690	—	107,690
Emergency telephone service charges	—	—	—	20,485	20,485
Interest	—	—	—	287	287
Release of provision for loan losses	—	—	—	5,803	5,803
Other	—	—	3,965	57	4,022
Total operating revenue	205,050	279,305	111,655	801,085	1,397,095
Operating expenses:					
Insurance benefits	65,184	—	—	1,890	67,074
Medical premiums and claims	—	2,796,145	—	—	2,796,145
Lottery prizes	—	—	—	488,761	488,761
Patient services	—	—	129,382	—	129,382
General, administrative, and other operating expenses	259	39,142	(64,981)	69,003	43,423
Total operating expenses	65,443	2,835,287	64,401	559,654	3,524,785
Operating income (loss)	139,607	(2,555,982)	47,254	241,431	(2,127,690)
Nonoperating revenue (expenses):					
U.S. government grants	966	2,547,711	—	3,039	2,551,716
Contributions to component units	—	—	—	(258)	(258)
Interest and investment earnings	14,757	3,910	—	5,709	24,376
Loss on disposition of capital assets	—	—	(51)	—	(51)
Interest expense	—	(11,031)	(19,420)	(1,397)	(31,848)
Other	—	—	1,160	415	1,575
Total nonoperating revenue (expenses)	15,723	2,540,590	(18,311)	7,508	2,545,510
Income (loss) before transfers	155,330	(15,392)	28,943	248,939	417,820
Transfers from other funds	—	15,199	108,261	195,055	318,515
Transfers to other funds	(44,022)	—	(3,002)	(175,986)	(223,010)
Net change in net position	111,308	(193)	134,202	268,008	513,325
Net position (deficit)– beginning of year, as restated (note 4)	566,092	202,162	(892,916)	498,671	374,009
Net position (deficit)– end of year	$ 677,400	201,969	(758,714)	766,679	887,334

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2019

(In thousands)

		Business-Type Activities – Enterprise Funds				
		Unemployment Insurance	Puerto Rico Health Insurance Administration	Puerto Rico Medical Services Administration	Nonmajor proprietary	Total proprietary
Cash flows from operating activities:						
Receipts from customers and users	$	218,945	281,681	95,942	795,742	1,392,310
Other receipts		—	—	—	419	419
Payments to healthcare organizations and third party administrators		—	(2,726,150)	—	—	(2,726,150)
Payments to suppliers		(259)	(45,588)	(45,472)	(75,497)	(166,816)
Payments to employees		—	(2,651)	(118,905)	(19,294)	(140,850)
Payments of lottery prizes		—	—	—	(485,025)	(485,025)
Payments of insurance benefits		(79,656)	—	—	(1,924)	(81,580)
Net cash provided by (used in) operating activities		139,030	(2,492,708)	(68,435)	214,421	(2,207,692)
Cash flows from noncapital financing activities:						
U.S. government grants		966	2,704,453	—	3,039	2,708,458
Contributions to component units		—	—	—	(258)	(258)
Interest paid		—	(36)	(149)	—	(185)
Transfers from other funds		—	12,038	91,306	197,837	301,181
Transfers to other funds		(48,481)	—	(3,002)	(174,548)	(226,031)
Net cash provided by (used in) noncapital and related financing activities		(47,515)	2,716,455	88,155	26,070	2,783,165
Cash flows from capital and related financing activities:						
Advances to other funds		—	—	—	101	101
Principal payment		—	—	—	(101)	(101)
Capital expenditures		—	(14)	(4,731)	(433)	(5,178)
Net cash used by capital and related financing activities		—	(14)	(4,731)	(433)	(5,178)
Cash flows from investing activities:						
Interest collected on deposits, investments, and loans		14,757	4,783	1,160	6,128	26,828
Loans originated		—	—	—	(5,450)	(5,450)
Principal collected on loans		—	—	—	10,137	10,137
Proceeds from sales and maturities of investments		—	—	—	10,535	10,535
Purchases of investments		—	—	—	(11,763)	(11,763)
Net cash provided by investing activities		14,757	4,783	1,160	9,587	30,287
Net change in cash and cash equivalents		106,272	228,516	16,149	249,645	600,582
Cash and cash equivalents at beginning of year		584,584	54,923	29,134	232,972	901,613
Cash and cash equivalents at end of year	$	690,856	283,439	45,283	482,617	1,502,195
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$	139,607	(2,555,982)	47,254	241,431	(2,127,690)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation		—	1,022	6,254	499	7,775
Provision for bad debts		—	3,490	21,381	—	24,871
Release of provision for loan losses		—	—	—	(5,803)	(5,803)
Changes in operating assets and liabilities:						
Decrease (increase) in accounts and loans receivable		14,926	(18,886)	(16,792)	(421)	(21,173)
Decrease in due from component units		—	—	1,121	—	1,121
Decrease in due from other governmental entities		—	—	55	—	55
Decrease (increase) in other assets		—	21,262	(685)	1,760	22,337
Decrease (increase) in deferred outflow of resources		—	2,466	184,130	26,845	213,441
Increase (decrease) in accounts payable and accrued liabilities		—	15,753	(20,409)	(1,713)	(6,369)
Increase (decrease) in due to other funds		—	2,620	(1,265)	—	1,355
Decrease in due to component units		—	—	1,566	—	1,566
Increase (decrease) in due to other governmental entities		—	—	484	(3)	481
Increase (decrease) in unearned revenue		(1,031)	—	—	(375)	(1,406)
Decrease in compensated absences		—	2,722	(990)	(229)	1,503
Increase (decrease) in deferred inflow of resources		—	(2,220)	(54,790)	(1,868)	(58,878)
Increase (decrease) in total pension liability		—	(14,956)	(254,599)	(48,982)	(318,537)
Decrease in total other postemployment benefits liability		—	—	(787)	(38)	(825)
Increase in obligation for unpaid lottery prizes		—	—	—	3,736	3,736
Increase (decrease) in voluntary termination benefits payable		—	(2,906)	19,772	(396)	16,470
Increase (decrease) in liability for unemployment, disability and health insurance		(14,472)	52,907	—	(22)	38,413
Decrease in other long-term liabilities		—	—	(135)	—	(135)
Total adjustments		(577)	63,274	(115,689)	(27,010)	(80,002)
Net cash provided by (used in) operating activities	$	139,030	(2,492,708)	(68,435)	214,421	(2,207,692)
Noncash capital and financing activities:						
Loss on disposition of capital assets	$	—	—	51	—	51
Capital lease acquisition	$	—	—	492	—	492

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2019

(In thousands)

		Agency
Assets:		
Cash and cash equivalents in commercial banks:		
Unrestricted	$	1,146,679
Total assets		1,146,679
Liabilities:		
Accounts payable and accrued liabilities		1,146,679
Total liabilities		1,146,679

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Combining Statement of Net Position – Discretely Presented Component Units

June 30, 2019

(In thousands)

	Government Development Bank for Puerto Rico	Puerto Rico Highways and Transportation Authority	Puerto Rico Electric Power Authority	Puerto Rico Aqueduct and Sewer Authority	University of Puerto Rico	State Insurance Fund Corporation	Major component units totals	Nonmajor component units totals	All component units totals
Assets:									
Cash and cash equivalents in commercial banks	$ 62,710	20,808	317,210	377,875	299,673	327,922	1,406,198	490,004	1,896,202
Cash and cash equivalents with governmental banks	—	—	—	—	—	—	—	2,612	2,612
Investments	55,665	—	—	—	2,723	655,364	713,752	586,809	1,300,561
Collateral from securities lending transactions	—	—	—	—	—	14,326	14,326	—	14,326
Receivables – net:									
Insurance premiums	—	—	—	—	—	53,037	53,037	—	53,037
Intergovernmental	—	27,773	—	36,021	42,956	—	106,750	150,379	257,129
Accounts	—	7,285	539,762	160,168	29,079	—	736,294	93,215	829,509
Loans and advances	296,605	—	—	—	8,646	—	305,251	29,394	334,645
Accrued interest	9,126	190	—	—	—	11,983	21,299	41,563	62,862
Other	818	—	—	120	—	11,524	12,462	119,273	131,735
Due from – net:									
Primary government	—	8,108	49,580	—	7,132	—	64,820	13,901	78,721
Component units	5,941	—	90,270	4,608	5,387	—	106,206	52,345	158,551
Other governmental entities	—	—	355,089	18,445	19,532	—	393,066	1,196,901	1,589,967
Inventories	—	—	368,362	30,820	2,218	2,399	403,799	12,952	416,751
Prepaid expenses	—	4,736	8,826	13,115	3,979	3,676	34,332	21,878	56,210
Other assets	126	—	—	—	—	—	126	4,834	4,960
Restricted assets:									
Cash and cash equivalents in commercial banks	59,208	280,889	101,774	438,957	35,831	—	916,659	171,089	1,087,748
Investments	110,953	83,084	—	—	263,349	—	457,386	499,548	956,934
Other restricted assets	7,425	—	—	—	—	—	7,425	36,247	43,672
Real estate held for sale or future development	49,239	—	—	—	—	—	49,239	203,825	253,064
Capital assets:									
Land and other nondepreciable	7,753	2,420,990	345,229	426,078	86,106	68,279	3,354,435	1,102,177	4,456,612
Depreciable – net	802	6,905,557	7,723,148	5,518,456	736,253	64,078	20,948,294	1,929,379	22,877,673
Total assets	666,371	9,759,420	9,899,250	7,024,663	1,542,864	1,212,588	30,105,156	6,758,325	36,863,481
Deferred outflows of resources:									
Accumulated decrease in fair value of hedging derivatives	—	—	41,340	—	—	—	41,340	—	41,340
Loss on bonds refunding	1,718	75,287	28,681	13,403	1,416	—	120,505	11,000	131,505
Other post employment benefits related	247	54	18,745	16,179	14,738	2,080	52,043	3,667	55,710
Pension related	19,983	42,215	642,742	93,449	631,890	178,779	1,609,058	139,343	1,748,401
Total deferred outflows of resources	21,948	117,556	731,508	123,031	648,044	180,859	1,822,946	154,010	1,976,956

(Continued)

COMMONWEALTH OF PUERTO RICO

Combining Statement of Net Position – Discretely Presented Component Units

June 30, 2019

(In thousands)

	Government Development Bank for Puerto Rico	Puerto Rico Highways and Transportation Authority	Puerto Rico Electric Power Authority	Puerto Rico Aqueduct and Sewer Authority	University of Puerto Rico	State Insurance Fund Corporation	Major component units totals	Nonmajor component units totals	All component units totals
Liabilities:									
Accounts payable and accrued liabilities	95,965	51,276	1,307,396	249,875	93,212	75,624	1,873,348	589,739	2,463,087
Deposits and escrow liabilities	—	—	305,428	91,136	—	—	396,564	222,812	619,376
Due to:									
Primary government	20,874	9,629	36,964	585,675	—	31,553	684,695	241,553	926,248
Component units	137,402	1,976,820	4,749	87,586	19,878	1,748	2,228,183	679,617	2,907,800
Other governmental entities	—	1,604	—	—	18,435	5,578	25,617	198,870	224,487
Securities lending obligations and reverse repurchase agreements	—	—	—	—	—	14,326	14,326	—	14,326
Interest payable	628	1,217,902	1,187,526	273,154	—	—	2,679,210	276,929	2,956,139
Unearned revenue	3,941	99,463	8,506	23,330	29,021	22,523	186,784	96,221	283,005
Liabilities payable within one year:									
Commonwealth appropriation bonds	353	—	—	—	—	—	353	13,069	13,422
Revenue bonds	12,976	363,099	1,306,632	80,332	26,995	—	1,790,034	352,483	2,142,517
Notes payable to financial institutions	—	—	696,652	—	318	—	696,970	43,694	740,664
Capital leases	—	—	—	—	—	766	766	358	1,124
Compensated absences	—	—	13,722	9,241	24,609	—	47,572	11,583	59,155
Voluntary termination benefits	—	—	—	8,300	—	—	8,300	11,037	19,337
Liability for insurance benefits	—	—	—	—	—	680,304	680,304	60,063	740,367
Net pension liability	—	—	224,638	—	—	—	224,638	—	224,638
Total pension liability	10,125	—	—	91,017	—	93,130	194,272	90,758	285,030
Total other postemployment benefits liability	247	—	12,782	3,957	—	2,104	19,090	3,360	22,450
Other long-term liabilities	5,982	618	—	—	2,373	56,753	65,726	3,028	68,754
Liabilities payable after one year:									
Commonwealth appropriation bonds	2,988	—	—	415,483	—	—	418,471	87,989	506,460
Revenue bonds	23,743	3,940,700	7,031,816	3,791,017	410,699	—	15,197,975	2,892,222	18,090,197
Notes payable to financial institutions	70,617	—	26,118	—	424	—	97,159	87,842	185,001
Capital leases	—	—	—	—	—	23,673	23,673	422	24,095
Compensated absences	—	1,730	16,544	25,943	108,230	28,464	180,911	8,773	189,684
Voluntary termination benefits	—	37,532	—	30,807	—	—	68,339	53,647	121,986
Net pension obligation	—	—	—	—	—	—	—	20,755	20,755
Net pension Liability	—	—	4,342,683	—	3,024,133	—	7,366,816	—	7,366,816
Total pension liability	177,352	600,493	—	1,581,863	—	1,644,213	4,003,921	1,718,286	5,722,207
Total other postemployment benefits liability	2,552	3,169	348,095	117,421	226,844	50,762	748,843	39,898	788,741
Hedging derivative instruments – interest rate swaps	—	—	41,340	—	—	—	41,340	—	41,340
Other long-term liabilities	42,712	178,166	276,667	—	93,778	35,426	626,749	82,032	708,781
Total liabilities	608,457	8,482,201	17,188,258	7,466,137	4,078,949	2,766,947	40,590,949	7,887,040	48,477,989
Deferred inflows of resources:									
Service concession arrangements	—	1,088,555	—	—	—	—	1,088,555	669,748	1,758,303
Other post employment benefits related	—	—	24,678	9,164	2,446	1,347	37,635	—	37,635
Pension related	11,818	37,853	222,515	105,454	43,203	109,518	530,361	125,875	656,236
Total deferred inflows of resources	11,818	1,126,408	247,193	114,618	45,649	110,865	1,656,551	795,623	2,452,174
Net position:									
Net investment in capital assets	8,555	1,973,860	(268,167)	1,324,192	396,214	107,918	3,542,572	1,415,421	4,957,993
Restricted for:									
Capital projects	—	250,574	—	—	6,279	—	256,853	48,912	305,765
Debt service	—	—	—	—	48,531	—	48,531	97,370	145,901
Affordable housing and related loan insurance programs	64,208	—	—	—	—	—	64,208	—	64,208
Student loans and other educational purposes	—	—	—	—	108,189	—	108,189	4,160	112,349
Other	—	—	85,831	144,449	27,486	—	257,766	151,219	408,985
Unrestricted (deficit)	(4,719)	(1,956,067)	(6,622,357)	(1,901,702)	(2,520,389)	(1,592,283)	(14,597,517)	(3,487,410)	(18,084,927)
Total net position (deficit)	$ 68,044	268,367	(6,804,693)	(433,061)	(1,933,690)	(1,484,365)	(10,319,398)	(1,770,328)	(12,089,726)

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Combining Statement of Activities – Discretely Presented Component Units

Year ended June 30, 2019

(In thousands)

	Expenses	Program revenue: Charges for services	Program revenue: Operating grants and contributions	Program revenue: Capital grants and contributions	Net revenue (expenses) and changes in net position	General revenue and transfers: Payments from (to) primary government	General revenue and transfers: Payments from (to) other component units	General revenue and transfers: Grants and contributions not restricted to specific programs	General revenue and transfers: Interest and investment earnings	General revenue and transfers: Excise taxes and others	Extraordinary Gain	Change in net position	Net position (deficit) – beginning of year, as previously reported	Correction of errors and adoption of new pronouncements (note 4)	Net position (deficit) – beginning of year, as restated	Net position (deficit) end of year
Major component units:																
Government Development Bank for Puerto Rico	$ 34,075	133,373	184,039	—	283,337	—	(22,615)	—	—	—	4,175,360	4,436,082	(4,374,352)	6,314	(4,368,038)	68,044
Puerto Rico Highways and Transportation Authority	1,343,727	209,246	31,828	164,101	(938,552)	158,697	—	—	10,042	—	—	(769,813)	1,038,180	—	1,038,180	268,367
Puerto Rico Electric Power Authority	4,376,598	3,611,664	672,701	72,845	(19,388)	—	—	—	16,514	59,941	—	57,067	(6,755,043)	(106,717)	(6,861,760)	(6,804,693)
Puerto Rico Aqueduct and Sewer Authority	1,581,233	1,060,924	—	77,890	(442,419)	—	—	—	9,473	14,508	—	(418,438)	319,985	(334,608)	(14,623)	(433,061)
University of Puerto Rico	1,372,591	266,307	304,846	—	(801,438)	645,909	66,528	—	15,386	11,048	—	(62,567)	(1,871,123)	—	(1,871,123)	(1,933,690)
State Insurance Fund Corporation	777,341	627,782	—	—	(149,559)	(42,859)	—	—	45,638	—	—	(146,780)	(1,337,585)	—	(1,337,585)	(1,484,365)
Nonmajor component units	5,045,807	794,237	3,040,165	77	(1,211,328)	363,857	(43,913)	4,526	95,872	110,290	—	(680,696)	(1,155,118)	65,486	(1,089,632)	(1,770,328)
	$ 14,531,372	6,703,533	4,233,579	314,913	(3,279,347)	1,125,604	—	4,526	192,925	195,787	4,175,360	2,414,855	(14,135,056)	(369,525)	(14,504,581)	(12,089,726)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

The Commonwealth of Puerto Rico (the Commonwealth) was constituted on July 25, 1952, under the provisions of the Commonwealth's Constitution as approved by the people of Puerto Rico and the U.S. Congress. The Commonwealth's Constitution provides for the separation of powers of the executive, legislative, and judicial branches of the government. The Commonwealth assumes responsibility for general government, public safety, health, public housing and welfare, education, and economic development. On June 30, 2016, as a result of the current fiscal crisis that affects the Commonwealth (as further described below in Note 2 and Note 3), the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), was established under the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA) with broad powers to exercise budgeting and financial controls over the Commonwealth's fiscal affairs, including review and approval of certain governmental functions.

The accompanying basic financial statements of the Commonwealth 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 Commonwealth and its various funds and discretely presented component units, the results of operations of the Commonwealth and its various funds and discretely presented component units, and the cash flows of the proprietary funds.

(a) Financial Reporting Entity

As required by U.S. GAAP, the financial reporting entity of the Commonwealth includes all departments, agencies, funds, functions, and public corporations that have been determined to meet the requirements for inclusion in the Commonwealth's financial reporting entity. The Commonwealth has considered all potential discretely presented component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commonwealth are such that exclusion would cause the Commonwealth's basic financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include when the Commonwealth appoints a voting majority of an organization's governing body and it has (i) the ability to impose its will on that organization or (ii) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth. In situations where the Commonwealth has not appointed the voting majority of an organization's governing body, the GASB has then provided as criteria for financial accountability the fiscal dependency of such organizations on the Commonwealth and when there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth.

(b) Component Units

The basic financial statements of the component units discussed below have been included in the financial reporting entity either as blended component units or as discretely presented component units in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14* and *GASB Statement* No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34.*

(i) Blended Component Units

The following entities, while legally separate from the Commonwealth, meet the blending criteria to be reported as part of the Primary Government as follows:

Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) – ERS is a cost sharing, multiple employer defined benefit pension plan, which covers all regular employees of the Commonwealth and its instrumentalities and of certain municipalities and component units not covered by their own retirement systems. On May 21, 2017, the Oversight Board—at the request of the Governor—commenced a Title III case for ERS by filing a petition for relief under Title III of PROMESA in the Title III Court. As discussed in Note 3 and Note 16, ERS has successfully completed its restructuring pursuant to a court-confirmed plan of adjustment under Title III of PROMESA.

After the enactment of Act 106-2017 on August 23, 2017, ERS is governed by a thirteen member board of trustees, composed of the Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA), who served as ERS' President, the Secretary of the Department of Treasury (DOT) of the Commonwealth, the Director of the Office of Management and Budget of the Commonwealth (PROMB), the Director of the Office of Human Resources of the Commonwealth, a representative of the teachers from the Department of Education (DOE), a representative from the public corporations, a representative from the Judicial Branch, the President of the Federation of Mayors, the President of the Association of Mayors, and four representatives of the public interest. After August 23, 2017, ERS is administered by the Retirement Board of the Government of Puerto Rico (the Retirement Board) which also administers the Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities Medical Insurance Plan Contribution (ERS MIPC). ERS MIPC is an unfunded, cost sharing, multi-employer defined benefit other postemployment healthcare benefit plan provided by the Commonwealth to retired plan members. After the enactment of Act 106-2017, ERS operations are limited to maintaining custody of the unliquidated assets that are pending to be transferred to the Commonwealth's General Fund after the legal proceedings under the Title III of PROMESA are completed. The Commonwealth's General Fund became the only recipient of the assets maintained under the custody of ERS. Therefore, the basic financial statements of ERS are blended in the Commonwealth's funds financial statements as a special revenue fund.

Ponce Authority (PA) (Previously Known as Port of the Americas Authority) – On August 12, 2016, the Governor signed into law Act No. 176-2016, known as "Law of the Ponce Authority", to amend various articles from Act No. 171-2002. Act No. 176-2016 re-named the Port of the Americas Authority to Ponce Authority, changed the PA's governance structure, and expanded its purposes, faculties, and powers, including through the creation of a new Coordinated Infrastructure Master Plan for the City of Ponce. After the enactment of Act No. 176-2016, PA is now governed by a seven-member board co-presided by the Secretary of the Department of Economic Development and Commerce (DEDC) and the Director of the Ponce Territorial Order Office. The other members include (1) the Secretary of the Department of Natural and Environmental Resources (DNER), (2) an architect or certified planner, who is a resident of Ponce and appointed by the Governor with the consent of the Senate, (3) an economist, who is a resident of Ponce and appointed by the Governor with the consent of the Senate, (4) a civil engineer, who must be a resident of Ponce and appointed by the Mayor of Ponce with the consent of the Municipal Legislature, and (5) a small businesses representative, who must be a resident of Ponce and appointed by the Mayor of Ponce with the consent of the Municipal Legislature. The main purpose of the PA is the promotion, development, improvement, and operation of the large-scale container terminal in the city of Ponce, Puerto Rico. The PA must also prepare a coordinated master plan for the Infrastructure of Ponce. The Commonwealth provides financial support to the PA through legislative appropriations and its current existing debt is guaranteed by the Commonwealth pursuant to the provisions of Act No. 409 of September 22, 2004 (Act No. 409-2004). The Commonwealth continues to provide financial support to this new entity. Therefore, PA's basic financial statements are blended in the Commonwealth's fund financial statements as a special revenue fund.

Ponce Ports Authority (PPA) – On December 12, 2011, Act No. 240 (Act No. 240-2011) was approved creating the PPA, with a seven-member board composed of (1) the Secretary of the DEDC, (2) the director of the Ponce port, (3) three members to be appointed by the Governor with the consent of the Senate and (4) two members to be appointed by the Mayor of Ponce with the consent of the Ponce Municipal Legislature. PPA was created to continue the development of the container terminal formerly undertaken by Ponce Authority (PA) and to implement the facilities' future operations. Therefore, all the assets, rights, and duties of PA (with the exception of its existing debt) would be transferred to PPA. Effective fiscal year 2015, the PPA board was formed and operations started. However, as of June 30, 2019, the PA assets have not been transferred to PPA. On December 19, 2013, Act No. 156 was approved amending Act No. 240-2011 by, among other things, authorizing PPA to request a line of credit of up to $60 million from GDB and establishing that the payment of such debt would be satisfied with annual Commonwealth's legislative appropriations starting in fiscal year 2015. As the total debt outstanding of PPA is payable from Commonwealth's legislative appropriations, PPA's basic financial statements are blended in the Commonwealth's fund financial statements as an enterprise fund.

Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA) – On April 6, 2016, Act No. 21 (Act No. 21-2016) was approved creating the FAFAA as an independent public corporation and government instrumentality with separate legal existence, fiscal and administrative autonomy, and independence from the Commonwealth. FAFAA was created for the purpose of acting as fiscal agent, financial advisor and reporting agent of the Commonwealth, its agencies, instrumentalities, subdivisions, public corporations and/or municipalities, and to assist such entities in confronting the fiscal and economic emergency that Puerto Rico is experiencing. The FAFAA assumed the fiscal agency and financial advisory responsibilities that were previously held by the Government Development Bank (GDB). On January 18, 2017, the Governor of Puerto Rico (the Governor) signed into law the Enabling Act of the Fiscal Agency and Financial Advisory Authority, Act No. 2-2017. This new law amended and replaced sections of the prior law that established FAFAA. Act No. 2-2017 expanded FAFAA's powers to include, among other things, sole responsibility to renegotiate, to restructure and/or to reach an agreement with creditors on all or part of the public debt or any other debt issued by any government entity. In addition, FAFAA is the entity in charge of the collaboration, communication and cooperation efforts between the Commonwealth and the Oversight Board, created under PROMESA.

The Board of Directors of FAFAA was initially composed of only one member appointed by the Governor but upon the enactment of Act No. 2-2017 the Board is now composed of five members: (1) FAFAA's Executive Director appointed by the Governor, (2) a representative of the Senate of Puerto Rico, (3) a representative of the House of Representatives of Puerto Rico which will be appointed by the President of each Legislative Body, and (4) two members appointed by the Governor. The members can only be replaced and/or removed by the entity who appointed them. The members of the Board of Directors will select a President, Vice-President, and Secretary among them. FAFAA does not have legal authority to issue bonds, notes, or any other debt instrument; however, it will be the principal financial advisor in future debt issuances of any instrumentality of the Commonwealth. FAFAA's annual budget will be assigned by the Legislature of Puerto Rico (the Legislature) with available funds from the General Fund, special assignments, or any other identified revenue.

Puerto Rico Health Insurance Administration (PRHIA) – PRHIA is governed by a board of directors, which, by law, is composed of eleven members (six compulsory members and five discretionary members). The compulsory members are the Secretary of the Department of Health (PRDOH) of the Commonwealth, the Secretary of the DOT of the Commonwealth, the Director of the PROMB, the Executive Director of FAFAA, the Insurance Commissioner of Puerto Rico, and the Administrator of the Administration of Services of Mental Health and Addiction. The five discretionary members are appointed by the Governor, with the advice and consent of the Senate. The board of directors' president is designated by the Governor and all discretionary board members are executives in a trustworthy position. PRHIA was created for the purpose of implementing, administering, and negotiating a health insurance system through contracts with insurance underwriters to provide quality medical and hospital care to low income individuals (via the Medicaid program administered and funded primarily by the Centers for Medicare and Medicaid Services through a memorandum of understanding with the PRDOH); and also to employees of the Commonwealth, Municipalities and policemen who voluntarily subscribe to the Puerto Rico health insurance medical plan in exchange for a fee paid by them through payroll deductions. PRHIA also recovers its operating costs through charges made to Municipalities and a rebate program with pharmacies where PRHIA retains 100% of the income derived from this program. Since 2015, the Commonwealth appropriates funds from its general fund budget to provide resources for the payment of principal and interest on PRHIA's line of credit obligation, which is the total debt outstanding of PRHIA. Therefore, PRHIA's basic financial statements are blended in the Commonwealth's fund financial statements as a major enterprise fund.

Puerto Rico Infrastructure Financing Authority (PRIFA) – PRIFA is governed by a seven-member board comprised of five members appointed by the board of directors of the FAFAA, the Secretary of the DOT and one member appointed by the Governor. The members of PRIFA's board of directors are executives in trustworthy positions, named and supervised by the Governor. The President is appointed by the Governor from among its members. PRIFA is a financing authority whose responsibilities are to provide financial, administrative, consulting, technical, advisory, and other types of assistance to other component units and governmental instrumentalities of the Commonwealth, which are authorized to develop infrastructure facilities and to establish alternate means for financing them. PRIFA's total debt outstanding, mostly Special Tax Revenue Bonds comprising over 95% of its total debt, is payable from federal excise taxes levied on the rum and other articles produced in Puerto Rico and sold in the United States, which taxes are collected by the U.S. Department of the Treasury and returned to the Commonwealth. These revenues are the subject of pending litigation in the Commonwealth's Title III case. PRIFA's remaining debt, other than the Special Tax Revenue Bonds, is payable from Commonwealth legislative appropriations. Therefore, PRIFA's basic financial statements are blended in the Commonwealth's fund financial statements as a special revenue, debt service and capital project fund.

Puerto Rico Maritime Shipping Authority (PRMSA) – PRMSA is governed by the Executive Director of FAFAA. The operations of PRMSA have been limited to processing the remaining legal requirements resulting from the sale of certain maritime operations formerly owned and operated by PRMSA. Such legal requirements consist solely of servicing the long-term debt that remained in PRMSA after the sale. The Commonwealth should appropriate annually funds in its general operating budget to provide for the payment of principal and interest on such debt, which is the total debt outstanding. Therefore, PRMSA's basic financial statements are blended in the Commonwealth's fund financial statements as a debt service fund.

Puerto Rico Medical Services Administration (PRMeSA) – PRMeSA is governed by a ten member board comprised of the Secretary of the PRDOH (who serve as the Chairman), the Dean of the

Medical Sciences Faculty of the University of Puerto Rico (UPR), the President of the board of directors of the Puerto Rican League Against Cancer, the Mayor of the Municipality of San Juan, the Administrator of the State Insurance Fund Corporation, the Administrator of the Administration of Mental Health and Addiction Services, the President of the Medical Policy and Administration Committee, the Secretary of the Department of Family, and two members appointed by the Secretary of the PRDOH. PRMeSA's purpose is to plan, organize, operate, and administer the Commonwealth's centralized health services, and provide support for the hospital and other functions, offered by the member institutions and users of the medical complex known as the Puerto Rico Medical Center. The Commonwealth should annually appropriate funds from its general operating budget to provide for the payment of principal and interest of its debt, which is the total debt outstanding of PRMeSA. Therefore, PRMeSA's basic financial statements are blended in the Commonwealth's fund financial statements as a major enterprise fund.

Puerto Rico Sales Tax Financing Corporation (Known as COFINA, its Spanish Acronym) – COFINA was created under Act No. 91-2006, as amended by the Legislature. COFINA was originally created for the purpose of financing the payment, retirement, or defeasance of certain debt obligations of the Commonwealth outstanding at June 30, 2006 (the 2006 Appropriation Debt). During 2009, the Legislature expanded the purposes of COFINA to assist in funding operational expenses of the Commonwealth for 2009 through 2012, to the extent included in the annual budget of the Commonwealth. As of June 30, 2019, the board of directors of COFINA is comprised of three members appointed by the Governor. Because COFINA's Sales Tax Revenue Bond obligations have historically been repaid with the Commonwealth's sales and use taxes as described in Note 12, its basic financial statements are blended in the Commonwealth's fund financial statements as a major special revenue and major debt service fund. As discussed in Note 3 and Note 16, COFINA has successfully completed its restructuring pursuant to a court-confirmed plan of adjustment under Title III of PROMESA, which became effective on February 12, 2019.

Puerto Rico System of Annuities and Pensions for Teachers (TRS) – TRS is a single employer trust created by the Legislature for the purpose of providing pension and other benefits to all teachers of the DOE, all pensioned teachers, all teachers transferred to an administrative position in the DOE, and those who practice in private institutions accredited by the Department of Education (DOE) who elect to become members. TRS provides retirement, death, and disability benefits. After the enactment of Act 106-2017 on August 23, 2017, TRS is governed by the same board of trustees as ERS and is administered by the Retirement Board, which also administers the Puerto Rico System of Annuities and Pensions for Teachers Medical Insurance Plan Contribution (TRS MIPC). TRS MIPC is an unfunded, cost-sharing, multi-employer defined benefit other postemployment healthcare benefit plan provided by the Commonwealth to retired teachers of the DOE and retired employees of TRS Administration. After the enactment of Act 106-2017, TRS operations are limited to maintaining custody of the unliquidated assets that are pending to be transferred to the Commonwealth's General Fund. The Commonwealth's General Fund became the only recipient of the assets maintained under the custody of TRS. Therefore, the basic financial statements of TRS are blended in the Commonwealth's funds financial statements as a special revenue fund.

Public Buildings Authority (PBA) – PBA is governed by a seven-member board comprised of the Secretary of the Department of Transportation and Public Works (DTPW), the Secretary of the DOE, the President of the GDB, and four-members appointed by the Governor with the advice and consent of the Senate. As provided under Act No. 2-2017, the board member position previously occupied by the President of the GDB is currently held by the Executive Director of FAFAA as of January 18, 2017. PBA is a legally separate entity, whose activities are blended within the Primary Government because it exists to construct, purchase, or lease office, school, health, correctional, social welfare, and other facilities to the Commonwealth's departments, component units, and instrumentalities. Bonds issued by the PBA to finance such facilities are payable from the rent revenues of certain government facilities leased by PBA and are further supported by a guarantee of the Commonwealth. Therefore, the basic financial statements of the PBA are blended in the Commonwealth's fund financial statements as a special revenue, debt service, and capital project fund. As discussed in Note 3 and Note 16, PBA has successfully completed its restructuring pursuant to a court-confirmed plan of adjustment under Title III of PROMESA.

Retirement System for the Judiciary of the Commonwealth of Puerto Rico (JRS) – JRS is a single employer defined benefit plan that covers all active judges or retired judges of the judiciary branch of the Commonwealth. After the enactment of Act 106-2017 on August 23, 2017, JRS is governed by the same board of trustees as ERS and is administered by the Retirement Board. After the enactment of Act 106-2017, JRS operations are limited to maintaining custody of the unliquidated assets that are pending to be transferred to the Commonwealth's General Fund. The Commonwealth's General Fund became the only recipient of the assets maintained under the custody of JRS. Therefore, the basic financial statements of JRS are blended in the Commonwealth's funds financial statements as a special revenue fund.

Special Communities Perpetual Trust (SCPT) – SCPT is governed by a board of directors composed of eleven members: the Secretary of the Department of Housing of the Commonwealth (the Commonwealth DOH), the Secretary of the DTPW of the Commonwealth, the Coordinator for the Social and Economic Financing of the Special Communities, one Mayor of a municipality of Puerto Rico, one community leader resident in one special community, four private citizens representing the public interest, and two public employees. All members of the board of directors are appointed by the Governor. SCPT's principal purpose is to fund development projects that address the infrastructure and housing needs of the underprivileged communities. Over the years since its inception, SCPT has seen its revenue sources diminish as its principal assets, mortgage loans, are being fully reserved. SCPT had accumulated debt with the GDB, which is payable from Commonwealth Legislative appropriations. Therefore, SCPT's basic financial statements are blended in the Commonwealth's fund financial statements as a special revenue fund.

The Children's Trust – The Children's Trust is governed by a seven-member board comprised of the Governor, who designates the president of the board, the Executive Director of FAFAA, the Director of the PROMB, the Secretary of Justice of the Commonwealth, and three private citizens appointed by the Governor with the advice and consent of the Senate. The Children's Trust's sole operation consists of providing financial assistance principally to the Commonwealth's departments to carry out projects aimed at promoting the wellbeing of families, children, and youth of Puerto Rico, especially in the areas of education, recreation, and health. The operation of the Children's Trust is financed with the moneys being received by the Commonwealth from a global settlement agreement (GSA) dated November 23, 1998, between certain tobacco companies and certain states, territories, and other jurisdictions of the United States of America, including the Commonwealth. The GSA calls for annual payments through the year 2025, which will vary due to inflationary and volume adjustments. After 2025, the tobacco companies should continue making contributions in perpetuity. As the Children's Trust provides financial assistance entirely or almost entirely to the Commonwealth's departments and its total debt outstanding is being repaid with the GSA resources received by the Commonwealth, its basic financial statements are blended in the Commonwealth's fund financial statements as a special revenue and debt service fund.

University of Puerto Rico Comprehensive Cancer Center (UPRCCC) – UPRCCC is governed by a nine-member board comprising of four ex officio members: the President of the UPR, the Chancellor of Medical Sciences Campus of the UPR, the Secretary of the PRDOH, and the Dean of the UPR School of Medicine. The remaining (5) five members must be citizens of Puerto Rico who have shown commitment to the fight against cancer, and are appointed by the Governor with the approval of the Commonwealth Senate with the following criteria: two members from the investigative studies or cancer treatment community; one member with experience in management, finance, or business administration, or with previous experience managing hospitals or medical investigation clinics; one member who is a cancer patient; and one member who will be a member of the "Liga Puertorriqueña Contra el Cancer." The Commonwealth provides financial support to UPRCCC through legislative appropriations. The UPRCCC was created by Act No. 230 of August 26, 2004 (Act No. 230-2004), to be the governmental entity principally responsible to execute public policy related to the prevention, orientation, investigation, and treatment of cancer in Puerto Rico. On October 31, 2013, Act No. 128 (Act No. 128-2013) was approved amending Act No. 230-2004 in order to specifically establish that beginning with fiscal year 2015, annual Commonwealth legislative appropriations of $15 million could be made available to cover the debt service of the obligations incurred by the UPRCCC in its capital related projects, particularly the construction of its medical and hospital facilities. Prior to Act No. 128-2013, Act No. 230-2004 was not conclusive as to the revenue source from which to repay the aforementioned debt service. As the total debt outstanding is payable from Commonwealth's legislative appropriations, UPRCCC's basic financial statements are blended in the Commonwealth's fund financial statements as a special revenue fund.

The COFINA Debt Service Fund, the COFINA Special Revenue Fund and the ERS Special Revenue Fund are presented as major governmental funds, while PRMeSA and PRHIA are presented as major enterprise funds. All the other blended component units are reported in the nonmajor governmental funds column, except for PPA, which is reported in the nonmajor enterprise funds column. Complete basic financial statements of the blended component units can be obtained directly by contacting their respective administrative offices at:

Employees' Retirement System of the Government of the Commonwealth of Puerto Rico
P .O. Box 42003 – Minillas Station
San Juan, PR 00940-2203

Ponce Authority
P .O. Box 195534
San Juan, PR 00919-5534

Ponce Ports Authority
P .O. Box 7051
Ponce, PR 00752

Puerto Rico Fiscal Agency and Financial Advisory Authority
P.O. Box 42001
San Juan, PR 00940-2001

Puerto Rico Health Insurance Administration
P.O. Box 195661
San Juan, PR 00919-5661

Puerto Rico Sales Tax Financing Corporation
P.O. Box 42001
San Juan, PR 00940-2001

Puerto Rico System of Annuities and Pensions for Teachers
P.O . Box 191879
San Juan, PR 00919-1879

Public Buildings Authority
P.O. Box 41029- Minillas Station
San Juan, PR 00940-1029

Retirement System for the Judiciary of the Commonwealth of Puerto Rico
P.O. Box 42003- Minillas Station
San Juan, PR 00940-2203

Special Communities Perpetual Trust
P.O . Box 42001
San Juan, PR 00940-2001

Puerto Rico Infrastructure Financing Authority
P .O. Box 41207 Minillas Station
San Juan. PR 00940

Puerto Rico Maritime Shipping Authority
P .O . Box 42001
San Juan, PR 00940-2001

Puerto Rico Medical Services Administration
P .O. Box 2129
San Juan, PR 00922-2129

The Children's Trust
P.O. Box 42001
San Juan, PR 00940-2001

University of Puerto Rico Comprehensive
Cancer Center
PMB 711, 89 De Diego Ave., Suite 105
San Juan, PR 00927-6346

(ii) Discretely Presented Component Units

The discretely presented component units described below, all legally separate entities, consistent with GASB Statement No. 14, as amended by GASB Statements No. 39 and No. 61, are discretely presented in the basic financial statements principally because of the nature of the services they provide, the Commonwealth's ability to impose its will, principally through the appointment of their governing authorities, and because the discretely presented component units provide specific financial benefits to, or impose financial burdens on, the Commonwealth (with the exception of Culebra Conservation and Development Authority and the Puerto Rico Science, Technology and Research Trust, which do not meet all these criteria, but the Commonwealth has determined it would be misleading to exclude them from the Commonwealth's financial reporting entity). These discretely presented component units are not blended with the Primary Government because they do not provide services entirely, or almost entirely to the Primary Government, their governing board is not substantively the same as that of the Primary Government, the Primary Government does not have any operational responsibilities over them, and they do not have total debt outstanding being repaid entirely or almost entirely with resources of the Primary Government. These discretely presented component units have been classified by management between major and nonmajor discretely presented component units. A major discretely presented component unit is determined by the Commonwealth based on the nature and significance of its relationship to the Primary Government. This determination is based on the evaluation of the following factors: a) the services provided by the discretely presented component unit to the citizenry are such that separate reporting as a major discretely presented component unit is considered to be essential to financial statement users, b) there are significant transactions with the Primary Government, or c) there is a significant financial benefit or burden relationship with the Primary Government. If a discretely presented component unit is expected to meet some of these considerations for inclusion as major discretely presented component unit in a future year, the Commonwealth may elect to report it as such.

Major Discretely Presented Component Units

Government Development Bank for Puerto Rico (GDB) – Prior to March 23, 2018, when GDB ceased operating and commenced an orderly winddown of its operations, GDB acted as fiscal agent, depository of funds, disbursing agent, investor and financial advisor for the Commonwealth, its public corporations, and municipalities in connection with the issuance of bonds and notes; and it also issued warranties to third parties, made loans, and advanced funds predominantly to the Commonwealth's departments, component units, and municipalities. Act No. 21-2016, known as the "Puerto Rico Emergency Moratorium and Financial Rehabilitation Act" (the Moratorium Act), created FAFAA to assume GDB's role as fiscal agent, financial advisor and reporting agent for the Commonwealth, its instrumentalities, and municipalities. This new fiscal agency and advisory authority commenced its functions as described above immediately upon the Moratorium Act's enactment. The Moratorium Act did not have an impact on the designation of GDB as a major discretely presented component unit for fiscal year 2019.

Puerto Rico Aqueduct and Sewer Authority (PRASA) – PRASA is governed by a nine-member board comprising of six members appointed by the Governor with the advice and consent of the Senate (including the President of the Puerto Rico Planning Board), the Executive President of the Puerto Rico Electric Power Authority (PREPA), the Executive Director of Mayors' Federation, and the Executive Director of Mayors' Association. PRASA owns and operates the Commonwealth's system of public water supply and sanitary sewer facilities. PRASA is authorized, among other things, to borrow money and issue revenue bonds for any of its corporate purposes. The Commonwealth previously guaranteed the principal and interest payments of certain outstanding bonds and of all future bonds issued to refinance those outstanding bonds at the date of refinancing. Act No. 45-1994 was later amended to include other loans under the Clean Water State Revolving Funds Program (SRFP) and under the USDA Rural Development Program. All bonds and loans previously guaranteed under Act No. 45-1994 have been restructured or refinanced to eliminate any Commonwealth guarantee. The authorization to issue new guaranteed bonds under Act No. 45-1994 expired on June 30, 2020. The Commonwealth historically provided certain financial support to PRASA through legislative appropriations for debt service of its Public Finance Corporation (PFC) notes, which are contingent upon such appropriation.

Puerto Rico Electric Power Authority (PREPA) – PREPA is governed by a seven-member board, six of which are appointed by the Governor and one member is an elected consumer representative. PREPA is responsible for conserving, developing, and utilizing the power resources in order to promote the general welfare of Puerto Rico and owns and operates the Commonwealth's electrical power generation, transmission, and distribution system. The Commonwealth is entitled to receive contributions in lieu of taxes from PREPA. On July 2, 2017, the Oversight Board—at the request of the Governor—commenced a Title III case for PREPA by filing a petition for relief under Title III of PROMESA in the Title III Court.

Puerto Rico Highways and Transportation Authority (PRHTA) – PRHTA is governed by a seven-member board comprising of the Secretary of DTPW (serving as the President of the board), the President of the Planning Board (PRPB), the Secretary of the DOT, the Executive Director of FAFAA, and three other members from the private sector appointed by the Governor with the advice and consent of the Senate. The PRHTA has broad powers to carry out its responsibilities in accordance with DTPW's overall transportation policies. These powers include, among other things, the complete control and supervision of any highway facilities constructed, owned, or operated by the PRHTA (including the ability to set tolls for the use of the highway facilities subject to compliance with certain public hearing requirements), and the power to issue bonds, notes, or other obligations. The PRHTA plans and manages the construction of all major projects relating to the Commonwealth's toll highway system, undertakes major repairs, and maintains the toll ways. On May 21, 2017, the Oversight Board—at the request of the Governor—commenced a Title III case for PRHTA by filing a petition for relief under Title III of PROMESA in the Title III Court.

State Insurance Fund Corporation (SIFC) – SIFC is governed by a seven-member board appointed by the Governor with the advice and consent of the Senate. The board comprises the Commissioner of Insurance of Puerto Rico, an officer from the Department of Labor and Human Resources (DLHR) of the Commonwealth, an officer from the PRDOH, a representative of the employers' interest, a representative of the employees' interest, and two members without any of these interests. One of these members is appointed by the Governor as president of the board for a period of six years. The three public officials are appointed for a period of five years, and the rest of the members for four, three, two, and one year, respectively. SIFC provides workers' compensation and disability insurance to public and private employees. The Commonwealth has access to SIFC's resources.

University of Puerto Rico (UPR) – The UPR is governed by a thirteen-member Governing Board, nine of which are appointed by the Governor and confirmed by the Senate of Puerto Rico. The remaining members of the Governing Board consist of two tenured professors and two full time students. The Secretary of the DOE becomes an ex officio member of the governing board. The Commonwealth provides financial support to the UPR through legislative appropriations.

Nonmajor Discretely Presented Component Units

Agricultural Enterprises Development Administration (AEDA) – AEDA is governed by the Secretary of Agriculture of the Commonwealth. The purpose of AEDA is to provide a wide variety of services and incentives to the agricultural sector. The Commonwealth has the ability to impose its will on AEDA. The Commonwealth provides financial support to AEDA through legislative appropriations.

Automobile Accidents Compensation Administration (AACA) – AACA is governed by a Cabinet Member, and a four-member board appointed by the Governor with the advice and consent of the Senate. The AACA operates a system of compulsory insurance coverage for all registered motor vehicles and compensates citizens for injuries arising from motor vehicle accidents. The Commonwealth has the ability to significantly influence rates charged by the AACA. The Commonwealth has access to AACA's resources.

Cardiovascular Center Corporation of Puerto Rico and the Caribbean (CCCPRC) – CCCPRC is governed by a seven member board comprising of the Secretary of the PRDOH, the Director of the Medical Sciences Campus of the UPR, the Executive Director of the PRMeSA, and four additional members appointed by the Governor with the advice and consent of the Senate, one of which should be from the Cardiology Society of Puerto Rico and another a member of a cardiology foundation properly registered in the Department of State of the Commonwealth. The purpose of the CCCPRC is to provide special treatment to patients suffering from cardiovascular diseases. The Commonwealth provides financial support to the CCCPRC through legislative appropriations.

Center of Diabetes for Puerto Rico (CDPR) – CDPR is governed by a nine-member board, which includes the Secretary of the PRDOH, the dean of the School of Medical Sciences of the UPR, the other seven members are appointed by the Governor. The CDPR was created to be responsible for the planification, organization, operation and administration of investigative services, orientation, prevention, and treatments of diabetes in Puerto Rico. The Commonwealth provides financial support to the CDPR through legislative appropriations.

Company for the Integral Development of the "Península de Cantera" (CIDPC) – CIDPC is governed by an eleven-member board, of which six members are appointed by the Governor and five members are appointed by the Mayor of the Municipality of San Juan. The CIDPC was created to establish and implement a comprehensive development plan for the Península de Cantera area. Its main function is to supervise and coordinate governmental efforts and promote and manage private sector initiatives for the improvements and rehabilitation of the aforementioned area. The Commonwealth generally provides financial support to the CIDPC.

Corporation for the "Caño Martín Peña" ENLACE Project (CPECMP) – CPECMP was created for the purpose of coordinating the public policy related to the rehabilitation of the Caño Martín Peña area. The CPECMP is governed by a board of directors of thirteen members of which seven members are appointed by the Governor and six members are appointed by the Mayor of the Municipality of San Juan. The Commonwealth generally provides financial support to the CPECMP through legislative appropriations.

Culebra Conservation and Development Authority (CCDA) – CCDA was created to formulate and administer the program and plan for the conservation, use, and development of natural resources of the Municipality of Culebra. The CCDA is administered through a board of directors comprised of five members, including the Mayor of the Municipality of Culebra and four additional members appointed by the Mayor of the Municipality of Culebra and confirmed by the municipal legislature. The administration and operations of the CCDA are conducted by an executive director elected by the board of directors. The Commonwealth provides financial support to the CCDA through legislative appropriations. Although CCDA's board of directors is not appointed by the Commonwealth and it is not fiscally dependent on the Commonwealth, the Commonwealth believes it would be misleading to exclude it from its reporting entity, given the financial support provided by the Commonwealth.

Economic Development Bank for Puerto Rico (EDB) – EDB is governed by a nine-member board comprising of the Executive Director of FAFAA, who is the Chairman, the Secretary of Agriculture of the Commonwealth, the Secretary of the DEDC, the Director of the PROMB, the Secretary of the DOT, and four members representing the private sector and appointed by the Governor with the advice and consent of the Senate. Private sector members are appointed for a maximum period of three years. The EDB is responsible for the promotion and development of the private sector economy of the Commonwealth. This purpose is to be met by granting direct loans, loan guarantees, loan participation, and/or direct investments to any person or business organization devoted to manufacturing, agriculture, trade, tourism, or other service enterprises with preference, but not limited to economic activities that may have the effect of substituting imports. The Commonwealth has the ability to impose its will on the EDB.

Farm Insurance Corporation of Puerto Rico (FICPR) – FICPR is governed by a five-member board consisting of the Secretary of Agriculture of the Commonwealth, the Dean of the Agricultural Sciences Faculty of the UPR Mayaguez Campus, a representative of the FAFAA, and two bona fide farmers appointed by the Governor with the advice and consent of the Senate. The purpose of the FICPR is to provide insurance to farmers against losses in their farms caused by natural disasters. The Commonwealth has the ability to impose its will on the FICPR.

Fine Arts Center Corporation (FACC) – FACC is governed by a nine-member board comprising of the President of the Musical Arts Corporation (MAC) and eight members appointed by the Governor. FACC was created with the purpose of administering the Fine Arts Center. The Commonwealth provides financial support to FACC through legislative appropriations.

Government Development Bank Debt Restructuring Authority (DRA) – DRA is a statutory public trust and governmental instrumentality of the Commonwealth created pursuant to Act No. 109 of August 24, 2017, as amended, known as the GDB Restructuring Act, which was enacted for the purpose of facilitating the restructuring of GDB's indebtedness and release of certain claims against GDB pursuant to a largely consensual debt restructuring process under Title VI of PROMESA. The DRA is independently operated and governed by a three-member board of trustees who are appointed by, and serve at the pleasure of, the Governor. The Commonwealth has the ability to impose its will on the DRA.

Institute of Puerto Rican Culture (IPRC) – IPRC is governed by a nine-member board comprising of the President of MAC and eight members appointed by the Governor with the advice and consent of the Senate. The IPRC is responsible for implementing the public policy related to the development of Puerto Rican arts, humanities, and culture. The Commonwealth provides financial support to the IPRC through legislative appropriations.

Institutional Trust of the National Guard of Puerto Rico (ITNGPR) – ITNGPR is governed by a seven-member board comprising of the Adjutant General of the Puerto Rico National Guard, the Executive Director of FAFAA, the Secretary of Justice of the Commonwealth, three members of the military from the Puerto Rico National Guard, and one representative from the community appointed by the Governor. ITNGPR's purpose is to provide life insurance, retirement benefits, and economic assistance to the active and retired members of the Puerto Rico National Guard and their families. The Commonwealth generally provides financial support to the ITNGPR through legislative appropriations and has the ability to impose its will on the ITNGPR.

Land Authority of Puerto Rico (LAPR) – LAPR is governed by a five-member board comprising of the Secretary of Agriculture of the Commonwealth and four members appointed by the Governor. LAPR was created to carry out the provisions of the Land Law of Puerto Rico, principally geared to the agricultural development of Puerto Rico. LAPR maintains debt that is payable from Commonwealth's appropriations and funds generated by LAPR operations.

Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads (LRA) – LRA is governed by a nine member board comprising of the Secretary of Economic Development and Commerce of the Commonwealth, who is the Chairman, two members appointed by the Mayor of the Municipality of Ceiba, one member appointed by the Mayor of the Municipality of Naguabo, one member appointed by the President of the Senate, one member appointed by the Speaker of the House of Representatives and three additional members appointed by the Governor, all to possess known interest and expertise in the areas of planning; commercial, tourism, residential, and institutional development; real estate; tourism and recreational facilities administration; and infrastructure projects' management. The LRA is responsible for the implementation of the reuse and redevelopment plan for the former Navy Station of Roosevelt Roads located in Ceiba, Puerto Rico. Some of the activities involved in these redevelopment plans include the direction, supervision, regulation, and maintenance of the economic development on the land and facilities formerly occupied by the U.S. Navy. The Commonwealth generally provides financial support to the LRA through legislative appropriations.

Musical Arts Corporation (MAC) – MAC is governed by a seven-member board appointed by the Governor with the advice and consent of the Senate. MAC was created to promote the development of the arts and cultural programs of the Commonwealth. The Commonwealth provides financial support to MAC through legislative appropriations.

Public Corporation for the Supervision and Deposit Insurance of Puerto Rico Cooperatives (PCSDIPRC) – PCSDIPRC is governed by a nine member board comprising of the Administrator of the Cooperative Development Administration, the Commissioner of Financial Institutions of Puerto Rico, the Secretary of the DOT, the Inspector of Cooperatives, three citizens representing the cooperative movement, one representative of the Puerto Rico Cooperatives League, and one private citizen representing the public interest. PCSDIPRC has the responsibility of providing to all the cooperatives and the Federation of Cooperatives of Puerto Rico insurance coverage over the stocks and deposits, and for monitoring the financial condition of the insured cooperatives, and the uninsured cooperatives when requested by the Inspector of Cooperatives. The Commonwealth has the ability to impose its will on PCSDIPRC.

Puerto Rico Conservatory of Music Corporation (PRCMC) – PRCMC is governed by a seven-member board appointed by the Governor, with the advice and consent of the Senate. The PRCMC is responsible for providing the Puerto Rican community and especially its youths with the required facilities to educate and perfect their musical skills, including secondary education programs for developing musical arts. It prepares the artistic element that nourishes the Puerto Rico Symphony

Orchestra and other musical organizations, and coordinates the governmental efforts to interested industries, private enterprises, and private citizens. The Commonwealth occasionally provides financial support to the PRCMC through legislative appropriations.

Puerto Rico Convention Center District Authority (PRCCDA) – PRCCDA is governed by a nine-member board of directors comprising of three members from the public sector and six members from the private sector. The public sector members comprise the Secretary of Economic Development and Commerce of the Commonwealth, who is the Chairman, the Director of the PROMB, and the Executive Director of FAFAA. The private sector members are individuals having experience in the areas of hotel operations, tourism, real estate, convention centers, and at least one with financial expertise who are appointed by the Governor with the advice and consent of the Senate. PRCCDA was created to be responsible, for improving, developing, managing, and operating the property and improvements within the Puerto Rico Convention Center District (the District) geographical area. PRCDA has the power to finance all the improvements to be developed through the issuance of bonds and the imposition of assessments against the owners or lessees of land within the District who benefit from the Convention Center and other improvements. Also, PRCCDA promotes the development, construction, expansion, and improvement of the Puerto Rico Convention Center (Convention Center), Bahía Urbana, and the Jose Miguel Agrelot Coliseum (the Coliseum). The administration, operation and management of the Convention Center and the Coliseum are carried out by a third-party private entity, under PRCDDA's responsibility. Bahía Urbana is administered by PRCCDA's management. The Commonwealth provides financial support to the PRCCDA through legislative appropriations.

Puerto Rico Destination Marketing Corporation (DMO) – DMO was created under the provisions of Act No. 17 of March 30, 2017, known as Act for the Promotion of Puerto Rico as Destination. The purpose of Act No. 17 was to combine within the organization the sales and marketing efforts performed by the Puerto Rico Convention Bureau for the groups and convention segment, and those performed by PRTC for the leisure segment in order to unify the brand and provide consistency in the efforts to attract visitors and increase the exposure of Puerto Rico as a tourist destination worldwide. The DMO is governed by a thirteen member board comprising of three ex officio members: the Secretary of the DEDC, the Executive Director of the PRTC, the Executive Director of the PRCCDA; two members representing the Legislature, one appointed by the President of the Senate of Puerto Rico and one appointed by the Speaker of the House of Representatives; seven members representing the tourism industry, one member of the board of directors or a chief executive of the Puerto Rico Hotel and Tourism Association, Inc., one chief or executive or a member of the governing body of the Puerto Rico Convention Bureau, Inc., one chief executive or member of the board of directors of the contractor hired by the Public-Private Partnership for the administration and operation of the Luis Muñoz-Marín International Airport, one member of the Paradores de Puerto Rico Owners' Association, as determined by the governing body of such organizations, three members appointed by the Governor of Puerto Rico with the advice and consent of the Senate and the House of Representatives of Puerto Rico, from a list of candidates to be submitted by a Committee on Appointments created and constituted by members of the board of directors of the DMO who are not representatives of government entities; and one member appointed by the Governor who is a member, director, or chief executive of a nonprofit organization committed to the visitor economy and to the transformation of Puerto Rico into a world destination as an economic and social development strategy. The Commonwealth provides financial support to the DMO through legislative appropriations.

Puerto Rico Industrial Development Company (PRIDCO) – PRIDCO is governed by a seven-member board comprising of the Secretary of Economic Development and Commerce of the Commonwealth, who is the Chairman, the Secretary of the DOT, the Executive Director of FAFAA, the President of the Puerto Rico Planning Board (PRPB), and three members from the private sector appointed by the Governor with the advice and consent of the Senate. The private sector members are appointed for a period of four years. PRIDCO administers the Commonwealth's sponsored economic development program by providing facilities, general assistance, and special incentive grants to manufacturing companies operating in Puerto Rico. PRIDCO has issued interim notes and revenue bonds to finance manufacturing plants and other facilities. Rentals derived from the leasing of specified facilities of PRIDCO are used for the payment of PRIDCO's revenue bonds. PRIDCO maintains debt that is payable from Commonwealth's appropriations. The Commonwealth generally provides financial support to PRIDCO through legislative appropriations and has the ability to impose its will on PRIDCO.

Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (known as AFICA, its Spanish acronym) – AFICA is governed by a seven-member board comprising of the Executive Director of PRIDCO, the Executive Director of FAFAA, the Executive Director of PRIFA, the Executive Director of the Puerto Rico Tourism Company (PRTC), the President of the Environmental Quality Board (EQB), and two private citizens appointed by the Governor. AFICA is authorized to issue revenue bonds to finance industrial, tourist, environmental control, medical, and educational facilities in Puerto Rico and the United States of America for use by private companies, nonprofit entities, or governmental agencies. The bonds are payable solely from collections from such private companies, nonprofit entities, or governmental agencies, and do not constitute debt of the Commonwealth or any of its other component units. The Commonwealth has the ability to impose its will on AFICA.

Puerto Rico Integrated Transit Authority (PRITA) – PRITA is governed by a nine member board comprising of the Secretary of the DTPW, who serves as Chairman, the Executive Director of PRHTA, the President of the PRPB, the Director of PROMB, the Executive Director of FAFAA, two additional members from the private sector appointed by the Governor with the advice and consent of the Senate and two other members representing entities within the Metropolitan Planning Organization, who are selected through the vote from its own Board of Directors. PRITA was created by Act No. 123 of August 3, 2014 (Act No. 123-2014) for the purpose of implementing a uniform public policy on collective, road and maritime transportation, and with it the integration of the operations, assets, rights, obligations, and funds of PRHTA's urban train, the Puerto Rico Metropolitan Bus Authority (PRMBA) and the Puerto Rico and Municipal Islands Maritime Transport Authority (PRMIMTA). As of June 30, 2018, PRITA was still in the process of obtaining the required approvals from local and federal authorities to integrate and officialize the merger of the urban train, PRMBA and PRMIMTA into PRITA. The Commonwealth generally provides financial support to PRITA through legislative appropriations and PRITA will transfer the necessary funds to the PRHTA, PRMBA and PRMIMTA, when they are engaged in construction, operations and maintenances of Mass, Rail and Maritime Transportation Facilities.

Puerto Rico Land Administration (PRLA) – PRLA is governed by an eleven member board comprising of the Secretary of Economic Development and Commerce of the Commonwealth, who serves as President, the President of the PRPB, who serves as Vice President, the Secretary of the DOT, the Secretary of Agriculture of the Commonwealth, the Secretary of DTPW of the Commonwealth, the Secretary of Housing of the Commonwealth, the Executive Director of PRIDCO, and four members appointed by the Governor with the advice and consent of the Senate. The PRLA acquires parcels of land on behalf of government instrumentalities through negotiation or expropriation for future development or for reserve. The Commonwealth provides financial support to the PRLA through legislative appropriations.

Puerto Rico and Municipal Islands Maritime Transport Authority (PRMIMTA) – PRMIMTA is governed by a five-member board comprising of the Secretary of DTPW, who serves as President, the Executive Director of the Puerto Rico Ports Authority, the Mayors of Vieques and Culebra, and one additional member appointed by the Governor. The operations of PRMIMTA consist of administering and operating the maritime transportation services between San Juan, Fajardo, Vieques, and Culebra. The Commonwealth generally provides financial support to PRMIMTA through legislative appropriations. Act No. 123-2014, which created PRITA, provided for the integration of PRMIMTA's operations into PRITA; however, as of June 30, 2019, PRMIMTA's operations, assets, rights, obligations, and funds had not been transferred.

Puerto Rico Metropolitan Bus Authority (PRMBA) – PRMBA is governed by the Secretary of DTPW of the Commonwealth. The PRMBA provides bus transportation to passengers within the San Juan Metropolitan Area. The Commonwealth provides financial support to the PRMBA through the transfer of certain gasoline and diesel excise taxes collected by the Commonwealth. Act No. 123-2014, which created PRITA, and provided for the integration of PRMBA's operations into PRITA; however, as of June 30, 2019, PRMBA's operations, assets, rights, obligations, and funds had not been transferred.

Puerto Rico Municipal Finance Agency (PRMFA) – PRMFA is governed by a five-member board comprising of the Executive Director of FAFAA, who is the Chairman, the Commissioner of Municipal Affairs, and three additional members appointed by the Governor, one of whom must be either the Mayor or chief financial officer of a municipality. The PRMFA was organized to create a capital market to assist the municipalities of Puerto Rico in financing their public improvement programs. The Commonwealth is required to cover any potential deficiency that may exist on the PRMFA reserve accounts established for debt service.

Puerto Rico Municipal Finance Corporation (Known as COFIM, for its Spanish Acronym) – COFIM is governed by a seven member board comprising of three members of the Board of Directors of FAFAA, three Mayors from municipalities in Puerto Rico (two of them from the political party controlling the majority of municipalities and the remaining Mayor elected by the rest of the municipalities) and one member representing the public interest recommended by all the Mayors of the municipalities and ratified by the Governor. COFIM was created by Act No. 19-2014 to issue bonds and use other financing mechanisms to pay or refinance, directly or indirectly, all or a portion of the municipalities' debt obligations payable from the municipal sales and use tax. The Commonwealth is required to cover any potential deficiency that may exist on the COFIM reserve accounts established for debt service.

Puerto Rico Ports Authority (PRPA) – PRPA is governed by a five-member board consisting of the Secretary of DTPW of the Commonwealth, who is the Chairman, the Secretary of the DEDC, the Executive Director of the PRTC, the Executive Director of PRIDCO and one private citizen appointed by the Governor with the consent of the Senate. The purpose of the PRPA is to administer all owned ports and aviation transportation facilities of the Commonwealth and to render other related services, including the supervision and monitoring over the service concession arrangement of the Luis Muñoz Marin International Airport, as further described in Note 16. The Commonwealth generally provides financial support to the PRPA through legislative appropriations.

Puerto Rico Public Broadcasting Corporation (PRPBC) – PRPBC is governed by an eleven-member board of directors comprising of the Secretary of the DOE, the President of the UPR, the Executive Director of the IPRC, and eight private citizens appointed by the Governor with the advice and consent of the Senate. At least three of these private citizens must have proven interest, knowledge, and experience in education, culture, art, science, or radio and television. The PRPBC was created for the purpose of integrating, developing, and operating the radio, television, and electronic communication facilities that belong to the Commonwealth. The Commonwealth provides financial support to the PRPBC through legislative appropriations.

Puerto Rico Public Private Partnerships Authority (PPPA) – PPPA is governed by a five-member board of directors comprising of the Executive Director of FAFAA, the Secretary of the DOT, the President of the PRPB, and two members appointed by the Governor, one member selected by the President of the Senate of Puerto Rico and another member, by the Speaker of the Puerto Rico House of Representatives. The PPPA is the only government entity authorized and responsible for implementing public policy on public private partnerships established by Act No. 29-2009, as amended, and to determine the functions, services, or facilities for which such Partnerships will be established. The Commonwealth generally provides financial support to the PPPA through legislative appropriations.

Puerto Rico School of Plastic Arts (PRSPA) – PRSPA is governed by a seven-member board. Four members are appointed by the board of directors of the IPRC, representing the public educational and cultural interests. Board members may not be employees of the PRSPA. The remaining three members are elected from among the members of the board of directors of the IPRC, one of whom serves as president. The PRSPA was created to develop, promote, plan, and coordinate programs of study in higher education oriented to the plastic arts, teaching, artistic techniques, and to help students to develop humanistic values. The Commonwealth generally provides financial support to the PRSPA through legislative appropriations.

Puerto Rico Science, Technology and Research Trust (PRSTRT) – PRSTRT is governed by an eleven-member board of trustees comprising of five members ex officio representing certain Primary Government agencies and public corporations: the Secretary of the DEDC, the President of the UPR, the Director of PROMB, the Executive Director of FAFAA and the Executive Director of PRIDCO; and six additional trustees appointed by the board of trustees. The PRSTRT was created by Act No, 214-2004, as amended, to foster and fund research, development and infrastructure projects related to science and technology to promote the economic, social, or educational development of the Commonwealth and to operate exclusively for charitable, educational, and scientific purposes. The PRSTRT was initially financially supported through various sources including moneys from certain UPR's funds, private donations and legislative appropriations which have not recurred during the past several years. But recently, most of the funds come indirectly from the Commonwealth's contributions into several funds that are managed and administered by PRIDCO, which in turn makes such funds available to PRSTRT. The PRSTRT's board of trustees is not appointed by the Commonwealth. The Commonwealth believes it would be misleading to exclude it from its reporting entity, given the substantial indirect financial support provided by the Commonwealth and the fact that PRSTRT was created by law to implement and execute the Commonwealth's scientific research mission and can be eliminated by actions of the Commonwealth. The Commonwealth generally provides financial support to the PRSTRT through legislative appropriations.

Puerto Rico Telephone Authority (PRTA) – PRTA is governed by a five-member board comprising of the Executive Director of FAFAA and four members that are appointed by the board of directors of the FAFAA from among the FAFAA board members, all of which are appointed by the Governor. PRTA is the legal entity responsible to account for the equity interest in Telecommunications de Puerto Rico, Inc. PRTA is currently inactive and waiting for a legislative process to arrange its liquidation. The Commonwealth generally provides financial support to the PRTA through legislative appropriations.

Puerto Rico Tourism Company (PRTC) – PRTC is governed by a seven-member board comprising of representatives of different tourist related sectors appointed by the Governor with the consent of the Senate. At least one member must represent internal tourism and two must not be residents of the metropolitan area. Its purpose is to promote the tourism industry of Puerto Rico. The Commonwealth generally provides financial support to the PRTC through legislative appropriations.

Puerto Rico Trade and Export Company (PRTEC) – PRTEC is governed by a nine-member board comprising of the Secretary of the DEDC, who is the Chairman, the Executive Director of the PRPA, the Secretary of the Department of Agriculture (DOA), the President of the EDB, the Executive Director of PRIDCO, the Legal Division Director of the PRTEC, and three private citizens. The PRTEC has the responsibility to promote the highest efficiency in the services provided to the commercial sector, with emphasis on small and medium sized enterprises while promoting the export of products and services from Puerto Rico to other countries. The Commonwealth has the ability to impose its will on the PRTEC.

Complete basic financial statements of the discretely presented component units can be obtained directly by contacting their administrative offices:

Agricultural Enterprises Development
Administration
P.O. Box 9200
Santurce, PR 00908-0200

Automobile Accidents Compensation
Administration
P.O. Box 364847
San Juan, PR 00936-4847

Cardiovascular Center Corporation of
Puerto Rico and the Caribbean
P.O. Box 366528
San Juan, PR 00936-6528

Center of Diabetes for Puerto Rico
P.O. Box 70344 PMB-87
San Juan, PR 00936

Company for the Integral Development of the
“Península de Cantera”
P.O. Box 7187
Santurce, PR 00916-7187

Corporation for the “Caño Martín Peña”
ENLACE Project
P.O. Box 41308
San Juan, PR 00940-1308

Culebra Conservation and Development
Authority
P.O. Box 217
Culebra, PR 00775-0217

Economic Development Bank for Puerto Rico
P.O. Box 2134
San Juan, PR 00922-2134

Farm Insurance Corporation of Puerto Rico
P.O. Box 9200
Santurce, PR 00908

Fine Arts Center Corporation
P.O. Box 41287 – Minillas Station
San Juan, PR 00940-1287

Government Development Bank for Puerto Rico
P.O. Box 42001
San Juan, PR 00940-2001

GDB Debt Restructuring Authority
P.O. Box 42001
San Juan, PR 00940-2001

Institute of Puerto Rican Culture
P.O. Box 9024184
San Juan, PR 00902-4184

Institutional Trust of the National Guard of
Puerto Rico
P.O. Box 9023786
San Juan, PR, 00902-3786

Land Authority of Puerto Rico
P.O. Box 9745
Santurce, PR 00908-9745

Local Redevelopment Authority of the Lands
and Facilities of Naval Station Roosevelt Roads
400 Calaf Street, PMB 456
San Juan, PR 00918-1314

Musical Arts Corporation
P.O. Box 41227
San Juan, PR 00940-1227

Public Corporation for the Supervision and
Deposit Insurance of Puerto Rico Cooperatives
P.O. Box 195449
San Juan, PR 00919-5449

Puerto Rico Aqueduct and Sewer Authority
P.O. Box 7066
San Juan, PR 00916-7066

Puerto Rico Conservatory of Music Corporation
951 Ponce de León Ave.
San Juan, PR 00907-3373

Puerto Rico Convention Center District Authority
P.O. Box 19269,
San Juan, Puerto Rico, 00910-1269

Puerto Rico Destination MarketingCorporation
Tanca Street #500, Ochoa Building, Suite 402B
Old San Juan, PR 00901

Puerto Rico Electric Power Authority
P.O. Box 364267
San Juan, PR 00936-4267

Puerto Rico Highways and Transportation Authority
P.O. Box 42007
San Juan, PR 00940-2007

Puerto Rico Industrial Development Company
P.O. Box 362350
San Juan, PR 00936-2350

Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority
P.O. Box 42001
San Juan, PR 00940-2001

Puerto Rico Integrated Transit Authority
P.O. Box 41267
San Juan, PR 00940

Puerto Rico Land Administration
P.O. Box 363767
San Juan, PR 00936-3767

Puerto Rico and Municipal Islands Maritime Transport Authority
P.O. Box 4305
Puerto Real, PR 00740

Puerto Rico Metropolitan Bus Authority
P.O. Box 195349
San Juan, PR 00919-5349

Puerto Rico Municipal Finance Agency
P.O. Box 42001
San Juan, PR 00940-2001

Puerto Rico Municipal Finance Corporation
P.O. Box 42001
San Juan, PR 00940-2001

Puerto Rico Ports Authority
P.O. Box 362829
San Juan, PR 00936-2829

Puerto Rico Public Broadcasting Corporation
P.O. Box 190909
San Juan, PR 00919-0909

Puerto Rico Public Private Partnerships Authority
P.O. Box 42001
San Juan, PR 00940-2001

Puerto Rico School of Plastic Arts
P.O. Box 9021112
San Juan, PR 00902-1112

Puerto Rico Science, Technology and Research Trust
P.O.Box 363475
San Juan, PR 00936-3475

Puerto Rico Telephone Authority
P.O. Box 42001
San Juan, PR 00940-2001

Puerto Rico Tourism Company
Tanca Street #500, Ochoa Building, 3rd Floor
Old San Juan, PR 00902-3960

Puerto Rico Trade and Export Company
P.O. Box 195009
San Juan, PR 00919-5009

State Insurance Fund Corporation
P.O. Box 365028
San Juan, PR 00936-5028

University of Puerto Rico
Jardín Botánico Sur
1187 Street Flamboyán
San Juan, PR 00916-1117

The basic financial statements of the discretely presented component units have a fiscal year-end of June 30, 2019.

(c) Component Units Audited Separately

The basic financial statements of the Commonwealth include the basic financial statements of the following component units that were audited by other auditors:

(i) Blended Component Units

Ponce Ports Authority

Ponce Authority (formerly known as Port of the Americas Authority)

Public Buildings Authority

Puerto Rico Fiscal Agency and Financial Advisory Authority

Puerto Rico Health Insurance Administration

Puerto Rico Infrastructure Financing Authority

Puerto Rico Maritime Shipping Authority

Puerto Rico Medical Services Administration

Special Communities Perpetual Trust

The Children's Trust

University of Puerto Rico Comprehensive Cancer Center

(ii) Discretely Presented Component Units

Agricultural Enterprises Development Administration

Automobile Accidents Compensation Administration

Cardiovascular Center Corporation of Puerto Rico and the Caribbean

Center of Diabetes for Puerto Rico

Company for the Integral Development of the "Península de Cantera"

Corporation for the "Caño Martín Peña" ENLACE Project

Culebra Conservation and Development Authority

Economic Development Bank for Puerto Rico

Farm Insurance Corporation of Puerto Rico

Fine Arts Center Corporation

Government Development Bank for Puerto Rico

Institute of Puerto Rican Culture

Institutional Trust of the National Guard of Puerto Rico

Land Authority of Puerto Rico

Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads

Musical Arts Corporation

Public Corporation for the Supervision and Deposit Insurance of Puerto Rico Cooperatives

Puerto Rico Aqueduct and Sewer Authority

Puerto Rico Conservatory of Music Corporation

Puerto Rico Convention Center District Authority

Puerto Rico Destination Marketing Corporation

Puerto Rico Highways and Transportation Authority

Puerto Rico Industrial Development Company

Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority

Puerto Rico Integrated Transit Authority

Puerto Rico Land Administration

Puerto Rico and Municipal Islands Maritime Transport Authority

Puerto Rico Metropolitan Bus Authority

Puerto Rico Municipal Finance Agency

Puerto Rico Municipal Finance Corporation

Puerto Rico Ports Authority

Puerto Rico Public Broadcasting Corporation

Puerto Rico Public Private Partnerships Authority

Puerto Rico School of Plastic Arts

Puerto Rico Science, Technology and Research Trust

Puerto Rico Telephone Authority

Puerto Rico Tourism Company

Puerto Rico Trade and Export Company

State Insurance Fund Corporation

University of Puerto Rico

(d) Basis of Presentation

(i) Government-wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information of all the nonfiduciary activities of the Commonwealth and its discretely presented component units. For the most part, the effect of interfund activity has been removed from these government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from Business-type activities, which rely to a significant extent on fees and charges for services or which are financed and operated in a manner similar to private business enterprises. Likewise, the Primary Government is reported separately from the legally separate discretely presented component units for which the Primary Government is financially accountable. The statement of net position presents the reporting entities' nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual measure reported as net position. Net position is reported in three categories:

- *Net Investment in Capital Assets* – 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent amount is not included in the calculation of this component of net position. Rather, that portion of the debt is included in the same net position component (restricted or unrestricted) as the unspent amount.
- *Restricted Net Position* – This component of net position consists of restricted assets and deferred outflows of resources reduced by related liabilities and deferred inflows of resources. Generally, a liability relates to restricted assets if the 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, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

  When both restricted and unrestricted resources are available for use, generally, it is the Commonwealth’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, segment, or component unit are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. The Commonwealth does not allocate general government (indirect) expenses to other functions. Program revenue includes charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenue also includes grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. Resources that are dedicated internally are reported as general revenue rather than as program revenue.

(ii) Fund Financial Statements

The Commonwealth reports its financial position and results of operations in funds, which are considered separate accounting entities, including those component units, which are required to be blended. 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.

Major funds are determined using a predefined percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenue, or expenditures/expenses of either the fund category or the governmental and proprietary funds combined. The nonmajor funds are combined in a single column in the fund financial statements.

(iii) 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 Commonwealth reports the following governmental funds:

- *General Fund* – The General Fund is the primary operating fund of the Commonwealth. It is used to account for and report all financial resources received and used for those services traditionally provided by a government, except those required to be accounted for and reported in another fund. The General Fund includes transactions for services such as general government, public safety, health, public housing and welfare, education, and economic development. The financial resources received and used in the General Fund mostly include budgeted resources (such as taxes and charges for services), as approved by the Legislature and as adjusted for timing and basis of accounting differences, and other financial resources outside the General Fund budget such as: federal funds, pledged funds, other special revenue and general type funds, and agencies with independent treasuries.
- *Debt Service Fund* – The debt service fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for general long-term bonds' principal, interest, and related costs, other than bonds payable from the operations of proprietary fund types, pension trust funds, and component units, either blended or discretely presented.
- *ERS Special Revenue Fund* – The ERS Special Revenue Fund is used to account for the unliquidated assets that are pending to be transferred to the Commonwealth's General Fund after the legal proceedings under the Title III of PROMESA are completed.
- *COFINA Special Revenue Fund* – The special revenue fund of the Puerto Rico Sales Tax Financing Corporation (COFINA) was used to account for and report all financial resources of COFINA, except those required to be accounted for and reported in the COFINA Debt Service fund.
- *COFINA Debt Service Fund* – The debt service fund of COFINA was used to account for the Commonwealth sales tax revenue being deposited in the Dedicated Sales Tax Fund for the payment of interest and principal on long-term obligations.
- *Nonmajor Governmental Funds* – The Commonwealth reports the following blended component units within the nonmajor governmental funds: PBA, FAFAA, The Children's Trust, PRIFA, PRMSA, PA, SCPT, TRS, JRS and the UPRCCC. The nonmajor governmental funds also includes the Commonwealth's capital project fund.

If a component unit is blended, it should be blended with those funds of the Primary Government by including them in the appropriate fund category of the Primary Government. Although the Primary Government's General Fund is usually the main operating fund of the reporting entity, the General Fund of a blended component unit should be reported as a special revenue fund. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. These capital expenditures may be for the Primary

Government directly or for discretely presented component units and outside organizations and governments such as the municipalities of the Commonwealth and other applicable entities. Capital project funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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 Commonwealth 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. The highest level of decision-making authority for the Commonwealth is the Legislature and the Governor, and the formal action is the passage of a law specifying the purposes for which amounts can be used.
- *Assigned* – includes fund balance amounts that are constrained by the Commonwealth and are intended to be used for specific purposes that are neither considered restricted nor committed. The Director of the PROMB is authorized to assign an amount for a specific purpose through the approval of budget certificates as required by statute.
- *Unassigned* – 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.

The Commonwealth uses restricted amounts first when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, unless required by law or agreement, the Commonwealth would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

(iv) Proprietary Funds

These funds account for those activities, which 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.

The Commonwealth reports the following major proprietary funds:

- *Unemployment Insurance Fund* – This fund accounts for amounts requisitioned for the Puerto Rico Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits and charges made to individual employers.
- *PRHIA* –This fund, a blended component unit, accounts for a health insurance system operated through contracts with insurance underwriters to provide quality medical and hospital care to low-

income individuals, employees of the Commonwealth and policemen who voluntarily subscribe to the Puerto Rico health insurance medical plan.

- *PRMeSA* – This fund, a blended component unit, accounts for the operations of the centralized health services, provided in support of hospitals and other functions offered by the member institutions and consumers of the complex known as Puerto Rico Medical Center.

The Commonwealth reports the following nonmajor proprietary funds: Disability Insurance Fund, Drivers' Insurance Fund, the Lotteries Fund, the Puerto Rico Water Pollution Control Revolving Fund (PRWPCRF), the Puerto Rico Safe Drinking Water Treatment Revolving Loan Fund (PRSDWTRLF), PPA and the Bureau of Emergency Services 9-1-1.

(v) Fiduciary Funds

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

- *Agency Funds* – These are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

(e) 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.

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, and 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 (see Note 1(j) for further description about the period of availability for the principal sources of revenue in the Governmental Activities).

Principal revenue sources considered susceptible to accrual include personal and corporate income taxes (recognized as taxpayers earn the underlying income), sales and uses taxes (recognized as the underlying sales are made), excise taxes (as the underlying import or related activity takes place), property taxes (imposed on real estate property values, as defined), intergovernmental revenue (typically, when related expenditures are incurred), and other taxes and charges for services (typically, as cash is received).

Expenditures are generally recorded when a liability is incurred, as under accrual basis of accounting. Modifications to the accrual basis of accounting include the following:

- Employees' vested annual vacation are recorded as expenditures when matured. The unmatured amount of accumulated annual vacation at June 30, 2019, is reported only in the government-wide financial statements.
- Interest and principal on general long-term obligations and interest on interest rate swap agreements are recorded when due, except for interest and principal due on July 1 of the following fiscal year, if resources are available for its payment as of June 30.

- Debt service requirements, federal funds' cost disallowances, other long-term obligations, and amounts subject to judgments under litigation are recorded in the governmental funds only when payment is due; and in the case of judgments under litigation, when a settlement has been made and is awaiting payment. Until these criteria are met, these liabilities have been recorded only in the government-wide financial statements.

A summary reconciliation of the difference between total fund balances (deficit) 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 balances (deficit) as reflected in the governmental funds statement of revenue, expenditures, and changes in fund balances (deficit) and change in net position in the statement of activities of the government-wide financial statements is presented in the accompanying reconciliation of the statement of revenue, expenditures, and changes in fund balances (deficit) of governmental funds to the statement of activities.

Proprietary Funds, Fiduciary Funds, and Discretely Presented Component Units Basic Financial Statements – The basic financial statements of the proprietary funds, fiduciary funds, and discretely presented component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described above.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. The major sources of revenue of the Commonwealth's major proprietary funds is as follows:

- *Unemployment Insurance Fund* – Insurance premiums charged to individual employers.
- *PRHIA* – Amounts received through the PRDOH representing payments by the Medicaid Program under Title XIX of the Social Security Act and State Plan, contributions from the Commonwealth to cover the local share to meet the Medicaid Program matching requirements and amounts charged and collected from employers and municipalities for direct health services provided to its members.
- *PRMeSA* – Amounts charged and collected from private citizens, member institutions and municipalities for patient services provided.

(f) Cash, Cash Equivalents and Short-Term Investments

The Commonwealth follows the practice of pooling cash. Cash balances of funds held in the Commonwealth Treasury are commingled in a general checking account and several zero balance bank accounts for special purposes. The available cash balance in the general checking account beyond immediate need is pooled in interest bearing accounts with commercial banks insured with the Federal Deposit Insurance Corporation (FDIC).

Cash and cash equivalents include investments with original maturities of 90 days or less from the date of acquisition. Short-term investments are recorded at cost.

The Puerto Rico Commissioner of Financial Institutions requires that Puerto Rico private financial institutions deposit collateral securities to secure the deposits of the Commonwealth and all other governmental entities in each of these institutions. The amount of collateral securities to be pledged for the security of public deposits must be established by the rules and regulations promulgated by the Commissioner of Financial Institutions.

The Puerto Rico Unemployment Insurance Trust Fund is maintained to account for the collection of unemployment insurance contributions from employers and the payment of unemployment benefits to eligible claimants. As required by federal law, all resources not necessary for current benefit payments are placed on deposit with the U.S. Department of the Treasury. Interests earned over such deposit is retained in the fund.

Cash and short-term investments and cash equivalents of the component units and certain funds of the Primary Government are maintained in bank accounts, separate from those of the rest of the Primary Government, in their own names.

(g) Securities Purchased/Sold under Agreements to Resell/Repurchase

Certain component units of the Commonwealth enter into purchases of securities with simultaneous agreements to resell the same securities (resale agreements) and into sales of securities under agreements to repurchase (repurchase agreements). The amounts advanced or received under these agreements generally represent short-term loans and are reflected as an asset in the case of resale agreements and as a liability in the case of repurchase agreements. The securities underlying these agreements mainly consist of U.S. government obligations, mortgage-backed securities, and interest-bearing deposits with other banks. Resale and repurchase agreements are authorized transactions under their respective enabling legislation and/or authorized by the Commonwealth fiscal agent.

(h) Securities Lending Transactions

Certain component units of the Commonwealth enter into securities lending transactions in which governmental entities (lenders) transfer their securities to broker dealers and other entities (borrowers) for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Cash received as collateral on securities lending transactions and investments made with that cash are reflected as investments. Securities received as collateral are reported as investments if the component unit has the ability to pledge or sell them without a borrower default. Liabilities resulting from these securities lending transactions also are reported in the statement of net position. Securities lending transactions collateralized by letters of credit or by securities that the component unit does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the statement of net position.

(i) Investments

Investments mainly include U.S. government and agencies' obligations, mortgage-backed securities, local government obligations, and corporate debt and equity obligations. Investments and investment contracts are carried at fair value, except for money market investments with a remaining maturity at the time of purchase of one year or less, which are carried at cost. Fair value is determined based on quoted market prices and quotations received from independent broker/dealers or pricing service organizations. Investment income, including changes in the fair value of investments, is presented as investment earnings in the statement of activities, the statement of revenue, expenditures, and changes in fund balances (deficit) – governmental funds, and the statement of revenue, expenses, and changes in net position – proprietary funds. Realized gains and losses from the sale of investments and unrealized changes in the fair value of outstanding investments are included within interest and investments earnings.

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: (i) the market approach, (ii) the cost approach, or (iii) the income approach. This Statement also establishes a hierarchy of inputs to valuation techniques used to measure fair value. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuations are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs.

Level 1 – inputs whose values are based are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs whose values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs are observable.

Level 3 – inputs are unobservable inputs for asset or liability and may require a degree of professional judgment.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commonwealth's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each investment. Investments measured at Net Asset Value (NAV) as a practical expedient for fair value are not subject to level classification.

(j) Accounts Receivable, Loans, General Revenue and Unearned Revenue

Income taxes receivables, in both the General Fund balance sheet and statement of net position, include predominantly an estimate of amounts owed by taxpayers for individual and corporate income taxes, net of estimated uncollectible amounts. Income taxes receivables in the General Fund are recognized as revenue when they become measurable and available based on actual collections during the 120 days following the current fiscal year end that are related to taxable years of prior periods. Income taxes receivable also include amounts owed by taxpayers on income earned prior to June 30, 2019, estimated to be collectible but not currently available, and thus are reported as deferred inflows of resources in the General Fund; such deferred inflows are considered revenue in the statement of activities as the availability criteria is not applicable on the government-wide financial statements for revenue recognition.

The sales and use tax receivable are recognized as revenue in the governmental funds when it becomes measurable and available based on actual collections during the 30 days following the current fiscal year end related to sales and use transactions due on or before year end. The same treatment is given in the government-wide financial statements.

Excise tax receivable is recognized as revenue in the governmental funds when it becomes measurable and available based on actual collections during the 30 days following the current fiscal year end related to transactions that occurred before year end. The same treatment is given in the government-wide financial statements. Act No. 154-2010 imposed a temporary excise tax on the acquisition of certain personal property manufactured or produced in whole or in part in Puerto Rico and on the acquisition of certain manufacturing services carried out in Puerto Rico by nonresident alien individuals, foreign corporations, and foreign partnerships. Act No. 154-2010 applies to income realized and acquisitions occurring after December 31, 2010. Initially, the excise tax would apply until the year 2017. The excise tax is based on the value of the personal property or the services acquired, and was 4% for calendar year 2011, 3.75% in 2012 and 2.75% for portions of 2013 until February 28, 2013. On February 28, 2013, Act No. 2 was enacted raising the then prevailing excise tax rate of 2.75% to 4%, effective immediately, and maintaining such rate fixed at 4% until the year 2017. On January 23, 2017, Act No. 3-2017 was enacted extending the fixed rate of 4% for ten additional years.

Intergovernmental receivables are stated net of estimated allowances for uncollectible accounts, which are determined, based upon past collection experience and current economic conditions. Intergovernmental receivables primarily represent amounts owed to the Commonwealth for reimbursement of expenditures incurred pursuant to federally funded programs. This intergovernmental receivable is recognized as revenue in the governmental funds when it becomes measurable and available based on actual collections for one year following the fiscal year end related to transactions that occurred before year end. Those intergovernmental receivables not expected to be collected within the aforementioned one-year period are recorded as deferred inflows of resources. 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, other than timing, are met are considered unearned revenue. Resources received before timing requirements are met are considered deferred inflows of resources.

Intergovernmental receivables also include taxes that the CRIM is required to remit to the Commonwealth to be used by the Commonwealth’s debt service fund for payment of debt service on general obligations of the Commonwealth. The amount to be remitted is based on the special tax of 1.03% of the assessed value of all real and personal property not exonerated from taxation, which is levied by the CRIM, pursuant to Act No. 83-1991. This receivable from CRIM is recognized as revenue in the governmental funds when it becomes measurable and available based on actual collections for 180 days following the current fiscal year end that are related to transactions that occurred before year end. The amounts from CRIM not expected to be collected within the aforementioned 180 days period are recorded as deferred inflows of resources.

Unemployment, disability, driver’s insurance, and other services receivables recognized in the proprietary funds are stated net of estimated allowances for uncollectible accounts.

The accounts receivable from nongovernmental customers of the component units are net of estimated uncollectible amounts. These receivables arise primarily from service charges to users. Accounts receivable from the Primary Government and other component units that arise from service charges, are evaluated for collectability.

Loans of the General Fund are net of estimated uncollectible amounts. These receivables arise from amounts owed by public corporations and municipalities for public insurance and rent paid by the General Fund on their behalf.

The loans of the pension plans are presented net of estimated allowances for adjustments and losses in realization. However, most of the loans are secured by mortgage deeds, plan members’ contributions, and any unrestricted amounts remaining in escrow. Loans of the component units consist predominantly of loans to the Primary Government, other component units, and municipalities, and are presented net of allowances for uncollectible accounts. The remaining loans of the component units are to small and medium businesses, agricultural, and low-income housing loans from nongovernmental customers, and are presented net of estimated losses on such portfolios.

(k) Inventories

Generally, inventories are valued at cost and predominantly on the first in, first out basis. Governmental fund inventories are recorded as expenditures when purchased rather than capitalized as an asset. Only significant amounts of inventory at the end of the year are capitalized in the governmental funds. However, inventories are always capitalized in the statement of net position of Governmental Activities.

(l) Restricted Assets

Funds set aside for the payment and guarantee of notes and interest payable and for other specified purposes are classified as restricted assets since their use is limited for this purpose by applicable agreements or required by law. Restricted assets in the proprietary funds mainly include amounts set aside for the payment of insurance benefits and lending activities.

(m) Real Estate Held for Sale or Future Development

Real estate held for sale or future development is carried at the lower of fair value or cost, which is established by a third-party professional assessment or based upon an appraisal, minus estimated costs to sell. Subsequent declines in the value of real estate available for sale are charged to expenditure/expense.

(n) Capital Assets

Capital assets include land, buildings, building improvements, equipment (including software), vehicles, construction in process, and infrastructure assets, and are reported in the applicable Governmental Activities, Business-type activities, and discretely presented component unit columns in the government-wide financial statements and in the proprietary fund financial statements. The Commonwealth's Primary Government defines capital assets as assets that (i) have an initial, individual cost of $25,000 or more at the date of acquisition and (ii) have a useful life of more than one year. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available.

Capital assets donated by third parties are recorded at fair value at the time of donation. Those capital assets donated by related parties are recorded at the carrying value existing at the transferor's records. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs are capitalized during the construction period only for Business-type activities and most component units. The costs of normal maintenance and repairs that do not add value to the assets or materially extend asset lives are not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and discretely presented component units' basic financial statements.

Capital assets of the Primary Government are depreciated on the straight-line method over the assets estimated useful life. There is no depreciation recorded for land and construction in progress. The estimated useful life of capital assets is as follows:

	Years
Buildings and building improvements	20–50
Equipment, furniture, fixtures, vehicles, and software	5–15
Infrastructure	50

The capital assets of the discretely presented component units are recorded in accordance with the applicable standards of the discretely presented component units and under their own individual capitalization thresholds, which includes capitalization of interest. Depreciation has been recorded when required by these standards based on the types of assets, use, and estimated useful lives of the respective assets, and on the nature of each of the discretely presented component unit's operations.

The estimated useful lives of capital assets reported by the discretely presented component units are as follows:

	Years
Buildings and building improvements	3–50
Equipment, furniture, fixtures, vehicles, and software	3–20
Intangibles, other than software	3–5
Infrastructure	10–50

In the case of capital assets under service concession arrangements pursuant to GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (mostly attributed to PRPA and PRHTA), these are maintained on their books and stated at cost or at estimated historical cost. Construction in progress made by the third-party operators under these service concession arrangements is not recorded by the aforementioned discretely presented component units while such construction is still in progress and not ready for use and operation; at which time such constructed assets and improvements will be recognized at their corresponding fair value. These capital assets are not being depreciated after the closing date of their respective service concession arrangements because such agreements require the third-party operators to return the related facilities to these discretely presented component units in its original or enhanced condition. Such capital assets continue to apply existing capital asset guidance, including depreciation through the closing date of the respective service concession arrangements. Under these service concession arrangements, the aforementioned discretely presented component units have received from the third-party operator either an upfront compensation fee or capital assets (or the commitment to construct them under the agreement) or both. These resources, net of any contractual obligation from the discretely presented component units, are considered a deferred inflow of resources, which is recognized into revenue under the straight-line method over the term of the respective agreements.

The Commonwealth 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 Commonwealth evaluated its capital assets as required by GASB Statement No. 42 and identified impairments of approximately $23.1 million at the Primary Government level related to public schools identified for closure and to certain dwelling units identified for demolition during the year ended June 30, 2019. At the discretely presented component units level, one nonmajor component units identified impairments of approximately $4.3 million related to structure damages caused by an accident.

(o) Income Tax Refunds Payable

During the calendar year, the Commonwealth collects individual and corporate income taxes through withholdings and payments from taxpayers. At June 30 of each year, the Commonwealth estimates the amount owed to taxpayers for overpayments of income taxes during the first half of the calendar year.

These estimated amounts and the actual individual and corporate income tax refunds claimed for prior years but not paid at year-end are recorded as income tax refunds payable and as a reduction of tax revenue in both the Governmental Funds and the Governmental Activities.

(p) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes deferred outflows of resources, which 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 then. The Primary Government and the discretely presented component units have three major captions that qualify for reporting in this category: (i) the unamortized balance of losses on bond refunding, (ii) the accumulated decrease in the fair value of hedging derivatives and (iii) several items related to pensions and other postemployment benefits, the three of them reported in the government-wide statement of net position. A loss on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is capitalized and amortized over the shorter of the life of the refunded or refunding debt. Further information about the balances of unamortized deferred refunding losses can be found in Note 12. With respect to hedging derivatives, the accumulated losses on their fair values are also deferred and amortized as the underlying hedged instrument (in this case, debt) is being repaid or refunded and/or as the hedging derivative is terminated. Further information on the derivative instruments of the Primary Government can be found in Note 20. Of the pension related items (further disclosed in Note 1 (s) and Note 17), changes in proportionate share of contributions and differences between expected and actual experience, are capitalized and recognized over a period equal to the expected remaining working lifetime of active and inactive participants. Net differences between projected and actual earnings on pension plan investments is deferred and recognized over a five-year period. Pension contributions made subsequent to the measurement date will be recognized as a reduction of the total pension liability after the next measurement date. There were no deferred outflows of resources at the governmental funds level.

In addition to liabilities, the statement of net position and the governmental funds' balance sheet will include deferred inflows of resources, which 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 that time. The Primary Government has only one type of caption arising under the modified accrual basis of accounting that qualify for reporting in this category, and that is unavailable revenue. Deferred inflows of resources at the governmental fund level arise when potential revenue does not meet the "available" criteria for revenue recognition in the current period under the modified accrual basis of accounting. In subsequent periods, when the applicable resources become available, the deferred inflow of resources is removed from the balance sheet, and the revenue is recognized. The Primary Government and the discretely presented component units also have two captions that qualify for reporting in this category in the government-wide statement of net position and those are the unamortized balance of gains on bond refunding and several items related to pensions and other postemployment benefits. A gain on a bond refunding results when the carrying value of refunded debt is less than its reacquisition price. This amount is capitalized and amortized over the shorter of the life of the refunded or refunding debt. Further information about the balances of unamortized deferred refunding gains can be found in Note 12. Of the pension and other postemployment benefits related items (further disclosed in Note 1 (s) and Note 17), changes in proportionate share of contributions, differences between expected and actual experience and changes in actuarial assumptions, are deferred and recognized over a period equal to the expected remaining working lifetime of active and inactive participants. Net differences between projected and actual earnings on pension plan investments is deferred and recognized over a five-year period. The discretely presented component units also have one additional item that qualifies for reporting in this category in the government-wide statement of net position, which is the unamortized balances of the upfront amounts received and related adjustments pertaining to the Service Concession Arrangements of PRPA and PRHTA, further described in Note 16.

(q) Long-Term Debt

The liabilities reported in the government-wide financial statements include the Commonwealth's general obligation and revenue bonds and long-term notes, liabilities under guaranteed obligations, obligations under lease/purchase agreements, obligations for voluntary termination benefits, accrued compensated absences, long-term liabilities to other governmental entities, net pension liability, legal claims, and noncurrent federal fund cost disallowances related to expenditures of federal grants. Long-term obligations financed by proprietary fund types and discretely presented component units are recorded as liabilities in those funds and in the discretely presented component units' column.

In the government-wide financial statements, premiums and discounts on long-term debt and other long-term obligations are presented in the columns for Governmental and Business-type activities. The same is presented in the proprietary fund financial statements. Bond and note premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs, other than prepaid insurance, are reported as expenses.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

(r) Derivative Instruments

The Commonwealth accounts for derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Derivative instruments such as interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts are entered into by governments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (i.e., hedgeable items); to lower the costs of borrowings; to effectively fix cash flows or synthetically fix prices; or to offset the changes in fair value of hedgeable items. Certain derivative instruments, except for synthetic guaranteed investment contracts that are fully benefit responsive, are reported at fair value in the government-wide financial statements. The changes in fair value of effective hedging derivative instruments are reported as deferred inflows or deferred outflows of resources. The changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedge able item. For additional information regarding hedging and investment derivative instruments, refer to Note 20.

(s) Accounting for Pension Costs

The Commonwealth accounts for pension costs under the provision 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 amendments of Certain Provisions of GASB Statements No. 67 and 68* (GASB Statement 73). Statement No. 73 maintains the "accrual basis" model under Statement 68, where the Total Pension Liability is actuarially determined. GASB Statement No. 73 requires a liability for pension obligations, known as the Total Pension Liability, to be recognized on the balance sheets of participating employers. Changes in Total Pension Liability are immediately recognized as pension expenses. As Act 106-2017 eliminated all contribution requirements for the pension plan and converted it into a PayGo system, the corresponding actuarial calculation of the total pension liability and related accounts changed to one based on benefit payments rather than contributions. As a result, the Commonwealth recognized a Total Pension Liability (replacing the previously recognized Net Pension Liability and related accounts under the previous method) and pension expenses, accordingly. As the change to the PayGo system was caused by the impact of legislation not under the Commonwealth's management control and the actuarial calculation changed from one based on contributions to a new one based on benefit payments under the new PayGo system, the impact on all corresponding pension related accounts was accounted for prospectively. Further details on the accounting for pension costs and the impact of its adoption are disclosed in Note 17.

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 pension plan. A proportionate share of pension related amounts is determined because certain participating employers, component units of the Commonwealth, issue stand-alone basic financial statements. GASB Statement No. 73 requires that such proportionate share should be consistent with the manner in which amounts that are paid as benefits come due are determined. The proportionate share as of each measurement date is based on the ratio of each employer's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date.

ERS, JRS and TRS elected to use July 1 of each fiscal year as the measurement date for financial information. Based on this election, the June 30, 2018, actuarial measurement data was used for the pension benefits financial reporting recognition as of and for the fiscal year ended June 30, 2019.

(t) Other Postemployment Benefits

In addition to the pension benefits described in Note 17, the Commonwealth provides other retirement benefits, such as summer (for JRS retirees only) and Christmas bonus, and postemployment healthcare benefits (collectively referred to as other postemployment benefits or OPEB) for its retired employees in accordance with local law. Substantially, all the employees may become eligible for these benefits if they reach normal retirement age while working for the Commonwealth. The Commonwealth follows the guidance of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* this statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflow of resources, deferred inflow of resources and expenses. For additional information regarding OPEB, refer to Note 18.

(u) Compensated Absences

The vacation policy of the Commonwealth generally provides for the accumulation of 1.25 days per month up to an annual amount of 15 days, except for the teachers who accrue 4 days per month, up to an annual maximum of 40 days and police officers and firefighters who accrue 2.5 days per month. Vacation time accumulated is fully vested by the employees from the first day of work up to a maximum of 60 days. Employees generally accumulate sick leave at a rate of 1 day per month up to an annual maximum of 12 days and a maximum accumulation of 90 days. Upon retirement, an employee receives compensation for all accumulated unpaid vacation leave at the current rates regardless of years of service. The liability for compensated absences reported in the government-wide and proprietary fund financial statements has been calculated using the vesting method (except for Puerto Rico Police Bureau employees), in which leave amounts for both employees who currently are 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). The liability for compensated absences of Puerto Rico Police Bureau (PRPOB) employees is estimated based on actual termination payments made and projected statistically, which is a hybrid between the vesting and termination methods. The governmental fund financial statements record expenditures when employees are paid for leave, or when the balance due is accrued upon the employee's separation from employment. Compensated absences accumulation policies for blended and discretely presented component units varies by entity based on negotiated agreements and other factors agreed upon between the management of these entities and their employees.

(v) Termination Benefits

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

(w) Interfund Activities and Intraentity Transactions

The Commonwealth had the following interfund activities and intraentity transactions:

Interfund Transfer – 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.

Intraentity Transactions – There are two types of intraentity transactions: First, the flow of resources between the Primary Government and its discretely presented component units, and among the discretely presented component units. This flow of resources and the related outstanding balances are reported as if they were external transactions. However, flow of resources between the Primary Government and blended component units are classified as interfund activity, as described above. Second, the intraentity balances between the Primary Government and discretely presented component units which are equivalent to long-term debt financing. The Primary Government's liability is reported in the statement of net position, the proceeds in the Primary Government's statement of revenue, expenditures and changes in fund balance governmental funds, and the asset in the discretely presented component units' statement of net position. Amounts due from discretely presented component units are stated net of estimated allowances for uncollectible accounts, which are determined based upon past collection experience and current economic conditions.

(x) Lottery Revenue and Prizes

The revenue, expenses, and prizes awarded by the Traditional Lottery of Puerto Rico and the Additional Lottery System, reported within the lotteries enterprise fund, are recognized as drawings are held. Moneys collected prior to June 30 for tickets related to drawings to be conducted subsequent to June 30 are reported as unearned revenue. Unpaid prizes awarded as of June 30, are reported as obligation for unpaid lottery prices. Unclaimed prizes expire after six months and are transferred to the General Fund.

(y) Risk Management

The Commonwealth purchases commercial insurance covering casualty, theft, tort claims, and other losses for the Primary Government, most component units, and the municipalities. The Commonwealth is reimbursed for premium payments made on behalf of the component units and the municipalities. The current insurance policies have not been canceled or terminated. For workers' compensation, the Commonwealth has a discretely presented component unit, the SIFC, which provides workers' compensation to both public and private employees. The Commonwealth's blended component units are responsible for assuring that its property is properly insured. Annually, these blended component units compile the information of all property owned and its respective replacement value and purchases its property and casualty insurance policies. Insurance coverage for fiscal year 2019 remained similar to those of prior years. In the last three years, the Commonwealth's or the component units' insurance settlements have not exceeded the amount of coverage.

Certain discretely presented and blended component units combine commercial insurance with internal self-insurance funds covering specific risks related to their specialized operations. The most significant self-insurance funds reside at the discretely presented component unit's level and are described in detail in Note 15.

(z) Tobacco Settlement

The Commonwealth follows GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issue*, as amended by GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra Entity Transfers of Assets and Future Revenues*, (the TB), which provides accounting guidance for entities created to obtain the rights to all or a portion of future tobacco settlement resources and for the governments that create such entities.

The TB indicates that the entity created to obtain the rights, generally referred to as Tobacco Settlement Authority (in the Commonwealth's case, the Children's Trust), should be considered a blended component unit of the government that created it. The TB also states that the government receiving the payments from the tobacco companies under the agreement, referred to as settling governments, should recognize a receivable and revenue for tobacco settlement resources when an event occurs. The event that results in the recognition of an asset and revenue by the settling government is the domestic shipment of cigarettes. The TB indicates that accruals should be made by the settling government and tobacco settlement authorities for estimated shipments from January 1 to their respective fiscal year ends, since the annual payments are based on a calendar year. However, under the modified accrual basis of accounting at the fund level, revenue should be recognized only to the extent that resources are available.

(aa) 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 during the reporting period. Actual results could differ from those estimates.

(bb)New Accounting Standards Adopted

The following new accounting standards were adopted by the Commonwealth effective July 1, 2018:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined-benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. For further information on the impact of adopting this statement on the financial statements see Note 16.

(cc)Accounting Pronouncements Issued But Not Yet Effective

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

- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. The requirements of this statement are effective for reporting periods beginning after June 15, 2019.
- GASB Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a Business-type activity that normally expects to hold custodial assets for three months or less. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that

compels the government to disburse fiduciary resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

- GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease assets, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2019.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.
- GASB Statement No. 90, *Majority Equity Interest*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's

holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

- GASB Statement No. 91, *Conduit Debt Obligations.* This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.
- GASB Statement No. 92, *Omnibus 2020*. This Statement addresses a variety of topics and includes specific provisions about the following, the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended*, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, to reporting assets accumulated for postemployment benefits; The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The portion of this Statement that relates to the effective date of Statement 87 and its associated implementation guidance are effective upon issuance. Provisions related to intra-entity transfers of assets and applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021. The remaining requirements related to asset retirement obligations are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by topic.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates.* The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). Some governments have entered into agreements

in which variable payments made or received depend on an IBOR—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

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

- GASB Statement No. 95, *Postponements of Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2019, and later.

  The effective dates of certain provisions contained in the following pronouncements are postponed by one year after the original implementation date:

  – GASB Statement No. 84, *Fiduciary Activities*

  – GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

  – GASB Statement No. 90, *Majority Equity Interests*

  – GASB Statement No. 91, *Conduit Debt Obligations*

  – GASB Statement No. 92, *Omnibus 2020*

  – GASB Statement No. 93, *Replacement of Interbank Offered Rates*

– GASB Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*

– GASB Implementation *Guide No. 2018-1, Implementation Guidance Update—2018*

– GASB Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*

– GASB Implementation Guide No. 2019-2, *Fiduciary Activities.*

The effective dates of the following pronouncements are postponed by 18 months after the original implementation date:

– GASB Statement No. 87, *Leases*

– GASB Implementation Guide No. 2019-3, *Leases*.

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

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

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate cost associated with the reporting of certain defined contribution pension plans other than pension plans or OPEB plans (other employee benefits plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Sections 457 plans are effective for fiscal years beginning after June 15, 2021.

- GASB Statement No. 98, *The Annual Comprehensive Financial Report*. The objective of this statement is to establish the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

Management is evaluating the impact that these statements may have on the Commonwealth basic financial statements upon adoption.

(2) Going Concern, Uncertainties and Liquidity Risk

(a) Considerations for Going Concern – Primary Government

- For many years the Commonwealth was facing a fiscal, economic and liquidity crisis, which resulted in significant governmental deficits, an economic recession that has persisted since 2006, liquidity challenges, a high unemployment rate, population decline, and high levels of debt and pension obligations. As the Commonwealth's tax base has shrunk and its revenues been affected by prevailing economic conditions, an increasing portion of the Commonwealth's General Fund budget has consisted of health care and pension related costs and debt service requirements through fiscal year 2019, resulting in reduced funding for other essential services. The Commonwealth's historical liquidity constraints, among other factors, have adversely affected its credit ratings and its ability to obtain financing at reasonable interest rates.
- In response to the Commonwealth's current fiscal crisis, the United States Congress enacted PROMESA establishing the Oversight Board. On May 1, 2017, the temporary stay under Title IV of PROMESA expired, permitting substantial litigation brought by bondholders and other creditors against the Commonwealth and its component units to resume and new suits to be initiated. As a result, on May 3, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for the Commonwealth by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico (the Title III Court). Title III of PROMESA incorporates the automatic stay provisions of Bankruptcy Code section 362 and 922, which are made applicable to Title III cases pursuant to PROMESA section 301(a). Accordingly, upon the filing of the Commonwealth's Title III case, an automatic stay immediately went into effect to stay creditor litigation.
- After years of extensive litigations with creditors, on October 26, 2021, the Commonwealth enacted the Law to End the Bankruptcy of Puerto Rico to, among other things, approve the issuance of the New General Obligation Bonds and Contingent Value Instruments (CVIs) necessary to implement the restructuring transactions contemplated in the Seventh Amended Plan of Adjustment. In addition to approving the Commonwealth's restructuring transactions, Act 53 conditioned the effectiveness of the Government's approval on the preservation of all accrued pension benefits owed to current public pension participants, which required the elimination of the pension cuts proposed in the Seventh Amended Plan. In response to Act 53, the Oversight Board modified the Seventh Amended Plan and proposed the Eighth Amended Plan with zero pension cuts to accrued pension benefits. The Title III Court confirmed that version of the plan on January 18, 2022, and it became effective on March 15, 2022. On that date, the Commonwealth emerged from Title III of PROMESA after consummating its Eighth Amended Plan of Adjustment.

Notwithstanding the circumstances existing on June 30, 2019, based on subsequent events that remediated the Commonwealth's financial condition and addressed its liabilities, management does not believe there is substantial doubt about the Commonwealth's ability to continue as a going concern as of the date of these basic financial statements.

(b) Going Concern – Discretely Presented Component Units

The following major discretely presented component units have been identified as having substantial doubt about their ability to continue as a going concern. Each major discretely presented component units' circumstances and remediation plan are described below:

(i) GDB

The stand-alone audited basic financial statements of GDB disclose that there is substantial doubt about GDB's ability to continue as a going concern for the following reasons:

- On March 23, 2018, GDB ceased its operations and management initiated an orderly winddown process, which included a restructuring of GDB's debts pursuant to a Qualifying Modification under Title VI of PROMESA, which was effective on November 29, 2018. Details of the Qualifying Modification are further discussed in Notes 3 and 12.

For additional information about GDB's cessation of operations and implementation of the Qualifying Modification, refer to the notes of GDB's 2019 stand-alone audited basic financial statements.

(ii) PRHTA

The stand-alone audited basic financial statements of PRHTA disclose that there is substantial doubt about PRHTA's ability to continue as a going concern for the following reasons:

- PRHTA has experienced significant recurring losses from operations and faces a number of business challenges that have been exacerbated by the Commonwealth's economic recession and the fact that PRHTA has not increased its revenues to cover its rising costs.
- PRHTA does not have sufficient funds available to repay its various obligations as they come due or those that are currently in default. PRHTA has not been able to increase its revenues, reduce its costs and improve liquidity. During the fiscal year ended June 30, 2019, PRHTA incurred a loss before capital grants and transfers of approximately $870.4 million. As of June 30, 2019, PRHTA's current liabilities exceed its current assets by approximately $179.5 million and had an accumulated deficit of approximately $2 billion.
- Additionally, significant support and funding for obligations of PRHTA has previously been provided by the Commonwealth and its component units, including GDB. The Commonwealth and such entities are experiencing financial difficulties and are unable to continue to extend, refinance or otherwise provide the necessary liquidity to PRHTA as and when needed. As such, current defaults may not be cured and future defaults on PRHTA's obligations may not be avoided. The total aggregate outstanding balance of lines of credit was approximately $1.7 billion as of June 30, 2019. These lines of credit are now an obligation to the GDB Recovery Authority.
- On May 21, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for PRHTA by filing a petition for relief under Title III of PROMESA in the Title III Court. PRHTA is currently operating under the protection of the Title III Court.

Remediation Plan – PRHTA

On May 5, 2021, the Oversight Board—as representative of the Commonwealth and PRHTA—entered into the HTA/CCDA Related Plan Support Agreement (the HTA/CCDA PSA) with certain holders of PRHTA and PRCCDA bonds, Assured Guaranty Corp., and National Public Finance Guarantee Corp. to settle certain claims against the Commonwealth regarding the bonds issued by

PRHTA and PRCCDA, as well as claims against those issuers. The terms of the HTA/CCDA PSA have been incorporated into the Eighth Amended Plan for the Commonwealth, ERS, and PBA. The HTA/CCDA PSA also provides that PRHTA must file its own plan of adjustment—consistent with the economic provisions under the HTA/CCDA PSA—that would enable PRHTA to exit its Title III proceeding by the end of calendar year 2022.

On February 22, 2022, the Oversight Board certified a fiscal plan to provide a roadmap for transforming not only PRHTA, but also infrastructure across Puerto Rico to catalyze economic growth. PRHTA has four objectives aligned with this goal: (a) promote the safe and easy movement of vehicles and individuals, (b) reach and maintain a state of good repair to ensure the people of Puerto Rico have access to quality roads and modes of transportation, (c) contribute to the development of Puerto Rico, and (d) build a strong, resilient road network by strengthening assets that are prone to natural disasters.

There is no certainty that any certified fiscal plan for PRHTA will be fully implemented, or if implemented will ultimately provide the intended results.

Detailed information about PRHTA's conditions and events that raise doubt about its ability to continue as a going concern and its corresponding remediation plan are disclosed in the notes of PRHTA's 2019 fiscal year stand-alone audited basic financial statements.

(iii) PREPA

Management believes that there is substantial doubt about PREPA's ability to continue as a going concern for the following reasons:

- PREPA has defaulted on various debt obligations and does not currently have sufficient funds available to repay its obligations as they come due.
- PREPA has an accumulated deficit of approximately $6.8 billion as of June 30, 2019, and during the year ended June 30, 2019, the deficit decreased by approximately $57 million.
- On July 2, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for PREPA by filing a petition for relief under Title III of PROMESA in the Title III Court. PREPA is currently operating under the protection of the Title III Court.
- In recent years, Puerto Rico's infrastructure systems have experienced devastating damage in the wake of several natural disasters. In September 2017, Puerto Rico was directly impacted by Hurricanes Irma and Maria, caused substantial island-wide damage to PREPA's Transmission and Distribution System and other assets. In January 2020, Puerto Rico a magnitude 6.4 earthquake located near Puerto Rico's southwestern coast caused significant damages to two units at the PREPA's Costa Sur power plant and left most of Puerto Rico without electric for hours. The effects of the earthquake were quickly followed by the emergence of the COVID-19 pandemic which has had a negative effect on the PREPA's collections and revenues, further weakening its liquidity position.

Remediation Plan – PREPA

On May 27, 2021, the Oversight Board certified a new fiscal plan that lays out a path for the operational and financial reorganization of PREPA and the transformation of Puerto Rico's energy system.

There is no certainty that any certified fiscal plan for PREPA will be fully implemented, or if implemented will ultimately provide the intended results.

Detailed information about PREPA's conditions and events that raise doubt about its ability to continue as a going concern and its corresponding remediation plan are disclosed in the notes of PREPA's 2019 fiscal year stand-alone audited basic financial statements.

(iv) UPR

The stand-alone audited basic financial statements of UPR disclose that there is substantial doubt about its ability to continue as a going concern for the following reasons:

- UPR had an accumulated deficit position of approximately $1.9 billion at June 30, 2019.
- UPR has had recurring operating losses, has been highly dependent on the Commonwealth's appropriations to finance its operations, and has historically relied on GDB for liquidity. Approximately 54% of UPR's total revenues were derived from Commonwealth appropriations for the year ended June 30, 2019. UPR's ability to continue receiving similar operational support from the Commonwealth and obtaining external financing is uncertain.
- UPR has limited ability to raise operating revenues due to the economic and political related challenges of maintaining enrollment and increasing tuition.
- On June 29, 2017, UPR and the trustee for the UPR System Revenue Bonds entered into a standstill agreement (the Standstill Agreement), pursuant to which the UPR agreed to transfer to a segregated account, for the benefit of the holders of the revenue bonds, certain amounts in respect of revenue pledged on the condition that during the covered period of the Standstill Agreement the trustee would not institute, commence, or continue any legal proceeding against the UPR, the Commonwealth or any of its agencies, instrumentalities, or municipalities thereof, to enforce rights related to the revenue bonds. The Standstill Agreement has been subject to various extensions.

Remediation Plan – UPR

On May 27, 2021, the Oversight Board certified a new version of the UPR fiscal plan.

There is no certainty that any certified fiscal plan for UPR will be fully implemented, or if implemented will ultimately provide the intended results.

Detailed information about UPR's conditions and events that raise doubt about its ability to continue as a going concern and its corresponding remediation plan are disclosed in the notes of UPR's 2019 fiscal year stand-alone audited basic financial statements.

(v) Other Nonmajor Discretely Presented Component Units

There are other nonmajor discretely presented component units that have accumulated deficits and others that even without deficits, have outstanding debt payable to GDB or subject to the Moratorium Act and related executive orders. Similar, to the reasons presented above for the Commonwealth's Primary Government and its major discretely presented component units, there is uncertainty as to the ability of other nonmajor discretely presented component units to satisfy their obligations as they become due; therefore, raising substantial doubt about their ability to continue as a going concern.

Additionally, there are other nonmajor discretely presented component units that do not have a deficit position or loans outstanding with GDB as of June 30, 2019, and have not been impacted by the Moratorium Act and related executive orders. However, these entities are highly dependent on the financial support provided by the Commonwealth and have been depending on GDB as their only option to obtain financing to fund their operations. The financial support provided by the Commonwealth is contingent on inclusion of such entities in its General Fund's budget appropriations as approved by the Legislature. Any reduction in the amount of these contributions could result in financial difficulties for these entities, including the uncertainty as to their ability to satisfy their obligations as they become due, thereby raising substantial doubts about their ability to continue as a going concern.

(3) PROMESA Proceedings

As discussed in Note 2, as of June 30, 2019, the Commonwealth and many of its component units were in the midst of an economic and fiscal crisis, which have caused, among other things, the initiation of financial measures directed to reinstate fiscal and financial stability, including a number of Commonwealth and federal laws that have been passed in recent years. On June 30, 2016, the U.S. Congress enacted PROMESA to address these problems. During the fiscal years subsequent to June 30, 2016, the Commonwealth, and other governmental entities such as COFINA, PRHTA, ERS, PREPA, PBA and GDB initiated PROMESA proceedings at the request of the Governor to restructure or adjust their existing debt. On March 15, 2022, the Commonwealth's Eighth Amended Plan became effective, thereby significantly reducing the Commonwealth's debt levels and ending the Island's fiscal crisis.

(a) PROMESA and Puerto Rico Legislation

(i) PROMESA

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

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

Upon PROMESA's enactment, the Oversight Board was established for Puerto Rico. As stated in PROMESA, "the purpose of the Oversight Board is to provide a method for a covered territory to achieve fiscal responsibility and access to the capital markets." On August 31, 2016, the President of the United States announced the appointment of the Oversight Board members. Each Oversight Board member is required to have "knowledge and expertise in finance, municipal bond markets, management, law, or the organization or operation of business or government." The Oversight Board was "created as an entity within the territorial government for which it was established" and is expressly not an entity of the federal government, but it was also established to act independently from the Commonwealth government, such that neither the Governor nor the Legislature may "(1) exercise any control, supervision, oversight, or review over the Oversight Board or its activities; or (2) enact, implement, or enforce any statute, resolution, policy, or rule that would impair or defeat the purposes of PROMESA, as determined by the Oversight Board."

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

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

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

In furtherance of the foregoing duties, PROMESA contains a provision that grants the Oversight Board powers to monitor compliance with certified fiscal plans and budgets and undertake certain actions, including spending reductions and the submission of recommended actions to the Governor that promote budgetary compliance. Please refer to the language of PROMESA for a complete description of the Oversight Board's powers related to fiscal plan and budgetary compliance.

(c) Title III – In-Court Restructuring Process

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

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

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

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

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

Pursuant to PROMESA section 405, the enactment of PROMESA immediately and automatically imposed a temporary stay (the Title IV Stay) from June 30, 2016 (the date of PROMESA's enactment) through February 15, 2017, of all "Liability Claim" litigation commenced against the Commonwealth and its instrumentalities after December 18, 2015. A "Liability Claim" is defined as any right to payment or equitable remedy for breach of performance related to "a bond, loan, letter of credit, other borrowing title, obligation of insurance, or other financial indebtedness for borrowed money, including rights, entitlements, or obligations whether such rights entitlements, or obligations arise from contract, statute, or any other source of law related [thereto]" for which the Commonwealth or one of its instrumentalities was the issuer, obligor, or guarantor and such liabilities were incurred prior to June 30, 2016. The Title IV Stay was subject to a one-time 75-day extension by the Oversight Board or a one-time 60-day extension by the United States District

Court. On January 28, 2017, the Oversight Board extended the Title IV Stay by 75 days to May 1, 2017, at which time the Title IV Stay expired.

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

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

Third, PROMESA required the U.S. Comptroller General, through the GAO, to submit to Congress by June 30, 2017, a report on public debt of the U.S. territories. In addition to its initial report, the GAO must submit to Congress updated reports on the public debt at least once every two-years. The GAO published its initial report on October 2, 2017. On June 30, 2021, the GAO published its latest biannual report on the public debt of the U.S. territories.

(e) Title V – Infrastructure Revitalization

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

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

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

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

The Title VI process was successfully implemented to restructure the debts of the GDB. The GDB Title VI process is discussed below under Discretely Presented Component Units – GDB, Qualifying Modification and Title VI Approval Process.

In addition, the Title VI process was recently utilized to restructure the debts of PRIFA and PRCCDA, as discussed below under Discretely Presented Component Units – PRIFA Qualifying Modification for Rum Bonds, and Discretely Presented Component Units – PRCCDA Qualifying Modification for PRCCDA Bonds.

(g) Title VII – Sense of Congress

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

Act No. 101-2020, the Debt Responsibility Act, was enacted to ensure that the Commonwealth does not repeat past mistakes that led to its financial crisis and liquidity shortage by, among other things, establishing a comprehensive cap on all net tax-supported debt and a sublimit on secured and/or securitized debt incurred to pay debt service on the new COFINA bonds. In addition, the Eighth Amended Plan and Confirmation Order include provisions requiring the Commonwealth to adhere to the Debt Responsibility Act and a Debt Management Policy [ECF No. 20353, Ex. J] that provides further guardrails for ongoing fiscal responsibility, including maximum limits on the Commonwealth's annual amount of debt service payments. For further information, refer to the Eighth Amended Plan, Confirmation Order, and Debt Management Policy, which are available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

Act No. 53-2021, the Law to End the Bankruptcy of Puerto Rico, was enacted on October 26, 2021, to, among other things, approve the issuance of the New GO Bonds and CVIs (each as defined and discussed below) necessary to implement the restructuring transactions contemplated in the Seventh Amended Plan. In addition to approving the Commonwealth's restructuring transactions, Act 53 conditioned the effectiveness of the Government's approval on the preservation of all accrued pension benefits owed to current public pension participants, which required the elimination of the pension cuts proposed in the Seventh Amended Plan. In response to Act 53, the Oversight Board modified the Seventh Amended Plan and proposed the Eighth Amended Plan with zero pension cuts to accrued pension benefits. The Title III Court confirmed that version of the plan on January 18, 2022, and it became effective on March 15, 2022.

(b) PROMESA Title III Cases

(i) Commonwealth Title III Case

On May 3, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for the Commonwealth by filing a petition for relief under Title III of PROMESA in Title III Court. The deadline by which all creditors were required to file their proofs of claim against the Commonwealth was June 29, 2018. Approximately 118,085 claims were filed against the Commonwealth in the total aggregate asserted amount of approximately $33.3 trillion. Of this amount, approximately 84,855 claims in the total aggregate asserted amount of approximately $33.1 trillion have been withdrawn or expunged by an omnibus objection order entered by the Title III Court. As a result, approximately 11,005 claims in the total aggregate asserted amount of approximately $142.2 billion remain outstanding (excluding claims pending objection, marked for future objection, or transferred or waiting to be transferred into ACR). The validity of these remaining claims have not yet been determined and such claims remain subject to the claims reconciliation process described in section (vii) below.

On July 30, 2021, the Oversight Board—as representative to the Commonwealth, ERS, and PBA in their respective Title III cases—filed its *Seventh Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al.* [ECF No. 17629] (the Seventh Amended Plan).

On November 3, 2021, the Oversight Board filed the Eighth Amended Plan, which further revised the Seventh Amended Plan to eliminate its monthly pension cut provisions, among other things. The hearing to consider confirmation of the Eighth Amended Plan commenced on November 8, 2021, and concluded on November 23, 2021. The final modified version of the Eighth Amended Plan was filed on January 14, 2022 [ECF No. 19813-1].

On January 18, 2022, the Title III Court entered its Findings of Fact [ECF No. 19812] and Confirmation Order [ECF No. 19813] with respect to the Eighth Amended Plan. Between January 28, 2022, and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit.

By March 11, 2022, the First Circuit denied all parties' motions for stay pending appeal. On March 15, 2022, the conditions precedent to the Effective Date of the Eighth Amended Plan were satisfied and/or waived by the Oversight Board, and the plan became effective.

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

A critical component of the Eighth Amended Plan is the post-effective date issuance of new general obligation bonds (the New GO Bonds) and contingent value instruments (CVIs) that will be used to provide recoveries to GO and PBA bondholders, and to HTA and PRIFA bondholders under separate restructurings.

The New GO Bonds will mature over 25 years and will include both Capital Appreciation Bonds (CABs) and Current Interest Bonds (CIBs). All of the CABs and CIBs will have term bonds with mandatory sinking fund payments.

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

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

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

The Eighth Amended Plan classifies claims into 69 classes, which will receive the following aggregate recoveries as follows:

- Various categories of Commonwealth Bond Claims (Classes 15-50): 73% recovery consisting of cash, New GO Bonds, and GO CVIs.
- Various categories of PBA Bond Claims (Classes 1-12, 14): 79% recovery in cash in addition to the New GO Bonds and GO CVIs that PBA bondholders will receive on account of their CW Guarantee Claims.
- Various categories of clawback creditor claims (Classes 59-63): 23% recovery consisting of the Clawback CVIs.
- ERS Bond Claims (Class 65): 16% recovery consisting of cash and interests in the ERS Private Equity Portfolio.
- Various categories of General Unsecured Claims (Classes 13, 58, and 66): 21% recovery in cash.
- Other miscellaneous claims (Classes 52-57, 64, 67-69): 26% recovery in cash.

Since the beginning of the Title III of PROMESA, the Commonwealth has accumulated approximately $16.3 billion in cash through February 2022, principally from the non-payment of debt service and fiscal adjustments made that resulted in fund balance surpluses. On the Effective Date, the available cash was distributed as follows (in thousands):

Available cash	$	16,334
Effective date payments:		
Payment of GO/PBA/ERS bonds		(7,557)
Payment to System 2000 Defined Contribution plan participants		(1,377)
Payment to unsecured creditors, fees and other		(1,440)
Reserve for deferred payments to unsecured and other claims		(1,344)
Revolving reconstruction fund and other reserves		(2,452)
Excess - Liquidity retained by the Commonwealth	$	2,164

The Eighth Amended Plan preserves all accrued pension benefits for active and retired public employees under Class 51. However, JRS and TRS participants will be subject to a benefits freeze and the elimination of any cost-of-living adjustments previously authorized under the JRS and TRS pension plans.

For further information, refer to the final versions of the Eighth Amended Plan, Findings of Fact, and Confirmation Order, which are available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

(ii) COFINA Title III Case

On May 5, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for COFINA by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico. Claims against COFINA were resolved through the COFINA Plan of Adjustment, which became effective on February 12, 2019, and which is no longer the subject of any appeals. For additional information regarding the COFINA Plan of Adjustment, refer to Note 16(c), Note 12(b) and the COFINA stand-alone audited basic financial statements.

As a result of the COFINA's PROMESA Title III Court proceedings during the year ended June 30, 2019, an extraordinary gain of approximately $6.3 billion was recorded in their financial statements. A summary of the extraordinary gain is detail as follows (in thousands):

Description	Source		COFINA special revenue	COFINA debt service	Accrual Basis	Total Extraordinary Gain
Accrued interest receivable	Remeasured	$	—	(7)	—	(7)
Other receivable	Remeasured		—	(2,673)	—	(2,673)
Fair value of hedging derivative	Settle		—	—	(65,954)	(65,954)
Deferred loss on bonds refunding	Related to eliminated obligations		—	—	(32,707)	(32,707)
Account payable and accrued liability	Discharged		—	25,492	3,400	28,892
Accrued interest payable	Discharged		—	164,563	19,006	183,569
Interest rate swap liability	Settle		—	(60,955)	65,954	4,999
Deferred gain on bond refunding	Related to eliminated obligations		—	—	91,636	91,636
Bonds payable retired	Discharged		—	66,695	18,007,564	18,074,259
Bonds payable issued	New obligation		—	—	(12,021,322)	(12,021,322)
General unsecured claims	New obligation		(100)	—	—	(100)
Total		$	(100)	193,115	6,067,577	6,260,592

(iii) PRHTA Title III Case

On May 21, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for PRHTA by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico. The deadline by which all creditors were required to file their proofs of claim against PRHTA was June 29, 2018. Approximately 2,290 claims were filed against PRHTA in the total aggregate asserted amount of approximately $83.1 billion. Of this amount, approximately 1,255 claims in the total aggregate asserted amount of approximately $6.8 billion have been withdrawn or expunged by an omnibus objection order entered by the Title III Court. As a result, approximately 870 claims in the total aggregate asserted amount of approximately $76.2 billion remain outstanding (excluding claims pending objection, marked for future objection, or transferred or waiting to be transferred into ACR). The validity of these remaining claims have not yet been determined and such claims remain subject to the claims reconciliation process, described in section (vii) below.

On May 5, 2021, the Oversight Board—as representative of the Commonwealth and PRHTA—entered into the HTA/CCDA PSA with certain holders of PRHTA and PRCCDA bonds, Assured Guaranty Corp., and National Public Finance Guarantee Corp. to settle certain claims against the

Commonwealth regarding the bonds issued by PRHTA and PRCCDA, as well as claims against those issuers. The terms of the HTA/CCDA PSA have been incorporated into the Eighth Amended Plan for the Commonwealth, ERS, and PBA. The HTA/CCDA PSA also provides that PRHTA must file its own plan of adjustment—consistent with the economic provisions under the HTA/CCDA PSA—that would enable PRHTA to exit its Title III proceeding by the end of calendar year 2022.

After the commencement of PRHTA's Title III case, numerous motions and adversary proceedings were filed both by and against PRHTA regarding creditor rights to PRHTA assets. The outcome of these proceedings and their impact on any plan of adjustment for PRHTA cannot be determined at this time.

(iv) ERS Title III Case

On May 21, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for ERS by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico. All obligations against ERS were resolved through the Eighth Amended Plan for the Commonwealth, ERS, and PBA as described in section (i) above.

On the Effective Date, the Eighth Amended Plan provided ERS Bond Claims (Class 65) with a 16% recovery consisting of cash and interests in the ERS Private Equity Portfolio. In addition, all legacy ERS bonds have been discharged and all related litigation has been resolved and dismissed.

The Eighth Amended Plan also preserves all accrued pension benefits for active and retired public employees under Class 51, such that all accrued pension benefit claims are not reduced or modified and will be paid under the PayGo system. However, JRS and TRS participants will be subject to a benefits freeze and the elimination of any cost-of-living adjustments previously authorized under the JRS and TRS pension plans.

For further information, refer to the final versions of the Eighth Amended Plan, Findings of Fact, and Confirmation Order, which are available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

(v) PREPA Title III Case

On July 3, 2017, at the request of the Governor, the Oversight Board commenced a Title III case for PREPA by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico. The deadline by which all creditors were required to file their proofs of claim against PREPA was June 29, 2018. Approximately 4,640 claims have been filed against PREPA in the total aggregate asserted amount of approximately $27.4 billion. Of this amount, approximately 478 claims in the total aggregate asserted amount of approximately $1.3 billion have been withdrawn or expunged by an omnibus objection order entered by the Title III Court. As a result, approximately 3,323 claims in the total aggregate asserted amount of approximately $25.4 billion remain outstanding (excluding claims pending objection, marked for future objection, or transferred or waiting to be transferred into ADR). The validity of these asserted claims have not yet been determined and all claims remain subject to the claims reconciliation process, described in section (vii) below.

On May 3, 2019, the Oversight Board, FAFAA, and PREPA, reached a Definitive Restructuring Agreement (the PREPA RSA) with a substantial portion of PREPA's bondholders and with Assured Guaranty Corp. and Assured Guaranty Municipal Corp. On September 9, 2019, National Public Finance Corporation (National) and Syncora Guarantee Inc. (Syncora) joined the PREPA RSA.

On March 8, 2022, the Governor announced that the Commonwealth will terminate the PREPA's RSA of 2019 because its implementation is neither feasible nor in the best interests of Puerto Rico.

According to the Governor, the circumstances prevailing when the PREPA RSA was negotiated with PREPA's creditors back in 2019 have changed significantly, including worldwide economic conditions, such as rising inflation and significant surges in the price of crude oil.

On March 8, 2022, the Title III Court entered an order requiring (i) the Oversight Board and AAFAF to file a joint status report by March 18, 2022, and (ii) the Oversight Board to file by May 2, 2022 either (a) a plan of adjustment for PREPA, (b) a detailed term sheet for a plan of adjustment for PREPA, (c) a proposed schedule for the litigation of significant issues remaining in the PREPA Title III case, or (d) a memorandum of law showing cause as to why the PREPA Title III case should not be dismissed. On March 17, 2022, the Oversight Board and AAFAF submitted a joint status report indicating that the parties are interested in pursuing a mediation process to facilitate the development of a plan of adjustment for PREPA. The validity of these asserted claims have not yet been determined and all claims remain subject to the claims reconciliation process, described in section (vii) below.

(vi) PBA Title III Case

On September 27, 2019, the Oversight Board, at the request of the Governor, commenced a Title III case for PBA by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico. The deadline by which all creditors were required to file their proofs of claim against PBA was June 26, 2020. Approximately 405 claims have been filed against PBA in the total aggregate asserted amount of approximately $7 billion. Of this amount, approximately 35 claims in the total aggregate asserted amount of approximately $11.5 million have been withdrawn or expunged by an omnibus objection order entered by the Title III Court. As a result, approximately 370 claims in the total aggregate asserted amount of approximately $5.7 billion remain outstanding (excluding claims pending objection, marked for future objection, or transferred or waiting to be transferred into ACR).

On November 3, 2021, the Oversight Board filed the Eighth Amended Plan. The hearing to consider confirmation of the Eighth Amended Plan commenced on November 8, 2021, and concluded on November 23, 2021. The final modified version of the Eighth Amended Plan was filed on January 14, 2022 [ECF No. 19813-1].

On January 18, 2022, the Title III Court entered its Findings of Fact [ECF No. 19812] and Confirmation Order [ECF No. 19813] with respect to the Eighth Amended Plan. Between January 28, 2022, and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit. By March 11, 2022, the First Circuit denied all parties' motions for stay pending appeal. On March 15, 2022, the conditions precedent to the Effective Date of the Eighth Amended Plan were satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Eighth Amended Plan has been confirmed and is currently effective as of the date hereof.

On the Effective Date, the Eighth Amended Plan provided for a 79% recovery in cash, in addition to the New GO Bonds and GO CVIs that bondholders will receive on account of their CW Guarantee Claims for holders of PBA Bond Claims (Classes 1-12, 14). In addition, all legacy PBA bonds have been discharged and all related litigation has been resolved and dismissed.

For further information, refer to the final versions of the Eighth Amended Plan, Findings of Fact, and Confirmation Order, which are available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

(vii) Claims Reconciliation Process for Title III Cases

On October 16, 2018, the Oversight Board filed a motion seeking the approval of certain limited claim objection procedures designed to complete the claims reconciliation process in a timely, efficient, and cost-effective manner. In its motion, the Oversight Board sought authority, among other things, to file omnibus objections to claims on the non-substantive bases expressly set forth in Bankruptcy Rule 3007(d)(1)-(7), which include objections to duplicative or untimely filed claims, with the limitation that each omnibus objection may only object to up to 500 claims (the Initial Claim Objection Procedures). On November 14, 2018, the Title III Court entered an order approving the Initial Claim Objection Procedures. On May 21, 2019, the Oversight Board filed a motion seeking to amend the Initial Claim Objection Procedures by permitting omnibus objections to be filed on substantive as well as non-substantive bases, and to permit up to 1,000 claims to be included in each omnibus objection (the Amended Claim Objection Procedures). On June 14, 2019, the Title III Court entered an order approving the Amended Claim Objection Procedures.

On June 5, 2019, the Oversight Board filed a motion for the Title III Court to authorize alternative dispute resolution (ADR) procedures to resolve certain general unsecured claims. At the omnibus hearing held on July 24, 2019, the Title III Court indicated that it supported an ADR process, but that the proposed ADR procedures included a number of practical barriers to implementation, including a lack of detail on what types of claims would be subject to the ADR procedures, and failure of proposed ADR procedures to comply with federal rules and due process requirements. On January 7, 2020, the Oversight Board submitted an amended motion to approve ADR procedures (the ADR Procedures), which the Title III Court approved on April 1, 2020. The Commonwealth and Oversight Board are currently in the process of reviewing claims to be resolved through the ADR Procedures.

For additional information regarding creditor recoveries contemplated under the Eighth Amended Plan, refer to Note 3(c)(i) above and the final versions of the Eighth Amended Plan, Findings of Fact, and Confirmation Order, which are available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

(viii) GDB Qualifying Modification and Title VI Approval Process

On November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA (the Qualifying Modification). Under the Qualifying Modification, holders of certain bond and deposit claims against GDB exchanged their claims for bonds issued by a newly created public instrumentality—the GDB Debt Recovery Authority (the GDB DRA)—and GDB transferred to such entity its municipal loan portfolio, a portion of its public entity loan portfolio, its real estate owned assets and its unencumbered cash. In addition, pursuant to the GDB Restructuring Act, claims on account of deposits held by the Commonwealth and other public entities were exchanged for interest in a newly formed trust created pursuant to the GDB Restructuring Act, titled the Public Entity Trust (the PET).

Under the GDB Restructuring Act, the balance of liabilities owed between the Commonwealth and its agents, instrumentalities and affiliates (each a Non-Municipal Government Entity) and GDB were determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-Municipal Government Entity held by GDB as of such date. Those Non-Municipal Government Entities having net claims against GDB, after giving effect to the foregoing adjustment received their pro rata share of interests in the PET, which was deemed to be full satisfaction of any and all claims such Non-Municipal Government Entity may have against GDB.

The assets of the PET (the PET Assets) consist of among other items, an unsecured claim against the Commonwealth of approximately $578 million, which is the subject of a proof of claim filed in the Commonwealth's Title III case. The Official Committee of Unsecured Creditors appointed in the Title III cases has objected to this PET Claim and, as of the date hereof, the Title III Court has not determined if the PET Claim is an allowed claim that will be entitled to a distribution. The Non-Municipal Government Entities' recoveries on account of their interests in the PET will depend upon the recovery ultimately received by the PET on account of the PET Assets. Claims that the Commonwealth and other governmental entities may have had against GDB have been released pursuant to the Qualifying Modification and the GDB Restructuring Act (except for as set forth therein).

On November 6, 2018, the District Court approved GDB's Qualifying Modification under Title VI of PROMESA and the Qualifying Modification became effective as of November 29, 2018. As a results of the Qualifying Modification GDB recognized in his financial statement an extraordinary gain of approximately $4.2 billion. The following table summarized the different activities and events withing the transaction (in thousands):

	Amounts Adjustments
Extraordinary gain in restructuring with the DRA	$ (2,795,976)
Extraordinary gain in restructuring with the PET	(1,415,560)
Settlement payment to Siemens	11,000
Closong Date adjustments in escrow held with PRHTA	2,000
Commitment obligation for the transfer of the Additional Recovery Authority Loans	117,959
Commitment obligation for the transfer to the Early Retirement Obligation Trust	3,852
Unclaimed deposits	(147,213)
Unapplied items and other adjustments	(21,634)
Subtotal GDB Operating Fund	(4,245,572)
Elimination for gain on intra fund deposits	70,212
Total net extraordinary gain	$ (4,175,360)

For additional information regarding the GDB's Qualifying Modification refer to GDB stand-alone audited basic financial statements.

(ix) PRIFA Qualifying Modification for Rum Bonds

On January 20, 2022, the U.S. District Court for the District of Puerto Rico entered an order approving the qualifying modification for PRIFA's Rum Bonds (the PRIFA Qualifying Modification). The conditions precedent to the effective date for the PRIFA Qualifying Modification include, among other things, that the effective date for the Eighth Amended Plan for the Commonwealth, ERS, and PBA becomes effective. On March 15, 2022, the Eighth Amended Plan became effective together with the PRIFA Qualifying Modification.

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

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

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

On the effective date of the PRIFA Qualifying Modification, PRIFA's legacy Rum Bonds were canceled and discharged, and PRIFA Rum Bond claimants released all remaining claims related to PRIFA's Rum Bonds.

(x) PRCCDA Qualifying Modification for PRCCDA Bonds

On January 20, 2022, the U.S. District Court for the District of Puerto Rico entered an order approving the qualifying modification for PRCCDA Bonds (the PRCCDA Qualifying Modification). The conditions precedent to the effective date for the PRCCDA Qualifying Modification include, among other things, that the effective date for the Eighth Amended Plan for the Commonwealth, ERS, and PBA becomes effective. On March 15, 2022, the Eighth Amended Plan became effective together with the PRCCDA Qualifying Modification.

The PRCCDA Qualifying Modification resolves all claims related to the PRCCDA Bonds, including extensive litigation related thereto, in exchange for (i) a 4% allocation of the Clawback CVIs issued pursuant to the Eighth Amended Plan (premised on outperformance of the SUT relative to the Oversight Board's projections contained in its May 27, 2020 certified fiscal plan for the Commonwealth), (ii) holders' pro rata share of $97 million of cash in deposit accounts held by the Tourism Company at FirstBank, and (iii) certain fees in connection with bondholder support for the restructuring. The PRCCDA-related portion of the CVIs is subject to a lifetime aggregate cap of approximately $217 million. The CVIs are general obligations of the Commonwealth issued pursuant to the Eighth Amended Plan.

On the effective date of the PRCCDA Qualifying Modification, the PRCCDA Bonds were canceled and discharged, and PRCCDA Bond claimants released all remaining claims related to the PRCCDA Bonds.

(xi) PRIFA-Ports Exchange

On December 27, 2019, PRIFA completed a private exchange that resulted in the resolution of over 92% of those certain Series 2011 bonds issued by PRIFA (Ports Authority Project) (the PRIFA-Ports Bonds). At the time of the exchange, the PRIFA-Ports Bonds were outstanding in an amount of approximately $190.6 million. Bondholders holding approximately $177.2 million participated in the private exchange and received their pro rata share (based on the entire amount of PRIFA-Ports Bonds outstanding) of a cash payment of approximately $82.4 million, resulting in the full resolution of such participating PRIFA-Ports Bonds. The recovery the PRIFA-Ports bondholders received in the exchange is in addition to the GDB DRA Bonds received by the PRIFA-Ports bondholders in connection with a settlement of the bondholders' letter of credit claims against GDB, which settlement was entered into as part of the GDB Title VI Qualifying Modification. After the exchange, the PRIFA-Ports Bonds remain outstanding in the total aggregate amount of approximately $13.4 million.

(c) Default of Bond Principal and Interest Payments

Because of the Commonwealth's retention of certain revenues conditionally allocated to public corporations and priority of payment provisions, as well as the Commonwealth's general financial condition, the Commonwealth and such public corporations were not able to make the debt service payments as they became due prior to the commencement of the Title III cases. Subsequent to the commencement of such cases, the automatic stay and other provisions of law have prevented payment of such amounts. The nature of the obligations of the Commonwealth and its public corporations to make such payments is currently the subject of ongoing litigation, as discussed in Note 16.

The table below summarizes the past due balance of principal and interest on bonds as of March 18, 2022 (in thousands):

		Principal	Interest	Past due Balance
Governmental activities:				
Commonwealth	$	2,346,341	4,184,494	6,530,835
PBA		422,293	1,116,893	1,539,186
PRIFA		366,825	475,178	842,003
ERS		—	721,582	721,582
PA		46,726	128,432	175,158
Total governmental activities		3,182,185	6,626,579	9,808,764
PFC appropriation bonds		230,535	373,087	603,622
Major component units:				
PRHTA		625,482	1,084,752	1,710,234
PREPA		1,672,111	1,992,996	3,665,107
Total major component units		2,297,593	3,077,748	5,375,341
Nonmajor component units		113,192	104,996	218,188
Total	$	5,823,505	10,182,410	16,005,915

(4) Accounting Changes and Correction of Errors

During 2019, the Commonwealth identified various errors related to prior year basic financial statements, including that certain of its discretely presented component units incorrectly applied the guidance in GASB Statements No. 68 and No. 71 and partially applied GASB Statement No. 75. Additionally, during the year there were various changes in reporting entity at the primary government and discretely presented component units. The impact of the related adjustments to beginning net position/fund balance are as follows:

Governmental and Business-type Activities

The following table summarizes the changes to net position at the beginning of the year as previously reported for the Governmental and Business-type activities in the government-wide financial statements (in thousands):

		Governmental Activities	Business-type Activities
Net deficit- July 1, 2018, as previously reported	$	(72,761,710)	273,724
Entities that were discretely presented component units in fiscal year 2018, but Primary Government in fiscal year 2019 (change in reporting entity)		(18,394)	-
Entities that were Primary Government in fiscal year 2018, but discretely presented component units in fiscal year 2019 (change in reporting entity)		1,123	-
Correction of errors:			
Understatement of cash (a)		1,382	-
Material corrections in PBA (b) - (f)		90,659	-
Overstatement of investments (g)		(67)	-
Immaterial corrections in ERS, TRS, and JRS (h)		(7,868)	-
Understatement of capital assets (j)		-	184
Overstatement of liabilities (i)		-	100,101
Net position (deficit) – July 1, 2018, as restated	$	(72,694,875)	374,009

Change in Reporting Entity

As a result of several reorganization plans executed during the fiscal year, various discretely presented component units became programs or funds of the Primary Government and an office of the Primary Government was transferred to a discretely presented component unit.

Correction of Material Errors – Governmental Activities

The correction of material errors in the beginning net position of Governmental Activities includes a combination of the following:

(a) An unrecorded deposit received by one of the Commonwealth agencies of approximately $1.4 million.

(b) An overstatement of cash and cash equivalents for approximately ($2.2) million corrected by PBA.

(c) An overstatement of receivables for approximately ($1.7) million corrected by PBA.

(d) An understatement of capital assets corrected by PBA for approximately $80.7 million.

(e) An overstatement of accrued expenses for approximately $14.1 million corrected by PBA.

(f) An overstatement of other assets for approximately ($250) thousand corrected by PBA.

(g) An overstatement of investments for approximately ($67) thousand corrected by the Children's Trust.

Correction of Immaterial Errors – Governmental Activities

(h) Immaterial errors in ERS, TRS, and JRS discovered subsequent to the issuance of the Commonwealth's 2018 financial statements which were corrected in their 2018 corresponding stand-alone financial statements.

Correction of Material Errors – Business-type activities

The correction of material errors to beginning net position of the Business-type activities includes the following:

(i) An overstatement in liabilities of approximately $100.1 million in PRMeSA was corrected.

Correction of Immaterial Errors – Business-type activities

The correction of material errors to beginning net position of the Business-type activities includes the following:

(j) An understatement of capital assets of approximately $184 thousand in the Bureau of Emergency Services 9-1-1 was corrected.

Governmental Funds

The following table summarizes the changes to fund balances (deficit) at the beginning of the year as previously reported for the governmental funds (in thousands):

		General Fund	ERS special revenue Fund	Nonmajor governmental funds
Fund balances (deficit) – July 1, 2018, as previously reported:	$	1,372,909	1,117,552	(105,528)
Entities that were discretely presented component units in fiscal year 2017, but Primary Government in fiscal year 2018 (change in reporting entity)		(11,602)	—	—
Entities that were Primary Government in fiscal year 2017, but discretely presented componet units in fiscal year 2018 (change in reporting entity)		(2,040)	—	—
Correction of errors:				
Understatement of cash (a)		1,382	—	—
Material corrections in PBA (b) - (e)		—	—	9,980
Overstatement of investments (f)				(67)
Immaterial correction of errors in ERS, TRS, and JRS (g)		—	(34,612)	(6,197)
Fund balances (deficit) – July 1, 2018, as restated	$	1,360,649	1,082,940	(101,812)

Change in Reporting Entity

As a result of several reorganization plans executed during the fiscal year, several discretely presented component units became programs or funds of the Governmental Activities and an office of the Primary Government was transferred to a discretely presented component unit.

Correction of Material Errors

(a) An unrecorded deposit received by one of the Commonwealth agencies of approximately $1.4 million.

(b) An overstatement of cash and cash equivalents for approximately ($2.2) million PBA.

(c) An overstatement of receivables for approximately ($1.7) million PBA.

(d) An overstatement of accounts payable for approximately $14.1 million corrected by PBA.

(e) An overstatement of other assets for approximately ($250) thousand corrected by PBA.

(f) An overstatement of investments for approximately ($67) thousand corrected by the Children's Trust.

Correction of Immaterial Errors

The correction of immaterial errors to beginning net position of ERS special revenue fund and the nonmajor governmental funds includes the following:

(g) Immaterial errors in ERS, TRS, and JRS discovered subsequent to the issuance of the Commonwealth's 2018 financial statements which were corrected in their 2018 corresponding stand-alone financial statements.

Proprietary Funds

The following table summarizes the changes to net position at the beginning of the year as previously reported for the proprietary funds (in thousands):

		PRMeSA	Nonmajor Proprietary Funds
Net position (deficit) – July 1, 2018, as previously reported	$	(993,017)	498,487
Overstatement of liabilities (a)		100,101	—
Understatement of capital assets (b)		—	184
Net position (deficit) – July 1, 2018, as restated	$	(892,916)	498,671

Correction of Material Errors

The correction of material errors in the beginning net position of PRMeSA includes the following:

(a) An overstatement in liabilities of approximately $100.1 million in PRMeSA was corrected.

Correction of Immaterial Errors

The correction of immaterial errors in the beginning net position of nonmajor proprietary funds includes the following:

(b) An understatement of capital assets of approximately $184 thousands in the Bureau of Emergency Services 9-1-1 was corrected.

Discretely Presented Component Units

The following table summarizes the changes to the beginning net position for certain discretely presented component units (in thousands):

Net deficit- July 1, 2018, as previously reported	$	(14,135,056)
Entities that were discretely presented component units in fiscal year 2018, but Primary Government in fiscal year 2019 (change in reporting entity)		22,736
Entities that were Primary Government in fiscal year 2018, but discretely presented component units in fiscal year 2019 (change in reporting entity)		(1,124)
Entity exclude in fiscal year 2018, but included in fiscal year 2019 (change in reporting entity)		17
Corrections of errors:		
Adoption of GASB Statement No. 75 (a):		
Recognition of total other postemployment benefits liability		(44,360)
Recognition of deferred outflows of resources for benefits payments made after the measurement date (July 1, 2018)		(4)
Adoption of GASB Statement No. 68 and 71 (b):		
Recognition of net pension liability		55,131
Recognition of deferred outflow of resources for benefit payments made after the measurement date (July 1, 2018)		(18,709)
Recognition of deferred inflow of resources		6,172
Overstatement of capital assets (c)		(288,298)
Overstatement of other liabilities (d)		74,254
Various miscellaneous errors (e) - (g)		5,632
Immaterial correction of errors in PREPA (h)		(180,972)
Net position (deficit) – July 1, 2018, as restated	$	(14,504,581)

Change in Reporting Entity

As a result of several reorganization plans executed during the fiscal year, various discretely presented component units became programs or funds of the Primary Government; an office of the Primary Government was transferred to a discretely presented component unit; and a discretely presented component unit excluded from prior year financial statements because its stand-alone financial statements were unavailable and not deemed material, individually or in the aggregate, to the Commonwealth's basic financial statements was included as a result of an effort made by the management of the Commonwealth to obtain the entity's stand-alone financial statements during the current fiscal year.

Correction of Material Errors

The correction of material errors in the beginning net position of discretely presented component units includes a combination of the following:

(a) The impact of adopting GASB Statement No. 75 at the discretely presented component units consisted of recognizing its proportionate share of the total other postemployment benefits liability, deferred inflow of resources, and deferred outflows of resources for benefits payments made after the beginning total other postemployment benefits liability measurement date (July 1, 2018).

(b) The impact of applying the guidance in GASB Statements No. 68 and No. 71 by recognizing the net effects of discretely presented component units proportionate share of the beginning net pension liability, deferred inflow of resources, and deferred outflows of resources for pension contributions made after the beginning net pension liability measurement date, against beginning net position.

(c) An overstatement of capital assets identified by the PRASA of approximately ($286.3) million; and an overstatement of capital assets of approximately ($2) million corrected by PRIDCO.

(d) An overstatement of approximately $74.3 million of other liabilities corrected from PREPA's prior year audited basic financial statements.

(e) An understatement of receivables resulting from misstatements in the determination of year-end balances of GDB of approximately $6.5 million; and an understatement of receivables of PRMIMTA by approximately $1 million; an overstatement of receivables of IPRC by approximately ($160) thousand; and an overstatement of receivables of PRIDCO of approximately ($120) thousand.

(f) An overstatement of CCCPRC's accounts payables of approximately $370 thousand; an understatement of accounts payable for approximately ($250) thousand in CIDPC basic financial statements; and understatement of accounts payable of approximately ($6) thousand in PRSPA basic financial statements; an overstatement of accounts payable for approximately $180 thousand in LAPR basic financial statements; and an overstatement of approximately $1.4 million in PRMIMTA basic financial statements.

(g) Other miscellaneous errors corrected by CPECMP for approximately ($3.3) million; by IPRC for approximately $7 thousand; by LAPR for approximately ($1.3) million; and by PRIMIMTA for approximately ($1.3) million.

Correction of Immaterial Errors

The correction of immaterial errors in the beginning net position of discretely presented component units includes the following:

(h) Immaterial errors in PREPA discovered subsequent to the issuance of the Commonwealth's 2018 financial statements which were corrected in the PREPA's 2018 stand-alone financial statements.

(5) Deposits and Investments

Primary Government

The Primary Government may invest in different types of securities, including domestic, international, and fixed income securities, among others.

The Primary Government maintains a cash and investment pool that is available for use by all funds, including some of the fiduciary funds. Each fund's portion of this pool is reported on the statement of net position and balance sheet as cash and cash equivalents.

Cash and Cash Equivalents

Custodial credit risk for deposits is the risk that in the event of bank failure, the Commonwealth's deposit might not be recovered. 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. All securities pledged as collateral are held by banks in the Commonwealth's name. There is no formal policy for custodial credit risk for cash accounts opened with commercial banks outside of Puerto Rico.

The carrying amount of deposits of the Primary Government at June 30, 2019, consists of the following (in thousands):

		Carrying amount			Bank
		Unrestricted	Restricted	Total	balance
Governmental activities:					
Commercial banks	$	8,267,516	1,399,812	9,667,328	9,875,888
Total	$	8,267,516	1,399,812	9,667,328	9,875,888

		Carrying amount			Bank
		Unrestricted	Restricted	Total	balance
Business-type activities:					
Commercial banks	$	552,404	262,586	814,990	920,585
Governmental banks		3	—	3	97,116
Under the custody of the U.S. Treasury		—	687,202	687,202	687,202
Total	$	552,407	949,788	1,502,195	1,704,903

As of June 30, 2019, the total aggregate amount of the Primary Government's bank balance of deposits in commercial banks was approximately $10.8 billion, covered by the FDIC or by collateral held by the Commonwealth's agent in the Commonwealth's name. Deposits of approximately $687 million with the U.S. Treasury represent unemployment insurance premiums collected from employers that are transferred to the federal Unemployment Insurance Trust Fund in the U.S. Treasury. These deposits are uninsured and uncollateralized.

As discussed in Note 2 and 3, on November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA. Under the Qualifying Modification and the GDB Restructuring Act, the balance of liabilities owed between the Commonwealth and each Non-Municipal Government Entity and GDB were determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-Municipal Government Entity held by GDB as of such date. As a result of this foregoing adjustment, all of the Commonwealth's deposits at GDB were extinguished.

Investments

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the transaction, the Commonwealth may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Credit Risk – This is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Investors are compensated for assuming credit risk by way of interest payments from the borrower or issuer of a debt obligation.

Credit risk is closely tied to the potential return of an investment, the most notable being that the yields on bonds correlate strongly to their perceived credit risk.

The Commonwealth's general investment policy is to apply the "prudent investor" rule, which states investments must be made with judgment and care under circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, and considering the probable safety of their capital as well as the probable income to be derived. The prudent investor rule should be applied in the context of managing an overall portfolio.

Short-term funds of the agencies, including operating funds, may be invested in U.S. Treasury bills; U.S. Treasury notes or bonds with short-term maturities; short-term obligations of U.S. government agencies and instrumentalities classified within the highest rating category of Standard & Poor's Rating Services (S&P) and Moody's Investors Service (Moody's); fully insured or collateralized certificates of deposit of eligible financial institutions designated by the Commissioner of Financial Institutions and the Secretary of the DOT; prime commercial paper rated A1/P1 by S&P and Moody's or secured by an irrevocable line of credit of an institution rated within the highest rating category of S&P and Moody's or collateralized by government securities; bankers' acceptances (as alternatives to CDs) of eligible financial institutions doing business in Puerto Rico provided adequate collateral has been pledged; obligations of the Commonwealth and its instrumentalities with an expected rate of return similar to other securities with the same risk profile.

Longer term funds may also be invested in U.S. government and agency securities in the highest rating category of S&P and Moody's. This includes Taxable Municipal Bonds of state and local governments in the United States classified within the three (3) highest categories of at least two of the principal rating services; taxable municipal obligations of the Primary Government and its component units; structured investments (notes and other types of on balance sheet securities issued by a U.S. Government Agency or another financial institution in the highest rating category of at least two of the principal rating services); and any mortgage backed instrument issued by a U.S. Government Agency in the highest rating category of S&P and Moody's.

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commonwealth policy on larger portfolios with positions in securities having potential default risk is to limit the investments in size so that in case of default, the portfolio's annual investment income will exceed a loss on a single issuer's securities.

Interest Rate Risk – It is the Commonwealth policy that a minimum 10% of the total portfolio be held in highly marketable U.S. Treasury bills or overnight investment instruments. Larger portfolios should not hold more than 30% of the portfolio in marketable instruments with maturities beyond one month. This policy should be followed as long as it does not reduce investment yields.

Governmental Activities

The Governmental Activities investments consisted of approximately $83.7 million in nonparticipating investment contracts (guaranteed investment contracts) that were exposed to custodial risk as uninsured, unregistered, and held by the counterparties or by their trust departments or agents, but not in the Primary Government's name.

At June 30, 2019, the fair value of the Governmental Activities' investments based on the hierarchy of inputs was as follows (in thousands):

Investment type		Level 1	Level 2	Level 3	Total
U.S. government securities	$	—	12,833	—	12,833
External investment pools – fixed-income securities:					
U.S. Bank Money Market		23,415	—	—	23,415
Nonparticipating investment contracts:					
UniCredit Bank AG – Guaranteed:					
Investment Contract		—	—	83,684	83,684
Total investments measured at fair value	$	23,415	12,833	83,684	119,932
Investments measured at amortized cost or NAV:					
Money market funds					29,268
Negotiable certificate of deposits					21,658
Limited partnership/private equity					78,774
Other					1,521
Total investments				$	251,153

The following table summarizes the type and maturities of investments held by the Governmental Activities at June 30, 2019 (in thousands). Investments by type in any issuer representing 5% or more of total investments have been separately disclosed. Expected maturities will differ from contractual maturities because counterparties may have the right to call or prepay obligations with or without call or prepayment penalties.

		Maturity (in years)			
Investment type		Within one year	After one to five years	After ten years	Total
U.S. government securities	$	12,833	—	—	12,833
Money market funds		13,610	15,658	—	29,268
Negotiable certificates of deposits		21,658	—	—	21,658
Other		—	1,521	—	1,521
External investment pools – fixed-income securities:					
Dreyfus Government Cash Management		23,415	—	—	23,415
Nonparticipating investment contracts:					
Unicredit Bank AG-Guaranteed Investment Contract		—	—	83,684	83,684
Total debt securities and fixed-income investment contracts	$	71,516	17,179	83,684	172,379
Equity securities:					
Limited parterships/private equity					78,774
Total					251,153
Reconciliation to the government-wide statement of net position:					
Unrestricted investments					78,774
Restricted investments					172,379
Total				$	251,153

The credit quality ratings (S&P) and fair value by investment type for the investments reported by the Governmental Activities at June 30, 2019, consisted of the following (in thousands):

Investment type		Rating AAA	A+ to A-	BBB+ to B-	Not Rated	Total
Money market funds	$	—	—	—	29,268	29,268
Negotiable certificate of deposits		—	—	—	21,658	21,658
Other		—	—	—	1,521	1,521
External investment pools – fixed-income securities:						
Dreyfus Government Cash Management		—	—	23,415	—	23,415
Nonparticipating investment contracts:						
UniCredit Bank AG-Guaranteed Investment Contract		—	—	—	83,684	83,684
Total debt securities and fixed-income investment contracts	$	—	—	23,415	136,131	159,546

Approximately $12.8 million of the total Governmental Activities' investments consist of U.S. Treasury instruments, which carry no credit risk and therefore, are not included within the table above.

Investments in Limited Partnerships

Pursuant to the Commonwealth's General Investment Policy, the pension trust funds invested approximately $82 thousands in limited partnerships during the year ended June 30, 2019.

The fair value of investments in limited partnerships at June 30, 2019, amounted to approximately $78.8 million. The allocations of net gains and losses to limited partners are based on certain percentages, as established in the limited partnership agreements. Investments in limited partnerships are not rated by a nationally recognized statistical rating organization. The related credit risk is measured through credit analysis, periodic reviews of results of operations, and meetings of subject companies' management.

As of June 30, 2019, the Governmental Activities had capital commitments with limited partnerships and related contributions as follows (in thousands):

		Public sector commitments	Fiscal year contributions	Unfunded commitments	Fair value
Guayacán Fund of Funds II, L.P.:					
Employees' Retirement System of the Government of the Commonwealth of Puerto Rico	$	25,000	—	1,319	374
Puerto Rico System of Annuities and Pensions for Teachers		25,000	—	1,319	374
Subtotal		50,000	—	2,638	748
Guayacán Private Equity Fund, L.P.:					
Employees' Retirement System of the Government of the Commonwealth of Puerto Rico		5,000	—	355	1,768
Puerto Rico System of Annuities and Pensions for Teachers		5,000	—	355	1,759
Subtotal		10,000	—	710	3,527

	Public sector commitments	Fiscal year contributions	Unfunded commitments	Fair value
Guayacán Private Equity Fund II, L.P.:				
Employees' Retirement System of the Government of the Commonwealth of Puerto Rico	$ 25,000	—	453	20,945
Subtotal	25,000	—	453	20,945
Other Funds:				
Employees' Retirement System of the Government of the Commonwealth of Puerto Rico	73,300	82	2,988	53,554
Subtotal	73,300	82	2,988	53,554
Total	$ 158,300	82	6,789	78,774

Business-type Activities

At June 30, 2019, the fair value of the Business-type activities' investments based on the hierarchy of inputs is as follows (in thousands):

Investment type	Level 1	Level 2	Level 3	Total
U.S. government and agency securities	$ —	4,206	—	4,206
Mortgage and asset-backed securities:				
GNMA	—	68	—	68
FNMA	—	1,869	—	1,869
FHLMC	—	959	—	959
Commercial mortgages	—	1,379	—	1,379
Asset-backed securities	—	170	—	170
Other		375		375
U.S. corporate bonds and notes	—	7,504	—	7,504
Foreign corporate and government bonds and notes	—	366	—	366
External investment pools – equity securities	—	11,150	—	11,150
Total investments measured at fair value	$ —	28,046	—	28,046

The following table summarizes the type and maturities of investments held by the Business-type activities at June 30, 2019 (in thousands). Investments by type in any issuer representing 5% or more of total investments have been separately disclosed. Expected maturities will differ from contractual maturities, because counterparties may have the right to call or prepay obligations with or without call or prepayment penalties.

Investment type		Maturity (in years) Within one year	After one to five years	After five to ten years	After ten years	Total
U.S. government and agency securities	$	326	1,918	367	1,595	4,206
Mortgage and asset-backed securities:						
GNMA		—	—	—	68	68
FNMA		—	103	3	1,763	1,869
FHLMC		—	4	73	882	959
Commercial mortgages		—	—	1,379	—	1,379
Asset-backed securities		—	—	170	—	170
Other		—	—	27	348	375
U.S. corporate bonds and notes		197	2,218	3,797	1,292	7,504
Foreign corporate and government bonds and notes		—	56	310	—	366
Total debt securities	$	523	4,299	6,126	5,948	16,896
External investment pools – equity securities:						
SPDR S&P 500 ETF Trust						8,831
MFC ISHARES TR Russell 2000 Index Fund						1,143
MFC Vanguard FTSE Developed						1,154
MFC Vanguard FTSE Emergency MKTS ETF						22
Total						28,046
Reconciliation to the government-wide statement of net position:						
Restricted investments						28,046
Total						$ 28,046

The credit quality ratings (S&P) and fair value by investment type for the investments reported by the Business-type activities at June 30, 2019, consist of the following (in thousands):

Investment type		Rating AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	Not rated	Total
Mortgage and asset-backed securities:								
FNMA	$	1,869	—	—	—	—	—	1,869
FHLMC		959	—	—	—	—	—	959
Commercial mortgages		190	—	—	—	—	1,189	1,379
Asset-backed securities		170	—	—	—	—	—	170
Other		278	94	3	—	—	—	375
U.S. corporate bonds and notes		299	957	1,607	4,641	—	—	7,504
Foreign corporate and government bonds and notes		—	—	158	152	56	—	366
Total debt securities	$	3,765	1,051	1,768	4,793	56	1,189	12,622

Approximately $4.3 million of the total Business-type activities' investments consist of approximately $68 thousands in U.S. Government National Mortgage Association (GNMA) securities and approximately $4.2 million in U.S. Treasury Instruments, which carry no credit risk and therefore, are not included within the table above.

Fiduciary Funds

Cash and Cash Equivalents

Cash and cash equivalents of the Fiduciary Funds at June 30, 2019, consisted of the following (in thousands):

		Carrying amount			Bank
		Unrestricted	Restricted	Total	balance
Commercial banks	$	1,146,679	—	1,146,679	1,146,679

Cash and cash equivalents consist of deposits with commercial banks and short-term investments. Short-term investments include money market funds and other cash equivalents.

Discretely Presented Component Units

Deposits

Cash and cash equivalents consist of demand deposits, interest bearing accounts, certificates of deposit, and bank investment contracts. Cash and cash equivalents of the discretely presented component units at June 30, 2019, consisted of (in thousands):

Major Discretely Presented Component Units

		Carrying amount			Bank
		Unrestricted	Restricted	Total	balance
Commercial banks	$	1,406,198	916,659	2,322,857	2,315,346
Total	$	1,406,198	916,659	2,322,857	2,315,346

As of June 30, 2019, the major discretely presented component units had approximately $104.5 million of cash and cash equivalents that were exposed to custodial credit risk as uninsured and uncollateralized.

Nonmajor Discretely Presented Component Units

		Carrying amount			Bank
		Unrestricted	Restricted	Total	balance
Commercial banks	$	490,004	171,089	661,093	683,108
Governmental banks		2,612	—	2,612	6,110
Total	$	492,616	171,089	663,705	689,218

As of June 30, 2019, the nonmajor discretely presented component units had approximately $6.1 million of cash and cash equivalents that were exposed to custodial credit risk as uninsured and uncollateralized.

As discussed in Note 2(c), on November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA. Under the Qualifying Modification and the GDB Restructuring Act, the balance of liabilities owed between the Commonwealth and each Non-Municipal Government Entity and GDB were determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-Municipal Government Entity held by GDB as of such date. As a result of this foregoing adjustment, all of the Commonwealth's deposits at GDB were extinguished as a result of the Qualifying Modification.

Credit Risk – In addition to the investments permitted for the Primary Government, the discretely presented component units' investment policies allow management to invest in the following: certificates of deposit or Euro notes issued by financial institutions in the U.S. in which the issuer is classified in the highest rating category for short-term obligations and in the two highest rating category for long-term obligations as classified by S&P and Moody's: corporate notes and bonds classified in the highest categories of at least two of the principal rating services; taxable corporate debt issued through AFICA within the two (2) highest rating categories of at least two of the principal rating services; trust certificates (subject to prior written consultation with FAFAA); and Mortgage and Asset Backed Securities rated AAA by S&P or Aaa by Moody's; no more than 5% of a manager's assets at fair value shall be invested in the securities of any single issuer.

The discretely presented component units' investment policies establish limitations and other guidelines on amounts to be invested in the aforementioned investment categories and by issuer/counterparty and on exposure by country. In addition, such policies provide guidelines on the institutions with which investment transactions can be entered into.

The discretely presented component units' investment policies provide that investment transactions must be entered into with counterparties that are rated BBB+/A 1 or better by S&P's or equivalent rating by Fitch Ratings or Moody's, depending on the type and maturity of the investment and the counterparty to the transaction.

Concentration of credit risk – In addition, the investment policy specifies that no more than 5% of a manager's assets at fair value must be invested in the securities of any single issuer. The following table summarizes the type and maturities of investments held by the discretely presented component units at June 30, 2019 (in thousands). Investments by type in any issuer representing 5% or more of total investments have been separately disclosed. Expected maturities will differ from contractual maturities, because counterparties may have the right to call or prepay obligations with or without call or prepayment penalties.

Discretely Presented Component Units

At June 30, 2019, the fair value of the discretely presented component units' investments based on the hierarchy of inputs is as follows:

Investment type	Level 1	Level 2	Level 3	Total
U.S. government securities	$ 128,317	—	—	128,317
U.S. government agencies notes:				
FHLB	—	7,290	—	7,290
FNMA	—	16,231	—	16,231
FHLMC	—	5,888	—	5,888
FFCB	—	522	—	522
Other	—	2,753	—	2,753
Mortgage and asset-backed securities:				
GNMA	61,687	11,252	—	72,939
FNMA	2,385	15,039	—	17,424
FHLMC	—	21,088	—	21,088
Commercial mortgages	—	561	—	561
Asset-backed securities	—	6,896	—	6,896
Other	102	11,351	—	11,453
U.S. corporate bonds and notes	—	119,785	—	119,785
Foreign government bonds and notes	—	3,020	—	3,020
U.S. municipal notes	—	50,551	—	50,551

Investment type		Level 1	Level 2	Level 3	Total
External investment pools – fixed – income securities	$	13,217	901	—	14,118
External investment pools – equity securities		—	16,253	—	16,253
U.S. corporate stocks		45,109	—	213,630	258,739
Other		—	3,207	—	3,207
Investments at fair value level	$	250,817	292,588	213,630	757,035
Investments valued at NAV or amortized cost:					
Cash equivalent – money market fund					55,507
Negotiable certificates of deposit					158
Mutual funds					52,219
Limited partnership/private equity					12,728
Guaranteed investments contract					99,424
External investment pools – equity securities					194,067
Total major component units					1,171,138
Total nonmajor component units					1,086,357
Total investments					$ 2,257,495

The following table summarizes the type and maturities of investments held by major discretely presented component units at June 30, 2019 (in thousands). Investments by type in any issuer representing 5% or more of total investments have been separately disclosed. Expected maturities will differ from contractual maturities, because counterparties may have the right to call or prepay obligations with or without call or prepayment penalties.

		Maturity (in years)				
Investment type		Within one year	After one to five years	After five to ten years	After ten years	Total
U.S. government securities	$	82,544	19,176	18,592	8,005	128,317
U.S. government sponsored agencies notes:						
FHLB		5,883	943	464	—	7,290
FNMA		5,848	8,179	1,177	1,027	16,231
FHLMC		—	132	1,105	4,651	5,888
FFCB		—	204	318	—	522
Other		—	1,532	1,221	—	2,753
Mortgage and asset-backed securities:						
GNMA		—	1,672	49,606	21,661	72,939
FNMA		—	718	7,737	8,969	17,424
FHLMC		—	5,164	5,456	10,468	21,088
Commercial mortgages		—	172	—	389	561
Asset-backed securities		—	4,664	2,232	—	6,896
Other		—	380	411	10,662	11,453
U.S. corporate bonds and notes		19,558	49,208	43,183	7,836	119,785
Foreign government bonds and notes		371	2,247	402	—	3,020
U.S. municipal notes		—	1,440	2,043	47,068	50,551
Money market funds		55,507	—	—	—	55,507
Negotiable certificates of deposit		158	—	—	—	158

Investment type		Maturity (in years) Within one year	After one to five years	After five to ten years	After ten years	Total
External investment pools – fixed-income securities	$	4	823	74	13,217	14,118
Nonparticipating investment contracts		—	67,290	7,904	24,230	99,424
Mutual Funds		52,219	570	1,879	758	55,426
Total debt securities and fixed-income investment contracts	$	222,092	164,514	143,804	158,941	689,351
Equity securities:						
U.S. corporate stocks						258,739
Non-U.S. corporate stocks						—
External investment pools – equity securities						210,320
Limited partnership/private equity						12,728
Total major component units						1,171,138
Total nonmajor component units						1,086,357
Total						2,257,495
Reconciliation to the government-wide statement of net position:						
Unrestricted investments						1,300,561
Restricted investments						956,934
Total						$ 2,257,495

Custodial Credit Risk – The discretely presented component units had approximately $76.1 billion (approximately $.20 million and $75.9 million at major and nonmajor discretely presented component units, respectively) in various types of U.S. government and agency securities, mortgage backed securities, and other investments that were exposed to custodial credit risk as uninsured, unregistered, and held by the counterparties or by their trust departments or agents, but not in the discretely presented component units' name.

Foreign Currency Risk – SIFC (a major discretely presented component unit) limits its exposure to foreign currency risk by limiting the total amount invested to 5% of the portfolio. As of June 30, 2019, the SIFC had the following investments denominated in foreign currency (in thousands):

Description	Currency		Fair value
Common and preferredstocks and equities	Australian dollar	$	546
	Swiss Franc		2,949
	Danish Krone		1,922
	Euro		11,594
	British Pound		3,398
	Hong Kong Dollar		1,237
	Indonesian Rupiah		467
	Japanese Yen		6,763
	Norwegian Krone		425
	Swedish Krona		1,509
	Singapore Dollar		569
	South African Rand		551
Total		$	31,930

As discussed in Note 3, on November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA. Under the Qualifying Modification and the GDB Restructuring Act, the balance of liabilities owed between the Commonwealth and each Non-Municipal Government Entity and GDB were determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-Municipal Government Entity held by GDB as of such date. As a result of this foregoing adjustment, all of the Commonwealth's deposits at GDB were extinguished as a result of the Qualifying Modification.

Credit Ratings of Commonwealth's Bonds

The investment policies of the Commonwealth require its agencies and instrumentalities to hold only investment grade ratings debt securities in their investment portfolio. With over 9% and 60% of the investments at the Primary Government and discretely presented component unit level, respectively, with credit ratings no lower than "A" or without risks at June 30, 2019, overall average credit ratings on the entire investment portfolio have remained within the Commonwealth's required investment policies, even after the downgrades. The remaining percentage of investments is either rated throughout the B spectrum or not rated, except for nonmajor discretely presented component units' investments in GDB, Primary Government Bonds, and Commonwealth's Municipalities Bonds of approximately $387 million, all of which are rated D as of June 30, 2019.

(6) Securities Lending Transactions

During the fiscal year ending June 30, 2019, SIFC (a discretely presented component units) entered into transactions involving securities lending.

Discretely Presented Component Units

SIFC – The Commonwealth statutes and the SIFC's board of directors' policies permit the SIFC to use its investments to enter into securities lending transactions, whereby securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash, securities, and/or irrevocable bank letter of credit.

The SIFC's securities custodian, JP Morgan Chase Bank, N.A., as agent of the SIFC, manages the securities lending program and receives cash collateral, securities, or irrevocable bank letters of credit as collateral. The collateral securities cannot be pledged or sold by the SIFC unless the borrower defaults. The collateral requirement is equal to 102% for securities issued in the United States of America and 105% for securities issued outside of the United States of America, of the fair value of the securities lent. Collateral must be supplemented by the next business day if its fair value falls to less than 100% of the fair value of the securities lent. All security loans can be terminated on demand by either the SIFC or the borrower. In lending securities, the term to maturity of the securities loans is matched with the term to maturity of the investment of the cash collateral. Such matching existed at year end.

At year end, the SIFC has no credit risk exposure to borrowers because the amounts the SIFC owes the borrowers exceed the amounts the borrowers owe SIFC. Contracts with the lending agents require them to indemnify the SIFC if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the SIFC for income distributions by the securities' issuers while the securities are on loan.

Securities lent as of June 30, 2019, had a fair value of approximately $14 million and were secured with collateral received with a fair value of approximately $14.3 million. Securities lent for which cash was received as collateral as of June 30, 2019, consist of the following (in thousands):

Investment type		Fair value of underlying securities
Foreign government and corporate bonds	$	2,405
Equity securities		2,619
Corporate bonds and notes		8,990
Total	$	14,014

Cash collateral received as of June 30, 2019, amounted to approximately $14.3 million and was invested as follows (in thousands):

Investment type		Fair value of underlying securities
Resell agreements	$	14,326

In addition, the SIFC had the following lending obligations as of June 30, 2019, for which securities were received as collateral (in thousands):

		Fair value	
Description		Securities lent	Investment collateral received
U.S. Treasury bonds and notes	$	191	194
Corporate bonds and notes		2,215	2,264
Foreign government and corporate bonds		2,618	2,678
Equity securities		8,990	9,190
	$	14,014	14,326

(7) Receivables and Payables

Governmental and Proprietary Funds

Receivables in the governmental funds include approximately $2.4 billion of accrued income, excise, and sales and use taxes. Intergovernmental receivables include approximately $893.6 million from the federal government. In addition, the proprietary funds include $50.4 million of unemployment, disability, and drivers' insurance premium receivables; approximately $7.2 million receivable from private citizens, member institutions, and municipalities for patient services provided by the PRMeSA; and approximately $422.7 million receivable from the U.S. Department of Health (USDOH), municipalities and private citizens and pharmacies for the related health insurance coverage services provided by PRHIA's operations. Payables in the governmental funds include approximately $1.6 billion of trade accounts due to suppliers for purchase of merchandise and services rendered, and approximately $141.1 million of salary related benefits owed to eligible police agents for annual salary increases, awards, and other monetary benefits granted to them through several laws dating back to 1954, and approximately $542.4 million of tax refunds payable.

In accordance with GASB Technical Bulletin No. 2004 1, *Tobacco Settlement Recognition and Financial Reporting Entity Issue*, as amended (the TB), a receivable of $36.9 million was recorded as other receivable in the government-wide financial statements and in the nonmajor governmental funds for estimated shipments from January 1 to June 30, 2019, which will be applied to debt service upon collection. Additionally, the TB indicated that the trust designated as the Tobacco Settlement Authority (the Children's Trust in the case of the Commonwealth) should recognize a liability for the bonds payable and an expense (and liability if unpaid) in the same period in its stand-alone basic financial statements. The expense (and liability if unpaid) recognizes the contractual obligation to remit the proceeds of the bonds sold to the settling government (the Commonwealth). Since the Children's Trust is reported as a blended component unit, the TB indicates these remittances should be reported as transfers into the fund receiving the proceeds and transfers out of the fund that accounts for the activities of the Tobacco Settlement Authority. Since the Children's Trust has no contractual obligation, under its enabling legislation or elsewhere, to remit all bond proceeds or assets related to the Tobacco Settlement Authority to the settling government (the Commonwealth), the Children's Trust has not recognized an expense and liability for unpaid proceeds from the bonds since it records the expense as amounts are disbursed as grants to its settling government (including its instrumentalities) or third parties.

Prior to the enactment of Act 106-2017 on August 23, 2017, loans receivable from plan members were guaranteed by the contributions of plan members and by other sources, including mortgage deeds and any unrestricted amount remaining in the escrow funds. The originations of mortgage loans were frozen in December 2013 and those related to personal and cultural loans were frozen in November 2016. After August 23, 2017, pension benefits will be paid by each participating employers as the benefits become due. The allowance for adjustments and losses in realization is considered a general allowance for all categories of loans and interest receivable, except mortgage loans. As of June 30, 2019, the loans and interest receivable from plan members amounted to approximately $511.4 and $19.9 million, respectively, net of an escrow funds of mortgage loans and guarantee insurance reserve and allowance for adjustments and losses in realization of approximately $48.5 million.

Discretely Presented Component Units – GDB

At June 30, 2019, loans from GDB to public corporations and agencies of the Commonwealth (excluding municipalities) amounting to approximately $1 billion were repayable from the following sources (in thousands):

		Amount
Repayment source:		
General fund and/or legislative appropriations		894,970
Operating revenues		142,883
Total	$	1,037,853

For the fiscal year ended June 30, 2019, there were no disbursements and collections of principal of public-sector loans amounted to approximately $8.3 million.

As of June 30, 2019, approximately $928 million of the public-sector loans was impaired. The budget certified by the Oversight Board for fiscal years 2019 through 2021 did not include appropriations for the payment of debt service owed to GDB.

Most loans to public corporations and agencies totaling approximately $1 billion were classified as nonaccrual. Interest income that would have been recorded under the original term of these loans amounted to approximately $24.5 million in fiscal year 2019.

Loans to the private sector include the outstanding principal balance of mortgage loans granted to low and moderate-income families for the acquisition of single-family housing units and to developers of low and moderate-income multifamily housing units in Puerto Rico. These credit facilities, net of allowance for loan losses, amounted to approximately $189 million at June 30, 2019. Private sector loans classified as nonaccrual amounted to approximately $84.9 million at June 30, 2019. Interest income that would have been recorded if these loans had been performing in accordance with their original terms was approximately $3.9 million in 2019.

Tax Abatements

The Commonwealth follows the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement defines a tax abatement and requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Commonwealth enters into tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within the Commonwealth. Each agreement was negotiated under a local law, which allows the Commonwealth to abate property or income taxes for a variety of economic development purposes. The abatements may be granted to local businesses located within the Commonwealth or promising to relocate within the Commonwealth. Depending on the terms of the agreement and law, abated taxes may be subject to recapture upon default of the entity. The Commonwealth is not subject to any tax abatement agreements entered into by other governmental entities. There were no amounts received or receivable from other governments; there were no government made commitments other than to reduce taxes; there were no abatements disclosed separately, and no information was omitted if required by GASB Statement No. 77. The following table represents the abated revenues for the year ended June 30, 2019:

Name of program	Stipends received by certain physicians during their internship	Credit for construction investment in urban centers	Credit for investment in tourism development	Purchase: Tourism Development	Act 135 - 1997, Tax Incentives Law of 1998
Purpose of program	Tax exemption of stipends to resident physicians to keep them in the public service.	Tax abatement to promote and incentive the revitalization of Urban Centers through construction of living spaces. Promote increase in property values and create jobs.	The amount of credit for tourism investment. Every investor may claim a credit for tourism investment equal to 50% of its eligible investment.	Act 78 provides 90% exemption on income from eligible tourism activities, including benefits and dividends distributed from the exempt business to his shareholders or partners, as well as distributions in liquidation.	To provide the best economic and social interests of Puerto Rico through fixed income rates of the manufacturing industry.
Abated tax	Individual Tax	Individual Tax	Individual Tax	Corporate Tax	Corporate Tax
Authorizing statute/ordinance	PR Internal Revenue Code Section 1031.02 (a) 9	PR Internal Revenue Code Section 1051.08(b) (5) & Act 212 of 2002	Art. 5(f) Act 78-1993Art. 14 Act 225-1995 Schedule B Part II Line 12 & Act 78 of 1993	Art. 5 Act 78 -1993	Act 135-1997
Eligibility requirement	Resident doctor training at a governmental hospital facility	Project certified by the Director of Urbanism of the Department of Transportation	The business must establish a qualified project certified by the PRTC.	Every investor (including a participant) will be entitled to a credit for tourism investment in securities of a fund.	Fixed Income rate decree signed with the favorable recommendation of the Secretary of Treasury and the Executive Director
Type of commitment made by the recipient of the abated tax	Complete internship in a public hospital.	Provide construction services directly related to the revitalization of urban centers.	Invest in the development of the local tourism industry.	Invest in the development of the local tourism industry.	Invest in the development of the local manufacturing industry.
How tax is reduced	Income Tax Credit	Income tax Credit	Income tax Credit	Credit for tourism investment equal to 50% of their eligible investment or their investment in securities of a fund, to be taken in 2 terms: The first half of said credit in the year in which the exemption is obtained and the balance of said credit, in the following year.	Reduction of Tax
Determination of abated tax	Abated tax amount determined by law	Abated tax percentage determined by law	Abated tax percentage determined by law	Abated tax percentage determined by law	Abated tax rate established by decree
Recapture agreement	none	none	none	none	none
Gross dollar amount of reduced tax	$ 2,600,000	$ 700,000	$ 8,500,000	$ 3,000,000	$ 13,965,800,000

Name of program	Act 225 - 1995, Law on Agricultural Contributive Incentives of PR	Act 22 - 2012 Transfers of Investors to Puerto Rico	Credit for purchases of products manufactured in Puerto Rico	Credit for investment in film industry development (Act 27-2011).	Act 20 - 2012, Export Services
Purpose of program	The Act establishes the requirements to qualify the "bona fide"farmers and exempt them from the payment of all kinds of taxes on personal and real property, municipal license tax, taxes, income taxes, excise taxes and all municipal and/or state taxes or fees.	To attract new residents to Puerto Rico by providing a total exemption from Puerto Rico income taxes on all passive income realized or accrued after such individuals become bona fide residents of Puerto Rico.	Incentivize the manufacturing industry and local suppliers	To encourage the use of the state as a site for filming, for the digital production of films, and to develop and sustain the workforce and infrastructure for film, digital media, and entertainment production.	Act to promote the exportation of services, provides attractive tax incentives for companies that establish and expand their export services businesses in the island. In addition, the law promotes investments on research and development and initiatives from the academic and private sectors by granting credits and exemptions for these activities.
Abated tax	Corporate Tax	Corporate Tax	Corporate Tax	Individual Tax	Individual Tax
Authorizing statute/ordinance	Act 225 - 1995	Act 22 -2012	Section 5(a)(1), Act 73 - 2008	Section 7.3 Act 27-2011	Act 20-2012
Eligibility requirement	Certification of Agricultural Bonafide Operation by the Department of Agriculture	Relocation to Puerto Rico and a full-time resident as defined by law.	Exempt business that has a decree granted under this Act or under the previous incentive laws, must buy products manufactured in Puerto Rico, including components and accessories.	Investment certified by the Auditor as disbursed in relation to Production Expenses of Puerto Rico, not including payments made to Non-Resident Talent	Relocate operations to Puerto Rico
Type of commitment made by the recipient of the abated tax	50% or more of its income must derive from the agriculture industry.	Transfer operations to Puerto Rico.	Purchase raw materials from local businesses.	Invest in the development of the local film industry.	Maintain operations and export services operating from Puerto Rico
How tax is reduced	Reduction of Tax	Reduction of Tax	Twenty-five percent (25%) of the purchases of such products, during the taxable year in which the referred credit is taken, up to a maximum of fifty percent (50%) of the aforementioned contribution.	Reduction of Tax	Reduction of tax rate
Determination of abated tax	Abated tax percentage determined by law	Abated tax percentage determined by law	Abated tax rate established by decree	Abated tax percentage determined by law	Abated tax determined by law and decree approval
Recapture agreement	none	none	none	none	none
Gross dollar amount of reduced tax	$ 100,000	$ 324,800,000	$ 30,700,000	$ 31,400,000	$ 228,700

(8) Conditionally Allocated Receivables and Future Revenue

(a) COFINA Revenues

Act No. 91-2006, as amended, establishes that in each fiscal year, the first collections of the 5.5% of the SUT ultimately are deposited in the COFINA Revenues Fund and applied to fund the Fixed Income Amount. Under Act No.91-2006, the Fixed Income Amount increases each fiscal year at a statutory rate of 4.0% up to $1.85 billion. COFINA Revenues are the first funds up to an amount equal to fifty-three and sixty-five one hundredths percent (53.65%) of the Fixed Income Amount for each fiscal year and all legal and equitable rights, title, and interest thereto. Regardless of the level of 5.5% SUT collections, Act No.91-2006 requires that in each fiscal year all collections of the 5.5% SUT be deposited in the COFINA Revenues Fund until an amount equal to the Pledged Sales Tax Base Amount is deposited before any collections of the 5.5% SUT are deposited in the Commonwealth's General Fund. The COFINA Pledged Taxes are the present and future revenues and collections generated by the portion of sales tax that corresponds to a tax rate of five and one-half (5.5) percent and the substituted collateral, if any. The substituted collateral is all or a portion of a tax of general applicability throughout Puerto Rico that is enacted in full substitution of the COFINA Pledged Taxes or otherwise constitutes like or comparable security for the New COFINA Bonds.

The Pledged Sales Tax Base Amount in the fiscal year ended June 30, 2019, amounted to approximately $783.2 million. For fiscal year 2019, debt service paid by COFINA amounted to approximately to $871.7 million.

(b) PRIFA Allocated Revenue

The following revenue (collectively, the PRIFA Allocated Revenue) has been conditionally allocated by the Commonwealth to PRIFA, subject to the provisions of Article VI, Section 8, of the Commonwealth's

Constitution. As further discussed in Note 3, the PRIFA Allocated Revenues are currently being retained by the Commonwealth.

(i) Federal Excise Taxes

Rum manufactured in Puerto Rico is subject to federal excise taxes once exported to the United States; however, such excise taxes are returned by the Internal Revenue Service (IRS) to the Commonwealth. Act No. 44-1988, as amended (the PRIFA Act), conditionally allocates the first $117 million of these federal excise taxes received by the Commonwealth be transferred to PRIFA, a blended component unit of the Commonwealth, each fiscal year. Historically, a portion of this first $117 million of federal excise taxes was used for the repayment of PRIFA's Special Tax Revenue Bonds. Receipt of the federal excise taxes is subject to a number of factors, including the continued imposition and remittance of such taxes to the Commonwealth and conditions affecting the Puerto Rico rum industry. The amount of federal excise taxes to be received by the Commonwealth is currently expected to decrease, although the exact amount cannot be determined. If the federal excise taxes received by the Commonwealth in any fiscal year are less than $117 million, the PRIFA Act requires that PRIFA request, and the Director of the Commonwealth OMB include in the budget of the Commonwealth for the corresponding fiscal year, an appropriation sufficient to cover such deficiency. The Legislature, however, is not required to make such appropriation. For the year ended June 30, 2019, the $117 million conditionally allocated by Act No. 44-1988 was not appropriated to PRIFA.

(ii) Petroleum Products Tax

The PRIFA Act and the Puerto Rico Internal Revenue Code of 2011, as amended (the Puerto Rico Code) imposes a petroleum products tax on non-diesel products ($6.25 per barrel initially) and conditionally allocates the revenue therefrom to PRIFA to be used for payment of certain of its bonds and notes, in particular, the Dedicated Tax Fund Revenue Bond Anticipation Notes (the PRIFA BANs) issued on March 16, 2015, to redeem certain PRHTA BANs. For fiscal year 2019, no revenues were allocated.

As further discuss in Note 3, on the effective date of the Eighth Amended Plan, all Commonwealth laws that required the transfer of funds from the Commonwealth to other entities have been deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws.

(c) PRHTA Allocated Revenue

The following revenues (collectively, the PRHTA Allocated Revenues) have been conditionally allocated by the Commonwealth to PRHTA, subject to the provisions of Article VI, Section 8 of the Commonwealth's Constitution. As further discussed in Note 2, prior to May 3, 2017, the PRHTA Allocated Revenues were retained by the Commonwealth pursuant to Article VI, Section 8 of the Commonwealth's Constitution. Subsequent to the filing of the Commonwealth's Title III case on May 3, 2017, the PRHTA Allocated Revenues have been retained by the Commonwealth for numerous reasons, including application of the automatic stay under Title III of PROMESA. The treatment of retained revenues and allocation of the potential outperformance of the 5.5% SUT relative to the Oversight Board's Fiscal Plan were resolved under the HTA/CCDA PSA, the terms of which were approved in the Eighth Amended

Plan for the issuance of Clawback CVIs for Commonwealth clawback creditors and will be addressed as to PRHTA creditors in a separate Title III plan of adjustment for PRHTA.

(i) Gasoline and Gas Oil Taxes

The Puerto Rico Code currently imposes a $0.16 per gallon tax on gasoline and a $0.04 per gallon tax on gas oil and diesel oil. By law, the Commonwealth has conditionally allocated the entire $0.16 tax on gasoline and $0.04 tax on gas oil and diesel oil to PRHTA as a source of revenue.

(ii) License Fees

Under Act No. 22-2000, as amended, known as the "Vehicle and Traffic Law," the Commonwealth imposes annual license fees on various classes of motor vehicles. Fifteen dollars ($15) of each such annual license fee was conditionally allocated to PRHTA to be used as a source of revenue. Act No. 30-2013 conditionally assigned the remaining twenty-five dollars ($25) of each such annual license fee to PRHTA.

(iii) Petroleum Products Tax

The Puerto Rico Code also allocates to PRHTA $9.50 per barrel or fraction thereof of petroleum products excise tax (which include crude oil, unfinished oil, and derivative products). The tax is imposed on any petroleum product introduced, consumed, sold, or transferred in the Commonwealth.

(iv) Cigarette Tax

A portion of the proceeds of the cigarette tax imposed by Section 3020.05 of the Puerto Rico Code (approximately $20 million) has been conditionally allocated to PRHTA.

As further discuss in Note 3, on the effective date of the Eighth Amended Plan, all Commonwealth laws that required the transfer of funds from the Commonwealth to other entities have been deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws.

(d) PRCCDA Allocated Revenue

Article 24 of Act No. 272-2003, as amended, imposes a hotel occupancy tax on all hotels and motel accommodations on the island (the Hotel Occupancy Tax). A portion of the proceeds of the Hotel Occupancy Tax (the PRCCDA Allocated Revenue) has been conditionally allocated to PRCCDA for the payment of PRCCDA's bonds, subject to the provisions of Article VI, Section 8 of the Commonwealth's Constitution. As further discussed in Note 2, the PRCCDA Allocated Revenues are currently being retained by the Commonwealth.

As further discuss in Note 3, on the effective date of the Eighth Amended Plan, all Commonwealth laws that required the transfer of funds from the Commonwealth to other entities have been deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws.

(e) PRMBA Allocated Revenue

A portion of the proceeds of the cigarette tax imposed by Section 3020.05 of the Puerto Rico Code (the PRMBA Allocated Revenue) has been conditionally allocated to PRMBA for the payment of certain PRMBA debt obligations, subject to the provisions of Article VI, Section 8, of the Commonwealth's Constitution. As further discussed in Note 2, the PRMBA Allocated Revenues are currently being retained by the Commonwealth.

As further discuss in Note 3, on the effective date of the Eighth Amended Plan, all Commonwealth laws that required the transfer of funds from the Commonwealth to other entities have been deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws.

(f) The Children's Trust Revenue

The Children's Trust is a public trust ascribed to GDB, created pursuant to Act No. 173-1999. Through Act No. 173-1999, the Commonwealth conditionally allocated and transferred to the Children's Trust all of its rights, title, and interest in a settlement agreement entered into by and among the Commonwealth, 46 states and several cigarette manufacturers (the Tobacco Settlement Agreement), including the Commonwealth's right to receive certain annual payments from such cigarette manufacturers (the TSRs). The TSRs, otherwise deliverable to the General Fund, were conditionally allocated to the Children's Trust in consideration of the issuance of bonds by the Children's Trust and the application of the proceeds thereof to fund certain social programs.

As further discuss in Note 3, on the effective date of the Eighth Amended Plan, all Commonwealth laws that required the transfer of funds from the Commonwealth to other entities have been deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws.

(g) Executive Order OE–2015-046 (Clawback)

On December 1, 2015, Executive Order No. 46 was signed, which ordered the Secretary of the DOT to retain certain revenues in light of revised revenue estimates for fiscal year 2019 and the Commonwealth's deteriorating liquidity situation. Pursuant to Executive Order No. 46, certain available resources of the Commonwealth conditionally allocated to PRIFA, PRHTA, PRMBA and PRCCDA to pay debt service on their obligations and to provide operational support continue to be retained by the Commonwealth (commonly referred to as the "clawback"), pursuant to Article VI, Section 8 of the Constitution of the Commonwealth and the statutory provisions pursuant to which such revenues were assigned to the applicable public corporations.

(9) Interfund and Intraentity Activity

Interfund receivables and payables at June 30, 2019, are summarized as follows (in thousands):

Receivable Fund	Payable Fund	
Nonmajor governmental	COFINA Debt Service	$139,355
ERS	COFINA Debt Service	137,235
General	Nonmajor governmental	90,584
PRMeSA	General	73,341
Nonmajor proprietary	General	15,613
PRHIA	General	11,806
General	Nonmajor proprietary	9,978
Nonmajor governmental	General	8,078
General	PRMeSA	4,435
Nonmajor proprietary	Nonmajor governmental	3,959
PRMeSA	PRHIA	2,620
General	Unemployment insurance	1,681
		$ 498,685

Transfers from (to) other funds for the year ended June 30, 2019, are summarized as follows (in thousands):

Transferee fund	Transferor fund		
Nonmajor governmental (a)	General	$	346,829
Nonmajor proprietary (b)	General		195,055
General (c)	Nonmajor proprietary		175,986
PRMeSA (d)	General		108,261
General (e)	ERS		73,596
COFINA Special Revenue (f)	COFINA Debt Service		64,768
ERS (g)	General		58,800
General (h)	COFINA Special Revenue		49,455
General (i)	Unemployment Insurance		44,022
General (j)	Nonmajor governmental		32,596
PRHIA (k)	General		15,199
ERS (l)	PRMeSA		3,002
		$	1,167,569

The principal purposes of the interfund transfers are to (in thousands):

(a) Recognize as transfers the rental payments made by the Commonwealth's agencies on properties leased by the PBA, a blended component unit of the Commonwealth ($148,568); ($75,121) related to the revenues received from the Tobacco Settlement Agreement managed by The Children's Trust, a blended component unit of the Commonwealth; ($10,849) to PRIFA, a blended component unit of the Commonwealth, to provide funds for capital projects; ($22,149) to UPRCCC, ($70,246) to FAFAA, ($17,016) to TRS, ($418) to JRS, ($237) to PA, and ($116) to SCPT, blended component units of the Commonwealth, to provide funds to cover operational expenditures; and ($2,109) to the Capital Projects Fund to cover capital related expenditures.

(b) Transfer from the General Fund to the Puerto Rico Water Pollution Control Revolving Fund and to the Puerto Rico Safe Drinking Water Treatment Revolving Loan Fund, nonmajor proprietary funds, to recapitalize the State Revolving Funds ($195,055).

(c) Transfer from the Lotteries, a nonmajor proprietary fund, to the General Fund to distribute the increase in net assets of the Lotteries for the use of the General Fund, as required by the Lotteries enabling legislation ($168,259); and to reimburse the General Fund for expenses assistance provided on emergency calls services from 9-1-1 Services ($7,727).

(d) Transfer of $108,261 from the General Fund to Puerto Rico Medical Service Administration, a major proprietary fund, to make funds available for debt service payments, capital projects and operational expenditures.

(e) Transfer of ($73,596) to ERS, blended component unit, to write-off interfund loans not expected to be repaid to the General Fund.

(f) Transfer of $64,768 from the COFINA Debt Service Fund to the COFINA Special Revenue Fund to be transferred to the General Fund for excess collections of sales and use tax transferred to COFINA and make funds available for operational expenditures.

(g) Transfer of $58,800 from the General Fund to ERS, a blended component unit, to provide funds to cover operational expenditures.

(h) Transfer of $49,455 from the COFINA Special Revenue Fund to the General Fund for excess collections of sales and use tax transferred to COFINA.

(i) Transfer of $44,022 from the Unemployment Insurance Fund related to the distribution of surplus cash corresponding to the General Fund for the payment of administrative expenses.

(j) Transfer ($32,596) to TRS, blended component units of the Commonwealth, to write-off interfund loans not expected to be repaid to the General Fund.

(k) Transfer of $15,199 from the General Fund to PHIA, a blended component unit of the Commonwealth, to provide funds to cover operational expenditures.

(l) Transfer of $3,002 from PRMeSA to ERS, blended component units of the Commonwealth, for payment of employer contributions owed before the enactment of Act No. 106-2017.

Interfund receivables and payables represent the pending settlements of the aforementioned transfers or transactions from current and prior years.

Amounts due to the Primary Government from discretely presented component units were as follows (in thousands):

		Receivable entity				
Payable entity		General fund	ERS special revenue fund	Nonmajor governmental	Nonmajor proprietary	Total due from component units
Major component units:						
PRASA	$	15,400	—	—	570,275	585,675
PREPA		24,345	—	—	12,619	36,964
GDB		20,874	—	—	—	20,874
PRHTA		9,629	—	—	—	9,629
SIFC		31,553	—	—	—	31,553
Nonmajor component units		144,647	66,130	30,776	—	241,553
Subtotal due from component units		246,448	66,130	30,776	582,894	926,248
Allowance for uncollectible balances		(103,771)	(66,130)	(30,776)	(124,825)	(325,502)
	$	142,677	—	—	458,069	600,746

The amount owed by PRASA of approximately $570.3 million represents construction loans granted by the PWPCRF and the PRSDWTRLF, nonmajor proprietary funds, to finance the construction of capital assets for PRASA.

Amounts due to discretely presented component units from the Primary Government were as follows (in thousands):

		Payable entity					
Receivable entity		General fund	Nonmajor governmental funds	PRMeSA	Total due to component units	Allowance for uncollectible balances	Total due to component units (net)
Major component units:							
PREPA	$	41,521	2,036	33,403	76,960	(27,380)	49,580
UPR		21,475	7,927	25,788	55,190	(48,058)	7,132
PRHTA		9,761	—	—	9,761	(1,653)	8,108
Nonmajor component units		48,595	—	—	48,595	(34,694)	13,901
Total due to component units	$	121,352	9,963	59,191	190,506	(111,785)	78,721

Amounts due from (to) discretely presented component units were as follows (in thousands):

	Receivable entity — Major component units							
Payable entity	**GDB**	**PRHTA**	**PREPA**	**PRASA**	**UPR**	**SIFC**	**Nonmajor component units**	**Total due to component units**
Major component units:								
GDB	$ —	—	—	—	—	—	137,402	137,402
PRHTA	—	—	37,011	—	—	2,182	1,937,627	1,976,820
UPR	7,791	—	12,087	—	—	—	—	19,878
PRASA	—	—	29,843	—	—	—	57,743	87,586
PREPA	—	1,404	—	3,345	—	—	—	4,749
SIFC	—	—	1,748	—	—	—	—	1,748
Nonmajor component units	59,754	30,621	37,595	13,294	5,401	15,667	517,285	679,617
Subtotal due from component units	67,545	32,025	118,284	16,639	5,401	17,849	2,650,057	2,907,800
Allowance for uncollectible balances	(61,604)	(32,025)	(28,014)	(12,031)	(14)	(17,849)	(2,597,712)	(2,749,249)
Total due from component units (net)	$ 5,941	—	90,270	4,608	5,387	—	52,345	158,551

The amount due from discretely presented component units presented by GDB of approximately $67.5 million (before allowance for uncollectible accounts) represents loan balances owed to GDB by other Commonwealth's discretely presented component units. The rest of the loans receivable reported by the GDB consists of the following (in thousands):

Primary government – governmental activities	$ 392,228
Primary government – business-type activities	465,696
Other governmental entities and municipalities	112,455
Private sector, net of allowance for loan losses	192,682
Total loans receivable reported by GDB	1,163,061
Less allowance for public sector loans	(866,456)
	$ 296,605

The loans to the Primary Government are presented by the Commonwealth within notes payable in the statement of net position.

Expenses of the Primary Government include capital and operational contributions made by the Primary Government to the discretely presented component units during the year ended June 30, 2019, were as follows (in thousands):

UPR	$ 645,909
PRHTA	158,697
Nonmajor components units	390,759
Total contributions made by primary government to component units	$ 1,195,365

(10) Capital Assets

Capital assets activity for the year ended June 30, 2019, was as follows (in thousands):

Primary Government

	Beginning balance (as restated)	Increases	Decreases	Ending balance
Governmental activities:				
Land and other nondepreciable assets:				
Land	$ 947,841	268	2,492	945,617
Construction in progress	1,137,985	61,575	163,457	1,036,103
Total land and other nondepreciable assets	2,085,826	61,843	165,949	1,981,720
Buildings and building improvements	10,383,324	155,281	137,873	10,400,732
Equipment, furniture, fixtures, vehicles, and software	961,320	40,180	8,042	993,458
Infrastructure	615,224	—	—	615,224
Total other capital assets, being depreciated and amortized	11,959,868	195,461	145,915	12,009,414
Less accumulated depreciation and amortization for:				
Buildings and building improvements	4,725,984	261,896	90,655	4,897,225
Equipment, furniture, fixtures, vehicles, and software	749,200	47,475	5,471	791,204
Infrastructure	218,230	13,190	—	231,420
Total accumulated depreciation and amortization	5,693,414	322,561	96,126	5,919,849
Total other capital assets, net of depreciation and amortization	6,266,454	(127,100)	49,789	6,089,565
Governmental activities capital assets, net	$ 8,352,280	(65,257)	215,738	8,071,285

	Beginning balance (as restated)	Increases	Decreases	Ending balance
Business-type activities:				
Land and other nondepreciable assets:				
Land	$ 36,005	—	—	36,005
Total capital assets, not being depreciated	36,005	—	—	36,005
Building and building improvements	112,327	805	6	113,126
Equipment	103,392	4,373	691	107,074
Total other capital assets being depreciated and amortized	215,719	5,178	697	220,200
Less accumulated depreciation and amortization for:				
Building and building improvements	73,563	1,954	5	75,512
Equipment	85,812	5,821	423	91,210
Total accumulated depreciation and amortization	159,375	7,775	428	166,722
Total business-type activities other capital assets, net of depreciation and amortization	56,344	(2,597)	269	53,478
Total business-type activities capital assets, net	$ 92,349	(2,597)	269	89,483

Depreciation and amortization expense were charged to functions/programs of the Primary Government for the year ended June 30, 2019, as follows (in thousands):

Governmental activities:	
General government	$ 109,753
Public safety	32,083
Health	21,611
Public housing and welfare	116,195
Education	24,966
Economic development	17,953
Total depreciation and amortization expense – governmental activities	$ 322,561

The Commonwealth evaluated its capital assets as required by GASB Statement No. 42 and identified impairments of approximately $23.1 million at the Primary Government level related to public schools identified for closure and to certain dwelling units identified for demolition during the year ended June 30, 2019.

General infrastructure assets include approximately $427 million representing costs of assets transferred to the DNER of the Commonwealth (at cost) in 1997 upon completion of the Cerrillos Dam and Reservoir and the Portugues River and Bucana River Projects (the Cerrillos Dam and Reservoir Project) by the United States (U.S.) Army Corps of Engineers. These infrastructure assets are reported within Governmental Activities and include dams, intake facilities, and similar items built for flood control, water supply, and recreational purposes. The depreciation is computed using the straight-line method over an estimated useful life of 50 years from the transfer date of the property. Late in April 2011, the Commonwealth received a final debt agreement from the U.S. Army Corps of Engineers establishing a repayment schedule for its allocated share of the construction costs associated with the Cerrillos Dam and Reservoir Project, excluding those costs for items built for recreational purposes, amounting to approximately $214 million. On March 21, 2014, the debt agreement with the U.S. Army Corps of Engineers was modified to reduce the interest rate and the annual payment for the remaining term of the debt. (see Note 12(o)).

On February 24, 2012, PRIFA, a blended component unit, entered into an Assistance Agreement with the Puerto Rico Department of Justice (PRDOJ) and GDB to acquire, refurbish, and operate a property to be used for the relocation of the PRDOJ's main offices. In connection with the Assistance Agreement, GDB provided a $35 million credit facility to PRIFA to undertake the acquisition and administration of this property and manage the initial phase of the rehabilitation and refurbishment of the property. On March 8, 2012, PRIFA acquired the property for approximately $27 million. The relocation of the PRDOJ's main offices never materialized but PRIFA has been working with gradually securing lease agreements with other governmental entities and third parties. The credit facility is secured by a mortgage lien on the property and is payable from future appropriations from the Commonwealth and from the assignment of current and any future lease agreement.

PRIFA has also issued certain bonds and notes to finance the construction of certain capital projects for the benefit of PRASA, municipalities and other agencies and instrumentalities of the Commonwealth. The capital projects include the construction of infrastructure and buildings to be used in the operations of, and managed by, PRASA, the municipalities and other agencies in their respective operations. The capital projects, including the land acquired, are included as part of PRIFA's capital assets until construction is completed and the conditions for transfers to the ultimate beneficiaries are met. During the year ended June 30, 2019, PRIFA incurred approximately $1.1 million in construction costs for the benefit of other instrumentalities of the Commonwealth.

Discretely Presented Component Units

Capital assets activity for discretely presented component units for the year ended June 30, 2019, is as follows (in thousands):

		Beginning balance (as restated)	Increases	Decreases	Ending balance
Land and other nondepreciable assets:					
Land	$	2,230,498	12,092	16,669	2,225,921
Construction in progress		950,406	468,879	290,771	1,128,514
Total capital assets not being depreciated/ amortized		3,180,904	480,971	307,440	3,354,435
Depreciable assets:					
Buildings and building improvements		1,700,118	31,564	24,721	1,706,961
Equipment, furniture, fixtures, vehicles, and software		2,180,183	27,933	18,621	2,189,495
Infrastructure		41,464,540	842,289	62,832	42,243,997
Total other capital assets, being depreciated/ amortized		45,344,841	901,786	106,174	46,140,453
Less accumulated depreciation/ amortization for:					
Buildings and building improvements		4,284,845	227,367	5,379	4,506,833
Equipment, furniture, fixtures, vehicles, and software		1,087,489	63,595	11,715	1,139,369
Infrastructure		18,685,104	864,479	3,626	19,545,957
Total accumulated depreciation/ amortization		24,057,438	1,155,441	20,720	25,192,159
Total other capital assets, net of depreciation and amortization		21,287,403	(253,655)	85,454	20,948,294
Nonmajor component units		3,049,806	18,610	36,860	3,031,556
Capital assets (net)	$	27,518,113	245,926	429,754	27,334,285

(11) Short-term Obligations

Short-term obligations at June 30, 2019, and changes for the year then ended were as follows (in thousands):

	Balance at June 30, 2018	Debt issued	Debt paid	Balance at June 30, 2019
Governmental activities:				
Notes payable to GDB	$ 1,700	—	—	1,700
Tax revenue anticipation notes	400,000	—	—	400,000
	$ 401,700	—	—	401,700

(a) Notes Payable to GDB

The Commonwealth has entered into a short-term line of credit agreements with GDB (all within Governmental Activities) consisting of the following at June 30, 2019 (in thousands):

Agency	Purpose	Interest rate	Line of credit	Outstanding balance
PA	To finance terms of consent decree agreement	150 bp over PRIME with floor of 6% and ceiling of 12%	$ 1,700	1,700
			$ 1,700	1,700

(b) Tax Revenue Anticipation Notes

Act No. 1-1987, authorizes the Secretary of the DOT to issue notes to either private or governmental institutions, in anticipation of taxes and revenue (Tax Revenue Anticipation Notes or TRANs) as an alternate means of providing liquidity to cover any temporary cash shortages projected for a fiscal year. Act No. 139-2005, amended Section 2(g) of Act No. 1-1987 to provide that the total principal amount of notes issued under the provisions of Act No. 1-1987 and outstanding at any time for any fiscal year may not exceed the lesser of eighteen percent (18%) of the net revenue of the General Fund for the fiscal year preceding the fiscal year in which the notes are issued or $ 1.5 billion.

On September 6, 2016, the Commonwealth renewed the “intra governmental” TRANs for fiscal year 2017, in the aggregate principal amount of $400 million with the SIFC, AACA and the Disability Insurance Fund, also at the interest rate of 6%. On April 28, 2017, the Commonwealth acknowledged that it would be unable to pay the principal and interest payments on the TRANs notes as they become due and entered into a forbearance agreement with SIFC, AACA, and Disability Insurance Fund. The forbearance period expired on June 30, 2018. The repayment has not been made and the forbearance period has not been extended.

(12) Long-term Obligations

Primary Government

Long-term obligations at June 30, 2019, and changes for the year then ended were as follows (in thousands):

	Balance at June 30, 2018 as restated	Debt issued	Debt paid	Other increases	Other (decreases)	Balance at June 30, 2019	Due within one year
Governmental activities:							
Commonwealth appropriation bonds $	577,189	—	—	—	(309)	576,880	114,705
General obligation and revenue bonds	40,412,205	11,800,648	(69,470)	421,510	(17,552,106)	35,012,787	2,126,349
Bond purchase agreement with GDB	225,534	—	—	—	—	225,534	—
Notes payable to component units:							
DRA and GDB	2,357,282	—	—	—	(1,607,865)	749,417	86,182
Other	102,000	—	—	—	—	102,000	—
Note payable to financial institution	23,764	—	—	—	—	23,764	19,011
Liability under guaranteed obligation	392,343	—	—	—	(87,625)	304,718	—
Capital leases	291,733	1,523	(9,724)	—	—	283,532	10,298
Compensated absences	492,831	—	—	154,818	(193,372)	454,277	213,003
Voluntary termination benefits payable	708,864	—	—	—	(84,580)	624,284	83,406
Net pension liability	38,772,682	—	—	—	(38,772,682)	—	—
Total pension liability	—	—	—	34,475,319	—	34,475,319	1,789,418
Total other postemployment benefit liability	1,249,878	—	—	—	(101,330)	1,148,548	91,253
Other long-term liabilities	1,665,598	—	(140,618)	866,859	(190,149)	2,201,690	216,462
Total governmental activities	87,271,903	11,802,171	(219,812)	35,918,506	(58,590,018)	76,182,750	4,750,087
Business-type activities:							
Notes payable to component units	486,559	—	(101)	—	—	486,458	103,333
Compensated absences	16,167	—	—	11,087	(9,586)	17,668	8,615
Obligation for unpaid lottery prizes	164,624	—	—	339,008	(335,272)	168,360	105,218
Voluntary termination benefits payable	6,180	—	—	19,783	(3,313)	22,650	5,852
Net pension liability	819,278	—	—	—	(819,278)	—	—
Total pension liability	—	—	—	500,741	—	500,741	26,875
Total other postemployment benefit liability	17,202	—	—	3,070	(3,895)	16,377	1,345
Liability for unemployment, disability and health insurance	175,187	—	—	1,819,597	(1,781,190)	213,594	213,594
Other long-term liabilities	4,228	—	—	1,951	(2,086)	4,093	1,703
Total business-type activities	1,689,425	—	(101)	2,695,237	(2,954,620)	1,429,941	466,535
Total primary government $	88,961,328	11,802,171	(219,913)	38,613,743	(61,544,638)	77,612,691	5,216,622

Each of the long-term obligations described in this section do not take into account the impact of the Title III cases and the Eighth Amended Plan on the priority or timing of payments that may be owed to any creditors of the Commonwealth, its instrumentalities, or its public corporations. The above schedule has been presented in accordance with original terms of the bonds payable and do not reflect the effects, if any, that may result from the PROMESA Title III proceedings or any other debt restructuring proceeding, including the Eighth Amended Plan. Accordingly, the effects of the PROMESA Title III cases or any other debt restructuring proceeding may affect the carrying amounts, interest rates and the repayment terms. See Note 3 for additional information.

The principal balance of general obligation and revenue bonds paid reported as expenditures in the statement of revenue, expenditures, and changes in fund balances (deficit) – governmental funds do not agree with amounts reported as debt paid in the table above. The balance paid includes principal paid the first of July of each year, which was accrued as of June 30,2019, as a fund liability. U.S. GAAP allows accrual of debt service liabilities and expenditures if a government has provided financial resources to a debt service fund for payment of liabilities that will mature within a month in the following fiscal year. As a result of the economic and liquidity challenges that the Commonwealth faced during the last four fiscal years, the Commonwealth had no funds available at June 30, 2019, for debt service payment due on July 1, 2019. Based on the above, approximately $2.1 billion related to interest was accrued as a fund liability at June 30, 2019, and $1.2 million principal was accrued as a fund liability at June 30, 2019.

Please refer to Note 12(d) and Note 13(a) for detailed information regarding the liability under guaranteed obligation. The remaining balance of the other increases (decreases) in bonds and notes consists of capitalization of interest on capital appreciation bonds (increases) and amortization of premiums (decreases) and accretion of discounts (increases) on bonds. These adjustments did not require any source or use of cash.

Accrual adjustments for fiscal year 2019 were made to reconcile various obligations with the new estimated balances at June 30, 2019, and other decreases resulting from payments on these obligations made during the fiscal year. These obligations include compensated absences, net pension liabilities, other postemployment benefit obligation, voluntary termination benefits, other long-term liabilities, obligation for unpaid lottery prizes, and claims liability for insurance benefits. These payments, as pertaining to Governmental Activities, are included not as principal payments in the statement of revenue, expenditures, and changes in fund balances (deficit) – governmental funds, but as expenses within their corresponding functions.

(a) Debt Limitation and Arbitrage

The Constitution of the Commonwealth authorizes the contracting of debts as determined by the Legislature. Nevertheless, Section 2, Article VI of the Constitution of the Commonwealth provides that direct obligations of the Commonwealth evidenced by bonds or notes and backed by the full faith, credit, and taxing power of the Commonwealth should not be issued if the amounts of the principal of and interest on such bonds and notes and on all such bonds and notes issued thereafter, which are payable in any fiscal year, together with any amount paid by the Commonwealth in the preceding fiscal year of such proposed issuance on account of bonds or notes guaranteed by the Commonwealth, exceed 15% of the average annual revenue raised under the provisions of Commonwealth legislation and deposited into the Treasury (hereinafter internal revenue) in the two fiscal years preceding the fiscal year of such proposed issuance. Section 2, Article VI of the Constitution of the Commonwealth does not limit the amount of debt that the Commonwealth may guarantee so long as the Commonwealth is in compliance with this 15% limitation at the time of issuance of such guaranteed debt. During the period ended June 30, 2019, no direct obligations were issued by the Commonwealth.

Litigation regarding whether certain bond issuances of the Commonwealth and PBA violated the Commonwealth’s constitutional debt limitation is ongoing in the Commonwealth’s Title III case. For additional information regarding the Commonwealth’s Title III case, refer to Note 3. For additional information regarding the ongoing litigation related to the Commonwealth’s Title III case (including litigation commenced by the Oversight Board against certain of the Commonwealth’s general obligation bondholders), refer to Note 16.

The Commonwealth's bonds payable are subject to arbitrage regulations issued by the Internal Revenue Service of the United States of America, requiring a rebate to the federal government of excess investments earnings on tax-exempt debt proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt debt issued. Excess earnings must be rebated every five-years or upon maturity of the debt, whichever is earlier. Arbitrage calculations resulted in no liability as of June 30, 2019.

(b) Bonds Payable

The Constitution of the Commonwealth provides that public debt will constitute a first claim on the available revenue of the Commonwealth. Public debt includes general obligation bonds and debt guaranteed by the Commonwealth. The full faith, credit, and taxing power of the Commonwealth is irrevocably pledged for the prompt payment of the principal and interest of the general obligation bonds. On April 6, 2016, the Governor signed into law the Moratorium Act. For additional information on the Moratorium Act, refer to Note 3. For additional information on litigation contingencies related to the Moratorium Act, refer to Note 16. Developments in the Title III cases, as discussed in Note 3, have affected the application of the Moratorium Act, and may affect the priorities any party claims with respect to its right to debt repayment.

Act No. 83-1991, as amended, provides for the levy of an annual special tax of 1.03% of the assessed value of all real and personal property not exempt from taxation. The levy is made by CRIM, a municipal corporation, not a discretely presented component unit of the Commonwealth. CRIM is required to remit the 1.03% of property tax collected by the Commonwealth to pay debt service on general obligation bonds. During the year ended June 30, 2019, the total revenue reported by the Commonwealth amounted to approximately $43.8 million which are included in the debt service fund.

For financial reporting purposes, the outstanding amount of bonds represents the total principal amount outstanding, plus unamortized premiums and interest accreted on capital appreciation bonds, less unamortized discount. Bonds payable outstanding at June 30, 2019, including accreted interest on capital appreciation bonds, were as follows (in thousands):

	General obligation bonds	Revenue bonds	Total
Term bonds payable through 2042; interest payable monthly or semiannually at rates varying from 3.00% to 8.00%	$ 8,184,993	5,057,375	13,242,368
Serial bonds payable through 2042; interest payable monthly or semiannually at rates varying from 3.00% to 6.75%	4,236,950	1,578,779	5,815,729
Current Interest Bonds from July 1, 2033 to July 1, 2058 payable semiannually at rates varying from 4.250% to 5.625%	—	9,119,420	9,119,420
Capital appreciation bonds payable through 2056; no interest rate, yield ranging from 4.93% to 7.48%. (1)	127,345	3,634,163	3,761,508
Special Tax Revenue Bonds payable through 2045; interest payable or accreted monthly and semiannually at rates varying from 4.00% to 8.25%	—	1,918,649	1,918,649

		General obligation bonds	Revenue bonds	Total
Mental Health Infrastructure Revenue Bonds payable through 2038; interest payable semiannually at rates varying from 5.60% to 6.50%	$	—	34,800	34,800
The Children's Trust Fund Tobacco Settlement asset-backed bonds payable through 2057; interest payable or accreted semiannually at rates varying from 5.38% to 8.38%		—	1,480,742	1,480,742
Capital Fund Program Bonds, maturing in various dates payable through 2025; interest payable semiannually at rates varying from 2.00% to 5.00%		—	92,370	92,370
Total		12,549,288	22,916,298	35,465,586
Unamortized premium		29,247	71,110	100,357
Unamortized discount		(234,645)	(41,921)	(276,566)
Subtotal bonds payable		12,343,890	22,945,487	35,289,377
Elimination entry COFINA bonds issued to PRIFA and ERS		—	(276,590)	(276,590)
Total bonds payable	$	12,343,890	22,668,897	35,012,787

(1) Revenue bonds include $3 billion capital appreciation bonds fixed interest due from July, 1 2019 to July 1, 2051.

As of June 30, 2019, debt service requirements for general obligation and revenue bonds outstanding, including accreted interest of capital appreciation bonds are as follows (in thousands):

Year ending June 30		Principal		Interest	Total
2020	$	2,126,349		4,363,266	6,489,615
2021		596,234		1,540,983	2,137,217
2022		588,386		1,509,327	2,097,713
2023		657,276		1,481,581	2,138,857
2024		731,025		1,437,273	2,168,298
2025-2029		4,938,866		6,629,431	11,568,297
2030-2034		6,494,839		5,810,514	12,305,353
2035-2039		7,650,495		3,657,117	11,307,612
2040-2044		6,888,100		2,048,921	8,937,021
2045-2049		3,863,233		1,673,405	5,536,638
2050-2054		3,646,268		1,555,320	5,201,588
2055-2059		4,280,415		624,186	4,904,601
2060-2064		8,634,813		—	8,634,813
Total		51,096,299	$	32,331,324	83,427,623
Less unaccreted interest		(15,630,713)			
Plus unamortized premium		100,357			
Less unamortized discount		(276,566)			
Subtotal		35,289,377			
Elimination of COFINA bonds issued to PRIFA and ERS		(276,590)			
Total	$	35,012,787			

On March 16, 2015, PRIFA issued $245.9 million of bond anticipation notes (disclosed as Special Tax Revenue Bonds) payable from the increase in the petroleum products tax imposed by Act No. 1-2015 (the PRIFA BANs), the proceeds of which were used to refinance certain outstanding PRHTA bond anticipation notes and pay-related expenses. The PRIFA BANs were originally expected to be refinanced through a long-term bond issuance by PRIFA. However, this proposed transaction has been abandoned. The PRIFA BANs had a maturity date of May 1, 2017 (which was not met), with an interest rate of 8.25% payable monthly on the first business day of each month, commencing on April 1, 2015. The aforementioned revenues that support the payment of the PRIFA BANs could instead be applied to pay the Commonwealth's general obligation debt if its available resources proved insufficient to cover all approved appropriations. The PRIFA BANs are guaranteed by the good faith, credit and taxing power of the Commonwealth (Refer to Note 13(a)). On June 24, 2016, the Governor signed an executive order, EO 2016 027, which suspended all obligations to transfer money to PRIFA for the purpose of making payments on PRIFA BANs.

As of June 30, 2019, COFINA's bonds payable consists of the following (in thousands):

Description	Face / Effective interest		Amount
COFINA Bonds, Series 2019A-1:			
Current Interest Bonds due from July 1, 2033 to July 1, 2058	4.50%–5.00%	$	5,412,723
Capital Appreciation Bonds due from July 1, 2019 to July 1, 2051	4.250%–5.625%		2,999,182
COFINA Bonds, Series 2019A-2:			
Current Interest Bonds due from July 1, 2035 to July 1, 2058	4.55%–5.00%		3,591,809
COFINA Bonds, Series 2019B-1:			
Current Interest Bonds due from July 1, 2033 to July 1, 2058	4.50%–5.00%		69,318
Capital Appreciation Bonds due from July 1, 2019 to July 1, 2051	4.250%–5.625%		38,410
COFINA Bonds, Series 2019A-2:			
Current Interest Bonds due from July 1, 2035 to July 1, 2058	4.55%–5.00%		45,570
Bonds payable – net		$	12,157,012

Bonds payable activity for the year ended June 30, 2019, is as follows (in thousands):

Description		June 30, 2018	Debt Issued	Debt Retired	Reductions	June 30, 2019
Bonds payable	$	12,136,840	9,119,420	(12,136,840)	-	9,119,420
Capital appreciation bonds – principal		23,004,336	9,638,251	(23,004,336)	-	9,638,251
Discount on capital appreciation bonds		(17,241,446)	(6,736,349)	17,035,266	341,870	(6,600,659)
Less:						
Unamortized bond premium (discount), net		(30,999)	-	31,651	(652)	-
Bonds payable – net	$	17,868,731	12,021,322	(18,074,259)	341,218	12,157,012

In February 2019, the consummation of the COFINA Plan of Adjustment together with the enactment of Act 241-2018 provided for the restructuring of COFINA's then-existing bonds. COFINA's existing senior and subordinated bondholders received New COFINA Bonds worth approximately $12 billion on account of their approximately $18 billion in claims discharged by the Plan.

The New COFINA Bonds are secured by a statutory lien on the COFINA Pledged Taxes subject to the Commonwealth's right to substitute "New Collateral" (as defined) in accordance with the terms of the COFINA Plan of Adjustment. The "New Collateral" is all or a portion of a tax of general applicability throughout Puerto Rico that is enacted in full substitution of the COFINA Pledged Taxes or otherwise constitutes like or comparable security for the COFINA Plan of Adjustment.

The New COFINA Bonds include (i) current interest bonds (CIB) entitled to cash interest and (ii) capital appreciation bonds (CAB), for which interest is added to principal and paid at maturity. Notwithstanding the timing of the effective date of the COFINA Plan of Adjustment, interest on the New COFINA Bonds commenced to accrue or accrete, as the case may be, as of August 1, 2018. Interest payments and interest accretion terms for current interest bonds and capital appreciation bonds, respectively, are as follows:

(a) The current interest bonds or CIBs will bear interest from August 1, 2018, until paid (whether at maturity, prior to redemption or after maturity following payment default by COFINA), payable on the effective date and semiannually thereafter on each payment date at the corresponding interest rates. Interest on current interest bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest will accrue on overdue interest and principal at the corresponding interest rate and will compound on each interest payment date. All overdue interest and principal (and any interest accruing thereon) will remain due and payable until paid.

(b) Interest on capital appreciation bonds or CABs will accrue and accrete from August 1, 2018, until paid (whether at maturity, prior to redemption or after maturity following payment default by COFINA). Interest on capital appreciation bonds will not be paid on a current basis but will be added to the principal thereof in the form of accretion on the effective date and semiannually thereafter on each valuation date and will be treated as if accruing on the basis of a 360-day year consisting of twelve 30-day months between valuation dates, until paid (whether at maturity, prior to redemption or after maturity following payment default following payment default by COFINA).

The New COFINA Bonds will be subject to redemption at the option of the Corporation, in whole or in part, in any order of maturity, at par plus accrued interest thereon or accreted value as applicable, upon thirty (30) days prior to written notice as follows:

Current Interest Bonds (CIBs)

Maturity	*Optional Redemption*
2034	Redeemable at Par commencing July 1, 2025
2040	Redeemable at Par commencing July 1, 2028
2053	Redeemable at Par commencing July 1, 2028
2058	Redeemable at Par commencing July 1, 2028

Capital Appreciation Bonds (CABs)

Maturity	*Optional Redemption*
2024 & 2027	Not subject to redemption prior to maturity
2029	Redeemable at 103% of Accreted Value ("AV") commencing July 1, 2028
2031	Redeemable at 105% of AV commencing July 1, 2028 and at 103% of AV commencing on July 1, 2029
2033	Redeemable at 107.5% of AV commencing July 1, 2028, at 105% of AV commencing July 1, 2031 and 103% of AV commencing July 1, 2032
2046 & 2051	Redeemable at 107.5% of AV commencing July 1, 2028, at 105% of AV commencing July 1, 2038, at 103% of AV commencing July 1, 2038 and at 100% of AV commencing July 1, 2043

The New COFINA Bonds are also subject to mandatory redemption prior to their respective maturity dates from sinking fund installments. All such mandatory redemptions of CIBs will be at a redemption price equal to par and mandatory redemptions of CABs will be at a redemption price equal to 100% of the then current accreted value.

The New COFINA Bonds will not have a debt service reserve fund nor have rights of acceleration. As of June 30, 2019, debt service requirements for bonds outstanding were as follows (in thousands):

Year ending June 30		Principal		Interest	Total
2020	$	19,607		430,634	450,241
2021		17,480		430,056	447,536
2022		35,661		430,056	465,717
2023		54,566		430,056	484,622
2024		74,225		430,056	504,281
2025-2029		694,727		2,150,280	2,845,007
2030-2034		1,320,996		2,147,896	3,468,892
2035-2039		2,351,720		1,883,443	4,235,163
2040-2044		3,479,334		1,438,371	4,917,705
2045-2049		3,543,673		1,410,164	4,953,837
2050-2054		3,646,267		1,307,752	4,954,019
2055-2058		3,519,415		447,237	3,966,652
Total		18,757,671	$	12,936,001	31,693,672
Less unaccreted interest		(6,600,659)			
Total	$	12,157,012			

On July 1, 2019, COFINA made its scheduled payments of principal and interest of $18.9 million and $168.8 million, respectively, of its New COFINA Bonds from the approximately $420.2 million on deposit in the COFINA Revenues Fund. The amount on deposit in the COFINA Revenues Fund was collected during fiscal year 2019 and, as a result, the principal balance of $19.6 million (accreted value) paid in fiscal 2020 with COFINA Revenues from fiscal year 2019 must be deducted from the approximately $450 million in total debt service payments due during the year ending June 30, 2020.

The interest in the table of debt service requirements above has been incorporated in the terms of the New COFINA Bonds modified pursuant to the exchange.

The first collections of the 5.5% SUT ultimately are deposited in the COFINA Revenues Fund and applied to fund the Fixed Income Amount. The Fixed Income Amount for the fiscal year ended June 30, 2019, was approximately $783.2. Under Act No. 91, as amended, as of June 30, 2019, the Fixed Income Amount increases each fiscal year at a statutory rate of 4.0% up to $1.85 billion. COFINA Revenues are the first funds up to an amount equal to fifty-three and sixty-five one hundredths percent (53.65%) of the Fixed Income Amount for each fiscal year is as follows (in thousands):

		Amount
Year ending June 30:		
2020	$	436,993
2021		454,472
2022		472,651
2023		491,557
2024		511,220
2025-2029		2,879,688
2030-2034		3,503,581
2035-2039		4,262,642
2040-2044		4,927,605
2045-2049		4,962,625
2050-2054		4,962,625
2054-2058		3,970,100
Total	$	31,835,759

(c) Commonwealth Appropriation Bonds

Over the years, GDB, as fiscal agent and a bank for the Commonwealth, had extended lines of credit, advances, and loans to several agencies and component units of the Commonwealth in order to finance their capital improvement projects and to cover their operational deficits at the time. At different points in time, these loans were refunded through the issuance of Commonwealth appropriation bonds issued by PFC, a blended component unit of GDB, which serves only as a conduit for the issuance of the bonds. The Commonwealth has recognized a mirror effect of these refundings by PFC over the years in its own debt in proportion to the portion of the Commonwealth's notes included in such PFC refundings. Also, during more recent years, COFINA, through the issuance of bonds, has been used to repay certain other loans and existing appropriation bonds. COFINA is a blended component unit of the Commonwealth created in 2007 with the capacity to issue bonds to repay or refund advances from GDB, the appropriation bonds referred to above, and other debt obligations, collectively referred to as the extra constitutional debt. There were no new activities of Commonwealth appropriation bonds during fiscal year 2019, other than the annual amortization of corresponding premiums and their related deferred inflows and outflows of resources in the form of deferred refunding gains and losses.

At June 30, 2019, the outstanding balance of the Commonwealth appropriation bonds pertaining to the Primary Government (i.e., excluding the balance pertaining to discretely presented component units), consisted of the following obligations (in thousands):

Act. No. 164 restructuring	$	445,186
PRMSA		131,694
Total Commonwealth appropriation bonds	$	576,880

Act No. 164 Restructuring – On December 17, 2001, Act No. 164 was approved, which authorized certain government agencies and component units to refund approximately $2.4 billion of their outstanding obligations with GDB, for which no repayment source existed, over a period not exceeding 30 years, and to be repaid with annual Commonwealth appropriations not to exceed $225 million. This refunding was originally executed with Commonwealth appropriation bonds through several bond series issued by PFC during the period between December 2001 and June 2002.

Subsequently, additional refundings (current and advance) and/or redemptions of Act No. 164-2001 restructuring have been executed through PFC and COFINA bond issuances.

Approximately $445.2 million of the Commonwealth appropriation bonds outstanding at June 30, 2019, belong to the Primary Government under Act No. 164-2001, consisting of the PRDOH (health reform financing and other costs), the DOT (originally the fiscal year 2001 deficit financing and the obligation assumed for defective tax liens), DRN, and PRIFA, a blended component unit of the Commonwealth. The outstanding balance of Commonwealth appropriation bonds related to Act No. 164-2001 bears interest at rates ranging from 3.10% to 6.50%. Debt service requirements, subject to legislative appropriations, in future years were as follows (in thousands):

		Principal	Interest	Total
Year ending June 30:				
2020	$	114,705	105,025	219,730
2021		24,435	17,772	42,207
2022		25,499	16,628	42,127
2023		26,660	15,379	42,039
2024		7,932	14,831	22,763
2025–2029		185,826	57,237	243,063
2030–2032		58,957	3,287	62,244
Total		444,014	230,159	674,173
Plus unamortized premium		1,172		
Total	$	445,186		

The above schedule has been presented in accordance with original terms of the bonds payable and do not reflect the effects, if any, that may result from the PROMESA Title III proceedings or any other debt restructuring proceeding. Accordingly, the effects of the PROMESA Title III or any other debt restructuring proceeding may affect the carrying amounts, interest rates and the repayment terms. See Note 3 for additional information.

PRMSA – A promissory note payable owed by PRMSA to GDB was assumed by the Commonwealth in connection with the sale of the maritime operations of PRMSA. Commonwealth appropriation bonds, 2003 Series B and 2004 Series B were issued to refund this liability, which were refunded most recently in June 2012 with the issuance of PFC 2012 Series A bonds. The bond balance bears interest at a variable rate ranging from 3.10% to 5.35%. Debt service requirements in future years were as follows (in thousands):

		Principal	Interest	Total
Year ending June 30:				
2020	$	—	34,186	34,186
2021		—	6,837	6,837
2022		—	6,837	6,837
2023		—	6,837	6,837
2024		27,999	5,647	33,646
2025–2029		55,385	16,462	71,847
2030–2032		48,310	5,600	53,910
Total	$	131,694	82,406	214,100

The above schedule has been presented in accordance with original terms of the bonds payable and do not reflect the effects, if any, that may result from the PROMESA Title III proceedings or any other debt restructuring proceeding. Accordingly, the effects of the PROMESA Title III or any other debt restructuring proceeding may affect the carrying amounts, interest rates and the repayment terms. See Note 3 for additional information.

(d) Bond Purchase Agreement with GDB

At various times during fiscal years ending in 2005 and 2006, the PA, a blended component unit of the Commonwealth, entered into bond purchase agreements with the GDB, whereby the GDB agreed to disburse to the PA from time to time certain bond principal advances up to a maximum aggregate principal amount of $70 million (Port of the Americas Authority 2005 Series A Bond), $40 million (Port of the Americas Authority 2005 Series B Bond), and $140 million (Port of the Americas Authority 2005 Series C Bond). These bonds are guaranteed by the Commonwealth by Act No. 409-2004, which authorized the issuance of these financing arrangements. The Commonwealth had been paying for debt service on these bonds under its guarantee pursuant to Act No 409-2004. For additional detail, refer to Note 13(a).

The proceeds of the bonds were used to finance the cost of development and construction of the PA facilities. These bonds, having an original maturity of January 2015, were refinanced on December 31, 2014, into one single bond for a period of 30 years, with the first payment of principal and interest to commence on August 1, 2015, with interest rates based on the rates borne by the general obligation of the Commonwealth. These rates should be revised on a quarterly basis provided, however, that the interest should never be less than 7% nor greater than 12%. The aggregate outstanding principal balance of the bond principal amount shall be payable in full on January 1, 2045. The principal and interest on the refinanced bond continues to be covered by the guarantee of the Commonwealth. As of June 30, 2019, the principal outstanding on the Bond purchase agreement amounted to approximately $225.5 million.

The PA debt may be paid with any of the following: (i) a long-term bond issuance, once the projects are completed or (ii) legislative appropriations, as established by Act No. 409-2004, honoring the agreement referred to above.

Act No. 409-2004, as amended, is silent as to whether there are arrangements established for recovering payments from PA for guaranteed payments made; however, there is no intention from the Commonwealth to request a recovery of any such payments.

(e) Advance Refunding, Defeasance and Refunding of Commonwealth Bonds

In prior years, the Commonwealth defeased certain general obligation and other bonds by placing the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust's account assets and liabilities for the defeased bonds are not included in the basic financial statements. For the year ended June 30, 2019, the Commonwealth had no defeased obligations.

PBA, a blended component unit, has defeased certain revenue bonds in prior years by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debts. Accordingly, the trust's account assets and liabilities for the defeased bonds are not included in the statement of net position. As of June 30, 2019, approximately $659.9 million of PBA's bonds are considered defeased.

During prior years, COFINA, a blended component unit, issued certain refunding bonds, the proceeds of which were placed in an irrevocable trust to provide for all future debt service payments on the refunded COFINA Series 2009A and 2009B bonds. The outstanding balance of the advance refunded bonds was approximately $21 million at June 30, 2019.

(f) GDB Qualifying Modification and the Title VI Approval Process

On November 6, 2018, the United States District Court for the District of Puerto Rico approved the Qualifying Modification pursuant to section 601(m)(2) of PROMESA and on November 29, 2018 (the Closing Date), GDB completed the restructuring of substantially all of its indebtedness pursuant to the Qualifying Modification.

Under the Qualifying Modification GDB assigned and transferred to the GDB Debt Recovery Authority (DRA) a new created public instrumentally certain assets to secure the restructuring property. The property consisted principally of Commonwealth's notes payables and certain public corporation notes payables, which pursuant to the GDB Restructuring Act, were reduced as of the Closing Date by certain deposits of such government entities with the GDB Operating Fund. The outstanding balance of these notes payables as of June 30, 2019, amounted to approximately $357 million.

The GDB Retained Loans consist of certain notes payables designated to be retained and continued to be serviced by the GDB Operating Fund on the Closing Date pursuant to the Qualifying Modification, but which beneficial interests and proceeds therefrom, as indicated above would be transferred from time to time by GDB to the DRA upon collection. The GDB Retained Loans, although not transferred to the DRA on the Closing Date, were also reduced at that date by certain deposits of such government debtors with the GDB Operating Fund, as set forth in the GDB Restructuring Act. The outstanding balance of these notes payables as of June 30, 2019, amounted to approximately $392.5 million.

Under the GDB Restructuring Act, the balance of liabilities owed between the Commonwealth and its agents, instrumentalities and affiliates (each a Non-Municipal Government Entity) and GDB was determined by applying the outstanding balance of any deposits held at the Bank in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal

Government Entity owed to GDB or of any bond or note of such NonMunicipal Government Entity held by GDB as of such date. Those Non-Municipal Government Entities having net claims against the Bank (also known as Designated Deposits), after giving effect to the foregoing adjustment received their pro rata share of interests in the PET, which was deemed to be in full satisfaction of any and all claims such Non-Municipal Government Entity may have against GDB.

The assets of the PET consist of the claim of GDB against the Commonwealth, asserted in the Commonwealth's Title III case and transferred to the PET, with an original potential value to be recovered of $926.9 million. However, the value of the PET Claim was capped at approximately $578 million, on account of several federal funds on deposits at GDB, in the amount of approximately $349 million, to be restored by the Commonwealth pursuant to the terms of the Commonwealth's certified fiscal plan. As of June 30, 2019, the outstanding balance of the GDB federal funds to be restored by the Commonwealth is approximately $154.4 million and have been recorded as other long-term liability.

Prior to the approval and Closing Date of the Qualifying Modification, the Official Committee of Unsecured Creditors (UCC) had objected to the GDB Restructuring Act and the Qualifying Modification through several proceedings brought at the Title III U.S. District Court against the defendants (the Commonwealth, the Bank, FAFAA and the Oversight Board). On October 5, 2018, the UCC and the defendants signed a stipulation agreement resolving the aforementioned objections, which settlement was incorporated within the deed of constitution of trust that created the PET. The UCC stipulations provided for the cap of $578 million on the PET Claim.

As a result of the Qualifying Modification the Commonwealth used total assets of approximately $627.7 to offset notes payable to GDB. The net effect of the Qualifying Modification resulted in a net gain of $915.3 million as detail as follow:

		Amount
Recovery of custodial credit loss on deposits	$	627,660
Net effect of assets and debt assumed by the Commonwealth		30,654
Forgiveness of accrued interest on notes payable		256,989
Total	$	915,303

(g) Notes Payable to Discretely Presented Component Units and Financial Institution

The Commonwealth financed certain long-term liabilities through its discretely presented component units, within both Governmental and Business-type activities. The outstanding balance at June 30, 2019, on the financing provided by the discretely presented component units presented within notes payable in the statement of net position-Governmental Activities, comprises the following (in thousands):

Notes payable to DRA:		
DOT	$	169,438
DNR		50,237
PBA		137,414
		357,089
Notes payable to GDB:		
SCPT		234,692
UPRCCC		120,275
PRIFA		37,361
		392,328
Notes payable to component units:		
SIFC		100,000
AACA		2,000
		102,000
Note payable to financial institution	$	23,764

As of June 30, 2019, the DOT maintained various lines of credit with the DRA amounting to approximately $169.4 million for different purposes, bearing fixed and variable interest rates, and various maturity dates as summarized below (in thousands):

Purpose	Interest rate	Maturity	Lines of credit	Outstanding balance
To partially fund monthly principal and interest deposits required for 2013 debt service of General Obligation and Revenue Bonds	150 bp over PRIME, but not less than 6%	June 30, 2042	384,496	63,135
To fund monthly principal and interest deposits required for the 2014 debt service of the General Obligation and Revenue Bonds	6.00%	June 30, 2043	319,645	50,419
To finance certain capital improvement projects	150 bp over PRIME, but not less than 6%	June 30, 2043	100,000	34,789
To finance certain capital improvement projects	150 bp over PRIME, but not less than 6%	June 30, 2041	215,000	21,095
Total			$ 1,019,141	169,438

During the fiscal year 2019, there were no annual appropriations from the Commonwealth of Puerto Rico's budget to pay lines of credit of the Commonwealth or any instrumentalities, including component units, and other governmental entities.

On January 4, 2000, the DNR entered into a loan agreement with GDB for a non-revolving line of credit in an amount not to exceed $112,000,000 for the development of infrastructure projects. Infrastructure project costs incurred are disbursed by the GDB to the DNR. The interest, based on the lender's cost of funding for tax exempt variable rate loan transactions or the cost of any similar obligations to fund the loan, is payable quarterly. The credit line was due originally and payable on June 30, 2006. On December 4, 2007, the availability of the credit line was extended to June 30, 2009. On November 23, 2009, it was extended to June 30, 2012. On June 27, 2012, it was extended to June 30, 2040. The outstanding balance at June 30, 2019, amounted to $19,528,716. On May 5, 2003, the DNR entered into a loan agreement related to another non-revolving line of credit in an amount not to exceed $75,000,000 with GDB for the acquisition of building facilities. The credit line carries interest based on quarterly variable LIBOR rate plus 1.25% with a minimum annual interest rate of five percent (5%). On June 26, 2008, the availability of the credit line was extended to June 30, 2011. To temper the terms and conditions of the line of credit to economic facts of the Commonwealth of Puerto Rico, on January 29, 2010, the availability was extended to June 30, 2012. On June 19, 2012, it was extended to June 30, 2040.The outstanding balance at June 30, 2019, amounted to $30,708,521.

On August 18, 2010, PBA maintained a non-revolving credit facility in the maximum principal amount of approximately $93.6 million bearing interest at a fluctuating annual rate equal to Prime rate, plus 150 basis points, provided that such interest cannot be less than 6%. The proceeds of the facility were used for construction projects development. The line is due on June 30, 2044 and is payable from the proceeds of future revenue refunding bond issuance of PBA. As of June 30, 2019, approximately $38.5 million was outstanding. PBA also maintains a $75 million line of credit for payment of operational expenses. Borrowings under this line of credit agreement bear interest at a fixed rate of 7% and are payable upon maturity on June 30, 2018. As of June 30, 2019, approximately $48.8 million was outstanding. In addition, on May 2, 2008, PBA executed two Loan Agreements for the interim financing of its Capital Improvement Program in an amount not to exceed approximately $226 million, bearing interest at 6%. The loans and the accrued interest are due on June 30, 2044, and are payable from the proceeds of the future revenue refunding bond issuance of PBA. The loans are divided into approximately $209 million on a tax-exempt basis and approximately $16.9 million on a taxable basis. As of June 30, 2019, approximately $50.1 million remains outstanding.

On November 21, 2002, Resolution No. 1028 from the Legislature authorized a line of credit financing for $500 million to the SCPT for the construction and rehabilitation of housing, construction and improvements of electric, water and sewage systems; repair and improvements of streets and sidewalks; construction and improvement of recreational facilities, and to develop initiatives for economic self-sufficiency for the residents of a selected group of displaced and economically disadvantaged communities, all encompassed within the Special Communities Program initiated with the creation of the SCPT by Act No. 271-2002. This non-revolving line of credit, originally for a ten-year term, was extended on June 30, 2012, to a maturity date of June 30, 2040. Effective October 2009, the interest rate on this line was set at 7%. Annual payments on the line are determined using a 30-year amortization table based on the principal and interest balance as of December 31 of each year, and a 4% interest penalty is carried on late payments. Legislative Resolution No. 1762 of September 18, 2004, established that the principal plus accrued interest of this line would be repaid from Commonwealth's legislative appropriations as established by the PROMB. The outstanding balance of this line as of June 30, 2019, amounted to approximately $234.7 million.

On August 22, 2007, UPRCCC entered into an $18 million non-revolving line of credit to build the UPRCCC's administrative offices and research facilities. On May 29, 2008, the agreement was amended, mainly to increase the maximum borrowing amount to $75 million, to extend the maturity date up to October 31, 2021, and to finance the construction of the hospital and radiotherapy facilities. The balance will be repaid commencing in fiscal year 2015. The non-revolving line bears interest at a fixed rate of 6%. As of June 30, 2019, approximately $31.9 million was outstanding. On November 18, 2013, the UPRCCC entered into another non-revolving line of credit to an aggregate principal amount not to exceed $196 million, for the construction and development of a ninety-six-bed hospital, a multi-disciplinary outpatient clinic, a diagnostic imaging center and a medical oncology infusion unit in a land lot property of the UPRCCC located in San Juan. The line of credit, including interest at a fixed rate of 6.5%, is payable in 28 consecutive annual installments, commencing on the last business day of December 2016. As of June 30, 2019, approximately $88.5 million was outstanding. Both lines of credit for the aggregate outstanding balance of approximately $120.5 million are payable from Commonwealth's legislative appropriations.

On March 8, 2012, PRIFA also entered into a $35 million line of credit for the acquisition, refurbishments, and maintenance of certain real estate properties that are mostly occupied by various governmental agencies. This credit facility is secured by a mortgage lien on the property. This line of credit matures on June 30, 2017, and bears interest at 150 basis points over the prime rate, with a minimum interest rate of 6%. As of June 30, 2019, the outstanding balance of this line of credit agreement amounted to approximately $37.4 million.

Notes Payable to Discretely Presented Component Units

Act No. 80-2015 was approved with the objective of addressing the Commonwealth's projected cash flow deficiencies for fiscal year 2015. This Act, among other provisions, specifically authorized the SIFC, PRTC, AACA, EDB, PRIDCO and the DEDC to grant loans and/or special contributions to the DOT, in the aggregate amount of $125 million. On June 5 and 9, 2015, SIFC and AACA granted loans to the DOT under the provisions of this Act in the amounts of $100 million and $2 million, respectively, which are payable from the Commonwealth's legislative appropriations. These loans bear interest at a rate of 1%, and principal and interest will be payable on an annual basis, effective July 31, 2017. The loan granted by ACAA matures on July 31, 2022, and that granted by SIFC matures on July 31, 2032. As of June 30, 2019, approximately $102 million remained outstanding.

Notes Payable to Financial Institutions

On December 26, 2013, the General Service Administration entered into a $33.3 million non-revolving line of credit agreement with a financial institution for the purchase of four helicopters to be used by the PRPOB, through a lease agreement between both government agencies. Such lease agreement has been assigned as the line of credit repayment source, which in turn will be sustained with annual future Commonwealth legislative appropriations in the amounts necessary to cover the required debt service of the line of credit. This obligation is payable in seven equal, annual, and consecutive installments commencing on July 15, 2014, plus interest payable on July 15 and January 15 of every year beginning on July 15, 2014, at an interest rate based on the financial institution cost of funds, as defined, plus 0.25 basis points. The interest rate as of June 30, 2019, was 3.0204%. The good faith, credit and taxing power of the Commonwealth are irrevocably pledged for the prompt payment of principal and interest on this obligation. As of June 30, 2019, approximately $23.8 million was outstanding. Debt service requirements in future years were as follows (in thousands):

		Principal	Interest	Total
Year ending June 30:				
2020		19,011	4,182	23,193
2021		4,753	73	4,826
Total	$	23,764	4,255	28,019

(ii) *Business-type activities* – At June 30, 2019, the following comprised the notes payable to discretely presented component units (in thousands):

PRMeSA	$	282,445
PRHIA		183,251
PPA		20,762
Total	$	486,458

On October 14, 2010, the Legislature approved a new article 9A to Act No. 66-1978, by which it authorized PRMeSA, a blended component unit, to incur on an obligation of up to $285 million to be deposited in a special GDB account and to be used for payment of debts to suppliers, agencies, and a reserve fund for self-insurance of PRMeSA, and to provide operational liquidity to ease PRMeSA's fiscal situation. GDB was named fiscal agent to administer and monitor the use of these funds. The Commonwealth is required to honor the payment of this obligation with future legislative appropriations to be made every year until fiscal year 2041–2042. Borrowings under this line of credit agreement bear interest at variable rates based on 150 basis points over the prime rate. No legislative appropriations have been made since 2015 to cover the principal payments as they have become due. As of June 30, 2019, approximately $282.4 million was outstanding.

On March 14, 2011, PRHIA, a blended component unit, entered into a credit agreement with GDB in order to pay its obligations to healthcare insurers incurred prior to fiscal year 2010. The aggregate principal amount of the non-revolving line of credit was $186 million. This line is payable in nine payments of $20.7 million each due on March 14 of the years 2015 through 2023, through future Commonwealth annual legislative appropriations. Interest is accrued at a fluctuating annual rate of interest equal to the greater of 150 basis points over the prime rate or 6%. No legislative appropriations were made in 2016, 2017, 2018 or 2019 to cover the principal payments scheduled for March 14, 2016, 2017 and 2018. As of June 30, 2019, the outstanding principal balance amounted to approximately $183.3 million.

On August 29, 2014, the PPA, a blended component unit, entered into an $60 million line of credit agreement with GDB (now owed to the DRA) to cover the operational, maintenance, equipment acquisition and permanent improvement costs of the Ports of the Americas Rafael Cordero Santiago, pursuant to the provisions of Act No. 240-2011, which created the PPA (assets are owned by PA as of June 30, 2017). Borrowings under this line of credit agreement bear interest based on the rates borne by the general obligation of the Commonwealth. These rates should be revised on a quarterly basis provided, however, that the interest may never be less than 7% nor greater than 12%. Interest during fiscal year 2019 was 7.78%. The line of credit has a maturity of June 30, 2044, and its principal and interest payments are payable through annual legislative appropriations. As of June 30, 2019, the outstanding principal balance was approximately $20.8 million, which is payable from future Commonwealth's legislative appropriations.

(h) Obligations under Capital Lease Arrangements

The Commonwealth's Governmental Activities are obligated under capital leases with third parties that expire through 2044 for land, buildings, and equipment. The present value of future minimum capital lease payments at June 30, 2019, reported in the accompanying government-wide statement of net position was as follows (in thousands):

Year ending June 30:		
2020	$	32,747
2021		32,354
2022		29,889
2023		29,038
2024		28,862
2025-2029		143,334
2029-2034		113,303
2035-2039		88,048
2040-2044		77,776
		—
Total future minimum lease payments		575,351
Less amount representing interest costs		(291,819)
Present value of minimum lease payments	$	283,532

Leased land, buildings, and equipment under capital leases included in capital assets at June 30, 2019, include the following (in thousands):

Land	$	7,960
Buildings		398,660
Equipment		4,121
Subtotal		410,741
Less accumulated amortization		(112,705)
Total	$	298,036

Amortization applicable to capital leases and included within depreciation expense of capital assets amounted to approximately $13.4 million in 2019.

(i) Total Pension Liability

The amount reported as total pension liability in the government-wide financial statements of approximately $35 billion of which approximately $1.8 billion is due within one year at June 30, 2019, represents the Primary Government's proportionate share of the ERS calculation of the total pension liability measured, plus the sum of the full TRS and JRS measure of its total pension liability (see Note 17).

(j) Total Other Postemployment Benefit Liability

The amount reported as total other postemployment benefit liability in the government-wide financial statements of approximately $1.2 billion at June 30, 2019, represents the Primary Government's proportionate share of the ERS calculation of the total other postemployment benefit liability, plus the sum of the full TRS and JRS measure of its total other postemployment benefit liability (see Note 18).

(k) Compensated Absences

Long-term liabilities include approximately $454.3 million and $17.7 million of accrued compensated absences recorded as Governmental and Business-type activities, respectively, at June 30, 2019.

(l) Obligation for Unpaid Lottery Prizes

The amount reported as unpaid lottery prizes represents the lottery prizes payable of the Lottery of Puerto Rico (commonly known as Traditional Lottery) and the Additional Lottery System (commonly known as Lotto) jointly known as the Lotteries at June 30, 2018. The minimum annual payments related to unpaid awards of both lotteries were as follows (in thousands):

		Principal	Interest	Total
Year ending June 30:				
2020	$	105,218	8,317	113,535
2021		9,802	7,462	17,264
2022		8,681	6,959	15,640
2023		7,528	6,199	13,727
2024		6,595	5,532	12,127
2025–2029		21,428	16,430	37,858
2030–2034		8,513	6,171	14,684
2035–2039		241	167	408
2040–2044		208	200	408
2045-2048		146	181	327
Total	$	168,360	57,618	225,978

The minimum annual payments related to unpaid awards of Lotto include an unclaimed prizes liability (not lapsed) of approximately $6.2 million at June 30, 2019, which is reported as prizes payable – current portion.

The liability for unpaid lottery prizes is reported in Business-type activities of the accompanying statement of net position and statement of net position of the proprietary funds.

(m) Voluntary Termination Benefits Payable

On July 2, 2010, the Commonwealth enacted Act No. 70 to establish a program that provides early retirement benefits or economic incentives for voluntary employment termination to eligible employees, as defined. Act No. 70-2010 applies to agencies and component units whose budgets are funded in whole or in part by the General Fund.

Act No. 70-2010 established that early retirement benefits (early retirement program) will be provided to eligible employees that have completed between 15 to 29 years of credited services in the Retirement System and will consist of bi-weekly benefits ranging from 37.5% to 50% of each employee's salary, as defined. Pursuant to Act No. 70-2010, the Commonwealth, as employer, will continue making the applicable employer contributions to the Retirement System, as well as covering the annuity payments to the employees opting for early retirement, until both the years of service and age requirements for full vesting would have occurred, at which time the applicable Retirement System will continue making the annuity payments.

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

Additionally, eligible employees that choose to participate in the early retirement program or in the incentivized resignation program are eligible to receive health plan coverage for up to 12 months in a health plan selected by management of the Commonwealth.

Act No. 70 allows certain component units of the Commonwealth that operate with their own resources to implement a similar program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined. The benefits and the requirements are the same as provided by Act No. 70, except as follows: in the early retirement benefit program, the component unit will make the employee and employer contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 years of credited service in the Retirement System; and in the incentivized retirement program, the component unit will make the employee and the employer contributions to the Retirement System for a five-year period.

On December 8, 2015, Act 211 was signed, called the "Voluntary Pre-Retirement Program" (the "Program"). It was created to establish a program that identifies eligible employees, who can be separated voluntarily and incentivized from their employment before they meet the requirements to retire.

The purpose of this program is to offer incentives for personnel who have been contributing to the Retirement System (the "System") before April 1, 1990, under the Act No. 447-1951 or who began to contribute at a later date, and have made all the corresponding payments before April 1, 1990, without having received a refund of their contributions and who at least have 20 years of service registered.

To ensure that this program does not affect the services to the citizenship or the operation of the agencies, only career employees who occupy positions which do not provide direct services, that are not essential for the operation of the agency or whose positions could be occupied by transfers within and between agencies may participate in the program. Essential service positions are those positions whose functions are specialized, essential, or indispensable to the effective operation of the agency, so that it can serve the public purpose for which it was created as a governmental body.

At June 30, 2019, unpaid long-term benefits granted in Act No. 70-2010 and Act. No. 211-2015 were discounted at interest rates that ranged from 1% to 3.54% at the Primary Government level and from 1% to 2.58% at the component units level.

On April 18, 2018, the Commonwealth enacted Order OA-2018-04 for the Department of Education and Order OA-2018-06 for the Public Security Department. The purpose of these orders is to provide economic incentives for voluntary employment termination to eligible employees.

The incentives offered by the order OA-2018-04 in the Department of Education if termination was presented on or before May 2018 included 12 months paid salary and $100/month for medical insurance payment. If termination was presented after May 2018 the incentives were 8 months paid salary and $100 a month for medical insurance payment. All benefits are to be paid monthly.

The Public Security Department order OA-2018-06 offers incentives which were separated between officers (Rank employees) and civil employees. For officers the incentives included 9 months' salary and $100/month medical insurance payment if termination was presented on or before May 2018. If termination was presented after May 2018 the benefits were reduced to 6 months' salary and $100/month for medical insurance payments. Civil employees' benefits included 6 months' salary and $100/month for medical insurance payment if termination presented on or before May 2018 and 4 months' salary and $100/month medical insurance payment if termination was presented afterwards.

(n) Liability for Unemployment, Disability and Health Insurance

The Commonwealth provides unemployment compensation, occupational disability, and drivers' insurance coverage to public and private employees through various insurance programs administered by the DLHR. These insurance programs cover workers against unemployment, temporary disability, or death because of work or employment related accidents or because of illness suffered as a consequence of their employment.

Also, the Commonwealth, through PRHIA (a blended component unit), is responsible for implementing, administering, and negotiating a health insurance system, through contracts with insurance underwriters, to provide quality medical and hospital care to the Commonwealth residents regardless of their financial condition and capacity to pay. PRHIA pays a monthly premium to such insurance underwriters based on a contracted premium and the number of members subscribed in the health plan. Funds to pay for such premiums are requested from the Commonwealth, net of funds available for such purposes from all other sources.

Under the provisions of Act No. 105-2002, which amends Act No. 72-1993, PRHIA was authorized to negotiate directly with health providers under a pilot program. PRHIA has, since then, entered into different direct contracts to cover the insured population of different regions and municipalities. Since November 1, 2006, through September 1, 2010, PRHIA directly contracted providers that served approximately 190,000 lives from the metro north region. At June 30, 2011, PRHIA has direct contracting projects with the municipalities of Vieques and Guaynabo, and effective October 1, 2011, the projects were expanded to cover the west, the metro north, the north, San Juan, the northeast, and the virtual regions under a new arrangement with a new insurance underwriter as third-party administrator. In addition, PRHIA implemented certain cost containment strategies to control costs, such as establishing a co-payment that applies for the unjustified use of emergency rooms, detection and control of prescription drug overuse, implementation of a disease management program for respiratory conditions, modification of provider fees, and better coordination of benefits for members of the population that have other medical insurance.

PRHIA establishes a liability to cover the estimated amount to be paid to providers based on experience and accumulated statistical data. The estimates of medical claims incurred but not reported and other medical expense payments is developed using actuarial methods and assumptions based upon payment patterns, inflation of medical costs, historical developments, and other relevant factors.

The following table provides a reconciliation of the beginning and ending liability for incurred but unpaid benefits and benefit adjustment expenses for the period ended June 30, 2019 (in thousands):

		PRHIA	Unemployment insurance	Nonmajor proprietary funds	Totals
Liability for incurred but unpaid benefits and benefit adjustment expenses at July 1	$	123,406	51,208	573	175,187
Total incurred benefits		1,752,518	65,183	1,896	1,819,597
Total benefit payments		(1,699,611)	(79,655)	(1,924)	(1,781,190)
Liability for incurred but unpaidbenefits and benefit adjustment expenses at June 30	$	176,313	36,736	545	213,594

The liability for benefits claims is reported as a liability for unemployment, disability, and health insurance in the Business-type activities of the accompanying statement of net position and in the statement of net position of the proprietary funds. The liability as of June 30, 2018, amounts to approximately $213.6 million.

(o) Other Long-Term Liabilities

The remaining long-term liabilities of Governmental Activities at June 30, 2019, include (in thousands):

Liability for legal claims and judgments (note 16)	$	1,123,496
Liability to U.S. Army Corps of Engineers (note 10)		200,964
PET Claim (note 12(f))		578,000
GDB federal funds to be restored by the Commonwealth of Puerto Rico		154,360
Accrued Employees' Christmas bonus		56,877
Liability for federal cost disallowances (note 16)		59,913
Other		28,080
Total	$	2,201,690

As described in Note 10, the Commonwealth has a debt obligation with the U.S. Army Corps of Engineers in relation to its estimated allocated share of the construction costs associated with the Cerrillos Dam and Reservoir Project. Late in April 2011, the Commonwealth received a final debt agreement from the U.S. Army Corps of Engineers establishing a repayment schedule for its allocated share of the construction costs associated with the Cerrillos Dam and Reservoir Project, amounting to $214 million, excluding those costs for items built for recreational purposes. On October 10, 2012, the U.S. Army Corps of Engineers placed such debt into the U.S. Treasury Department Offset Program (th.3e Offset Program) until May 2013 (the month in which the Offset Program was stopped). On March 21, 2014, the

U.S. Army Corps of Engineers granted certain concessions on this obligation of the Commonwealth by forgiving the balance already due and payable in the amount of $35.4 million and approving a new payment plan proposed by the Secretary of the DOT for the remaining debt obligation. This new payment plan reduced the interest rate from 6.063% to 1.50% and waived all cumulative penalty interest and fees, which reduced the annual payment from approximately $12.9 million to approximately $7.1 million for the remaining term of the debt. The new payment plan consists of 33 annual payments of $7.1 million, including interest, from June 7, 2014, until June 7, 2046. These concessions qualified as a troubled debt restructuring, where the total future cash payments specified by the new terms exceeded the carrying value of the old debt, including the accrued balance matured and payable of $35.4 million. Under such circumstances, the effects of the new terms are accounted for prospectively without modifying the carrying amount of the debt in the statement of net position.

The unpaid allocated share of the construction costs associated with the Cerrillos Project amounted to approximately $156.1 million at June 30, 2019. Debt service requirements on this debt obligation at June 30, 2019, were as follows (in thousands):

		Principal	Interest	Total
Year(s) ending June 30:				
2020	$	4,734	2,342	7,076
2021		4,805	2,271	7,076
2022		4,877	2,199	7,076
2023		4,951	2,126	7,077
2024		5,025	2,052	7,077
2025–2029		26,277	9,107	35,384
2030–2034		28,308	7,076	35,384
2035–2039		30,496	4,888	35,384
2040–2044		32,853	2,531	35,384
2045–2048		13,841	313	14,154
Total	$	156,167	34,905	191,072

In addition, the Commonwealth has a debt obligation of approximately $26.5 million with the U.S. Army Corps of Engineers in relation to its estimated allocated share of the construction costs associated with the recreational part of the Cerrillos Dam and Reservoir Project, including accrued interest of approximately $18.3 million, at June 30, 2019. The final debt agreement with the U.S. Army Corps of Engineers for the recreational part of the Cerrillos Dam and Reservoir Project has not been finalized, and therefore, terms and conditions could differ from those estimated. The related debt is expected to be payable in annual installment payments over a 35-year period. However, the debt has been presented as a long-term liability payable after one year in the accompanying statement of net position since the commencement date of repayment has not yet been determined.

The Commonwealth recorded a contingent liability for the custodial credit risk loss on deposits held at GDB related to federal funds amounting to approximately $154.3 million at June 30, 2019.

The remaining other long-term liabilities within Business-type activities on June 30, 2019, are composed of an accrued capital related liabilities and a self-insurance reserve for approximately $4.1 million, corresponding to PRMeSA.

Discretely Presented Component Units

Appropriations bonds, bonds, and notes payable are those liabilities that are paid out of the discretely presented component units' own resources. These obligations do not constitute a liability or debt of the Primary Government.

(a) Commonwealth Appropriation Bonds

Commonwealth appropriation bonds payable outstanding at June 30, 2019, were as follows (in thousands):

Component unit	Interest rates	Maturity through	Balance at June 30, 2018, as restated	Additions	Reductions	Balance at June 30, 2019	Amounts Due within one year
Major component units:							
PRASA	3.10% – 6.50%	2032	$ 415,779	—	296	415,483	—
GDB	3.10% – 6.50%	2032	3,339	2	—	3,341	353
Sub-total			419,118	2	296	418,824	353
Nonmajor component units	3.10% – 6.50%	2032	101,000	58	—	101,058	13,069
Total			$ 520,118	60	296	519,882	13,422

Debt service requirements on the Commonwealth's appropriation bonds payable with fixed maturities at June 30, 2019, were as follows (in thousands):

	Principal	Interest	Total
Year(s) ending June 30:			
2020	$ 13,422	27,661	41,083
2021	9,780	26,745	36,525
2022	10,207	26,296	36,503
2023	10,670	25,806	36,476
2024	3,175	25,505	28,680
2025–2029	273,149	106,015	379,164
2030–2032	194,526	126,072	320,598
	514,929	$ 364,100	879,029
Premium	5,010		
Discount	(57)		
Total	$ 519,882		

The above schedule has been presented in accordance with original terms of the bonds payable and do not reflect the effects, if any, that may result from the PROMESA Title III proceedings or any other debt restructuring proceeding. Accordingly, the effects of the PROMESA Title III or any other debt restructuring proceeding may affect the carrying amounts, interest rates and the repayment terms. See Note 3 and Note 22 for additional information.

(b) Revenue Bonds

Revenue bonds outstanding at June 30, 2019, were as follows (in thousands):

Component unit	Interest rates	Maturity through		Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Due within one year
Major component units:								
GDB	2.96%–6.56%	2031	$	37,630	—	911	36,719	12,976
PREPA	3.70%–10.00%	2043		8,347,164	101,792	110,508	8,338,448	1,306,632
PRHTA	2.25%-6.50%	2046		4,320,770	4,979	21,950	4,303,799	363,099
PRASA	2.00%-6.15%	2056		3,925,497	—	54,148	3,871,349	80,332
UPR	5.00%-5.63%	2036		465,014	—	27,320	437,694	26,995
Sub-total				17,096,075	106,771	214,837	16,988,009	1,790,034
Nonmajor component un	3.00%-7.50%,	2041						
	Variable			1,211,522	2,597,772	564,589	3,244,705	352,483
Total			$	18,307,597	2,704,543	779,426	20,232,714	2,142,517

PREPA, a major discretely presented component unit, and PRIDCO, a nonmajor discretely presented component unit, have bonds that may have acceleration provisions contained in the Trust Agreements. Due to the fact that PREPA is currently a debtor in a Title III proceeding under PROMESA any action that would be taken to accelerate the bonds is subject to the automatic stay in that proceeding. Therefore, the acceleration provision is not relevant despite the fact that an event of default arguably exists under the Trust Agreement. As for PRIDCO, the Trustee has not sent a default notice or declared the defaulted principal on all bonds outstanding due and payable immediately subject to the applicable acceleration provisions.

Debt service requirements on discretely presented component units' revenue bonds with fixed maturities at June 30, 2019, were as follows (in thousands):

		Principal		Interest	Total
Years ending June 30:					
2020	$	2,142,517		1,194,284	3,336,801
2021		678,692		826,765	1,505,457
2022		655,084		791,395	1,446,479
2023		667,401		757,356	1,424,757
2024		707,101		723,993	1,431,094
2025-2029		3,629,594		3,143,764	6,773,358
2030-2034		3,386,236		2,243,525	5,629,761
2035-2039		3,345,339		1,316,161	4,661,500
2040-2044		4,136,488		471,523	4,608,011
2045-2049		568,430		69,934	638,364
2050-2054		16,551		1,060	17,611
2055-2059		439		—	439
Total		19,933,872	$	11,539,760	31,473,632
Unaccreeted interest		(123)			
Premium		328,830			
Discount		(29,865)			
	$	20,232,714			

The above schedule has been presented in accordance with original terms of the revenue bonds and do not reflect the effects, if any, that may result from the PROMESA Title III proceedings or any other debt restructuring proceeding. Accordingly, the effects of the PROMESA Title III or any other debt restructuring proceeding may affect the carrying amounts, interest rates and the repayment terms. See Note 3 and Note 22 for additional information.

Changes in deferred outflows of resources related to losses on the refunding of some of the bonds referred to in the table above follow (in thousands):

Component unit		Balance at June 30, 2018	Reductions	Balance at June 30, 2019
Major component units:				
PRHTA	$	83,310	8,023	75,287
PREPA		34,526	5,845	28,681
PRASA		18,349	4,946	13,403
UPR		1,672	256	1,416
GDB		1,911	193	1,718
Nonmajor component units		12,844	1,844	11,000
Total	$	152,612	21,107	131,505

The table that follows presents debt service payments on PREPA's variable rate bonds and the net payments on associated hedging derivative instruments as of June 30, 2019. Such variable rate bonds are included within bonds payable in the discretely presented component units column. Although interest rates on variable rate debt and the current reference rate of hedging derivative instruments change over time, the calculations included in the table below are based on the assumption that the variable rate and the current reference rate of the hedging derivative instrument at June 30, 2019, will remain the same for their term (in thousands).

		Variable-Rate Bonds		Hedging derivative instruments,	
		Principal	Interest	net	Total
Year(s) ending June 30:					
2020	$	—	5,245	5,072	10,317
2021		—	5,245	5,072	10,317
2022		—	5,245	5,072	10,317
2023		—	5,245	5,072	10,317
2024		—	5,245	5,072	10,317
2025-2029		252,875	26,227	25,360	304,462
Total	$	252,875	52,452	50,720	356,047

Several discretely presented component units have defeased certain revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old debts. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the statement of net position. As of June 30, 2019, the following bonds are considered defeased (in thousands):

		Amount outstanding
PRHTA	$	107,140
Nonmajor component units		76,600
Total	$	183,740

(c) *Notes Payable to Financial Institutions*

The outstanding balance of notes payable to financial institutions at June 30, 2019, is as follows (in thousands):

Component unit	Interest rates	Maturity through	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Due within one year
Major component units:							
GDB	3.00%–7.00%	2042	$ 3,837,470	—	3,766,853	70,617	—
PREPA	2.00%–8.25%	2033	717,979	5,451	660	722,770	696,652
UPR	0.00%-5.95%	2022	1,061	—	319	742	318
SIFC	6.31%-6.84%	2019	1,696	—	1,696	—	—
Sub-total			4,558,206	5,451	3,769,528	794,129	696,970
Nonmajor component units	4.12%-7.50%, Variable	2047	390,148	9,947	268,559	131,536	43,694
Total			$ 4,948,354	15,398	4,038,087	925,665	740,664

Debt service requirements on discretely presented component units' notes payable with fixed maturities at June 30, 2019, were as follows (in thousands):

		Principal	Interest	Total
Year(s) ending June 30:				
2020	$	740,664	64,000	804,664
2021		16,671	12,905	29,576
2022		27,849	12,508	40,357
2023		20,876	13,480	34,356
2024		24,155	16,588	40,743
2025-2029		24,128	52,838	76,966
2030-2034		17,830	46,870	64,700
2035-2039		24,937	39,589	64,526
2040-2044		27,272	31,752	59,024
2045-2047		1,283	157	1,440
Total	$	925,665	290,687	1,216,352

The above schedule has been presented in accordance with original terms of the notes payable and do not reflect the effects, if any, that may result from the PROMESA Title III proceedings or any other debt restructuring proceedings; however, the table above includes the GDB Qualifying Modification proceedings. Accordingly, the effects of the PROMESA Title III or any other debt restructuring proceeding may affect the carrying amounts, interest rates and the repayment terms. See Note 3 and Note 22 for additional information.

On November 29, 2018, GDB completed the Qualifying Modification pursuant to Title VI of PROMESA. As a result of this restructuring, the aggregate principal amount outstanding on the notes payable to financial institutions of approximately $3.8 million were exchange for new bonds issued by the DRA. Therefore, the total reduction in the GDB notes presented in the table above represents the extinguishment and the conversion of these notes into the new bonds to the DRA.

(13) Guaranteed and Appropriation Debt

(a) Guaranteed Debt

The Commonwealth may provide guarantees for the repayment of certain borrowings of component units to carry out designated projects. The guarantees are backed by the full faith and credit of the Commonwealth. The guarantees are accounted for following the guidance provided by GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 70 requires that nonexchange financial guarantees be recorded when qualitative factors and historical data, if any, indicate that it is more likely than not that the Commonwealth will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee.

The table below represents amounts guaranteed by the Commonwealth and the related amount that has been recorded in the basic financial statements as of June 30, 2019 (in thousands):

		Outstanding balance	Recorded commonwealth guaranteed obligation
Blended component units:			
PBA	$	3,991,196	N/A
PA		225,534	N/A
PRIFA		78,145	N/A
Discretely presented component units:			
PRASA		1,243,447	304,718
Total	$	5,538,322	304,718

PBA – A blended component unit, uses the payments of rentals of certain government facilities like departments, agencies, instrumentalities, and municipalities of the Commonwealth under various lease agreements executed pursuant to the enabling Act that created it (Act No. 56-1958, as amended) for the payment of principal and interest on its own debt. Act No. 56-1958 also provides that the DOT will make advances to PBA for any unpaid portion of rent payable to PBA by any departments, agencies, instrumentalities, or municipalities of the Commonwealth under a lease agreement with PBA. Such advances are recorded as reductions of rent receivables since the responsibility of reimbursement belongs to the corresponding agency or instrumentality according to the enabling Act.

On December 21, 2018, the Oversight Board and the Creditors' Committee commenced an adversary proceeding styled The Fin. Oversight and Mgmt. Bd. for Puerto Rico v. Puerto Rico Public Building Auth., Case No. 18-00149-LTS (D.P.R. Dec. 21, 2018), seeking declaratory relief and disallowance of administrative rent claims. The adversary proceeding alleges that the PBA leases are not true leases, but rather "disguised financing transactions." Multiple parties have filed motions to intervene. On January 28, 2019, PBA responded to the complaint.

The debt of PBA is supported by a guarantee of the Commonwealth that if revenues or income of PBA are not sufficient for the payment of principal and interest when they come due, the DOT will withdraw from any available funds amounts as may be necessary to cover the deficiency. The debt of PBA is further supported by a Commonwealth guarantee. Act No. 56-1958 is silent as to whether there are arrangements established for recovering payments from PBA if the guarantee is exercised; however, there is no intention from the Commonwealth to request a recovery of any such eventual payments.

Beginning on July 1, 2016, a portion of PBA debt service due on that date and scheduled for service in subsequent periods through the date of these basic financial statements was not paid, including interest payments. Some of the interest that was in fact paid after July 1, 2016, reflected amounts received from applicable subsidy programs.

PA – At various times during fiscal years ending in 2005 and 2006, the PA, a blended component unit of the Commonwealth, entered into bond purchase agreements with the GDB, whereby the GDB agreed to disburse to the PA from time to time certain bond principal advances up to a maximum aggregate principal amount of $70 million (Port of the Americas Authority 2005 Series A Bond), $40 million (Port of the Americas Authority 2005 Series B Bond), and $140 million (Port of the Americas Authority 2005 Series C Bond). These bonds are guaranteed by the Commonwealth by Act No. 409-2004, which authorized the issuance of these financing arrangements and are accounted for by the Commonwealth as a liability under bond purchase agreement with GDB. The proceeds of the bonds were used to finance the cost of development and construction of the PA facilities. The Commonwealth had been paying for debt service on these bonds under its guarantee pursuant to Act No 409-2004.

PRIFA – On March 17, 2015, PRIFA, a blended component unit of the Commonwealth, issued $245.9 million of Dedicated Tax Fund Revenue Bond Anticipation Notes (the PRIFA BANs or Series 2015A BANs), the proceeds of which were used to refinance certain outstanding PRHTA bond anticipation notes and pay related expenses. The PRIFA BANs are payable from, and are supported by, a Trust Estate comprising certain assets and revenues of PRIFA, which include: (i) a $6.25/barrel Petroleum Products Tax on non-diesel products; (ii) any funds received by PRIFA pursuant to the terms of a financial assistance agreement between PRIFA and PRHTA; and (iii) any additional revenues pledged to PRIFA in accordance with the Trust Agreement. The PRIFA BANs are guaranteed by the Commonwealth. The PRIFA BANs agreement, and the underlying Trust Agreement are silent as to whether there are arrangements established for recovering payments from PRIFA if the guarantee were to be claimed; however, there is no intention from the Commonwealth to request a recovery of any such eventual payments. As of the date of these basic financial statements, no payments have been made honoring the aforementioned guarantee.

All of the monthly debt service due on the PRIFA BANs since August 1, 2016, remain unpaid.

GDB – On February 13, 2014, the Commonwealth enacted Act No. 24 that, among other provisions, increased from $500 million to $2 billion the amount of GDB obligations that can be guaranteed by the full faith and credit of the Commonwealth.

On December 13, 2013, GDB issued Senior Guaranteed Notes 2013 Series B (guaranteed by the Commonwealth). The 2013 Series B Notes consist of term notes maturing on various dates from

December 1, 2017, to December 1, 2019, and carry an interest rate of 8% payable monthly on the first day of each month. At June 30, 2018, the outstanding balance of these notes amounted to $110 million. SIFC, a major discretely presented component unit of the Commonwealth, is the sole holder of these bonds. Based on the liquidity and uncertainty risks discussed in Note 2, GDB has shown all indicators to conclude that there is substantial doubt as to GDB's ability to continue as a going concern. These risks and events impacting GDB caused the Commonwealth's management to recognize a liability on this guaranteed obligation in the amount of approximately $125.3 million as of June 30, 2018.

On November 29, 2018, GDB completed the Qualifying Modification pursuant to Title VI of PROMESA and, in accordance with such Qualifying Modification the GDB Senior Guaranteed Notes 2013 Serie B were exchanged for new bonds issued by the DRA and are no longer outstanding and no longer constitute an obligation of GDB. After the exchange the Commonwealth's guarantee of the Guaranteed Bonds was extinguished.

As of June 30, 2019, the previous guaranteed debt recorded in the Commonwealth's financial statements following the provisions of GASB Statement No. 70 of approximately $125.3 million was eliminated.

PRASA – Act No. 45-1994, as amended, states that the Commonwealth guarantees the payment of principal and interest of all outstanding bonds at the date the law was enacted and of all future bond issues to refinance those outstanding bonds of PRASA, a discretely presented component unit. Act No. 140-2000 amended Act No. 45-1994 to extend the Commonwealth guarantee to include the principal and interest payments of the Rural Development Serial Bonds and the loans under the SRFP outstanding at the effective date of Act No. 140-2000, and of all future bonds and SRFP loans that may be issued through June 30, 2005. Act No. 386-2004 extended the Commonwealth guarantee to June 30, 2010. Act. No. 75-2010 amended Section 1 of Act No. 45-1994 to extend the Commonwealth guarantee over the bonds issued under the United States Department of Agriculture (USDA) Rural Development Program and SRFP's borrowings to June 30, 2015. Pursuant to Act No. 96-2015, the Commonwealth guarantee on the payment of principal and interest on most of the outstanding Clean Water State Revolving Funds loans granted to PRASA was extended to cover such loans issued through June 30, 2020. Each of these Acts, as amended, is silent as to whether there are arrangements established for recovering potential payments from PRASA if the guarantee is executed; however, there is no intention from the Commonwealth to request a recovery of any such eventual payments.

The USDA Rural Development Program assists PRASA in the financing and construction of aqueduct and sewer facilities in rural areas by purchasing revenue bonds from PRASA, the proceeds of which are used by PRASA to finance such projects. As of June 30, 2019, the USDA Rural Development Program Bonds consisted of twenty-seven (27) separate series, issued from 1983 through 2016 and bearing interest from 2% to 5% due in semiannual installments through 2055. The outstanding balance of the USDA Rural Development Program Serial Bonds as of June 30, 2019, was approximately $388.4 million. The USDA Rural Development Program Serial Bonds are guaranteed by the Commonwealth pursuant to Act No. 140-2000 as amended, and PRASA's net revenue is pledged toward the payment of debt service on the USDA Rural Development Program Bonds. The USDA Rural Development Program Bonds are subordinate to all senior and senior subordinated debt.

The PRWPCRF and the PRSDWTRLF (collectively, the Clean Water State Revolving Funds) were created by Act No. 44-1988 and Act No. 32-1997, respectively, of the Commonwealth. The PRWPCRF is administered, pursuant to Act No. 44-1988 and Act No. 9-1970, as amended, by EQB. The PRSDWTRLF is administered, pursuant to Act No. 5-1977, as amended, by the PRDOH. Pursuant to these laws, the EQB and the PRDOH, on behalf of the Commonwealth, are authorized to enter into operating agreements and capitalization grant agreements with the EPA. PRIFA, PRASA, and GDB entered into a memorandum of understanding under which each party has agreed to assume specific responsibilities in connection with the operations of the Clean Water State Revolving Funds. PRASA has entered into revolving loan agreements to finance certain capital improvements. As of June 30, 2019, PRASA had outstanding approximately $570.3 million under these loan agreements, which bear interest at a 2% annual rate payable semiannually and are required to be paid in full within 20 years of the project completion date. PRASA has pledged its net revenue on a basis subordinate in all respects to PRASA's bonds outstanding. If PRASA's pledged revenue is not sufficient for the payment of principal and interest, the payments are guaranteed by the Commonwealth under Act No. 45-1994, as amended, which obligates the Commonwealth to pay principal and interest on the notes.

On March 18, 2008, PRASA issued approximately $284.8 million of Revenue Refunding Bonds, Series A and B (the 2008 Revenue Refunding Bonds) that were guaranteed by the Commonwealth and primarily used to refund PRASA's outstanding Revenue Refunding Bonds, Series 1995 (which were also guaranteed by the Commonwealth) in the amount of approximately $262.8 million. The 2008 Revenue Refunding Bonds bear interest at rates from 5.80% to 6.10% per annum with maturity dates ranging from July 1, 2021, to July 1, 2034. The outstanding balance of the 2008 Revenue Refunding Bonds at June 30, 2019 amounted to approximately $284.8 million.

As a result of the voluntary disclosure statement issued by PRASA on March 4, 2016, regarding the expectation that it might not have sufficient funds to fully fund the debt service on certain of its Commonwealth guaranteed debt, management concluded that it would be more likely than not that the Commonwealth will be required to make a payment only on the USDA Rural Development Program Serial Bonds guarantee. As a result, a liability on the Rural Development Bonds guaranteed obligation in the amount of approximately $304.7 million was recognized at June 30, 2019. This measurement was based on the discounted present value of the best estimate of the future outflows expected to be incurred, at that moment, as a result of the guarantee. As of the date of these basic financial statements, no payments have been made honoring the aforementioned guarantee. The 2008 Revenue Refunding Bonds and the SRFP loans were excluded from this conclusion because: (a) the 2008 Revenue Refunding Bonds are considered senior subordinated debt and will not be affected by the aforementioned set asides; and (b) the Clean Water State Revolving Funds are proprietary funds within the Commonwealth and not a separate legal entity, and therefore there is no separate guaranteed liability.

Forbearance Agreements

On June 30, 2016, PRASA executed a Forbearance Agreement (the "SRFP Forbearance Agreement") with the PRDOH and EQB, administrators of the Clean Water State Revolving Funds Program, and PRIFA, a blended component unit of the Commonwealth, as operating agent for the SRFPs, authorized to assist the PRDOH and the EQB in the administration, financial and accounting activities of the SRFPs. Under the SRFP Forbearance Agreement, as further amended on several occasions, the payments due until July 1, 2019, inclusive, under the SRFP Loans were deferred and the parties thereto agreed to forbear from exercising, or consenting to the exercise of, any enforcement of rights or remedies available to each under the SRFP Loans subject to certain conditions and partial payments.

PRASA also requested that the USDA Rural Development Program provide a short-term forbearance period, which included deferral of the payments due on July 1, 2016; January 1, 2017; July 1, 2017; January 1, 2018; July 1, 2018; January 1, 2019 and July 1, 2019 during which they would refrain from exercising its rights and remedies under the Rural Development ("RD Bond") documents or grants or loan agreements related to the PRASA's USDA Rural Development, Rural Utilities Service program bonds (the "RD Bonds"), subject to certain conditions and partial payments. To this effect, the PRASA and USDA Rural Development Program executed a forbearance document as of June 30, 2016. Subsequently, the forbearance period was further extended on several occasions until July 31, 2019.

On July 26, 2019, PRASA and FAFAA consummated definitive agreements (the "Agreements") restructuring the PRASA's debt obligations under SRFP loans and RD Bonds totaling almost $1 billion (the SRFP loans and RD Bonds are collectively referred to as the "Federal Debt").

The Agreements were approved by the Oversight Board pursuant to Section 207 of PROMESA. The Agreements include the termination of existing Commonwealth guarantees of the Federal Debt, thus reducing overall Government contingent liabilities by approximately $1 billion and the consolidation of all the restructured debt into two SRFP loans and one RD loan to replace the existing SRFP loans and RD Bonds with extended maturities and lower interest rates as follows:

- RD loans: 40-year term at 2% interest rate, with $10 million annual debt service from years 1 to 10 and $17 million annual debt service thereafter
- SRFP loans: 30-year term at 0% interest rate and $10 million annual principal-only payment from years 1 to 10 and 1% interest rate and $27 million annual debt service thereafter.

The restructured Federal Debt was designated as Other System Indebtedness in parity with other senior debt under PRASA's Master Agreement of Trust.

(b) Debt Supported by Commonwealth Appropriations

At June 30, 2019, the outstanding principal balances of debt payable by Commonwealth appropriations and sales and use taxes (PFC bonds and notes payable, as described in Note 12(c), and notes payable to GDB and others, as described in Note 12(d)), which are included in the stand-alone basic financial statements of the following discretely presented component units, were as follows (in thousands):

		PFC bonds and notes	Notes payable to GDB and others	Total
Major Component Units:				
PRASA	$	411,229	—	411,229
GDB		3,398	—	3,398
UPR		—	48,286	48,286
Sub-total		414,627	48,286	462,913
Nonmajor Component Units		101,058	180,621	281,679
Total	$	515,685	228,907	744,592

(c) Other Guarantees

Mortgage Loan Insurance – The PRHFA, a blended component unit of GDB, provides mortgage credit insurance to low and moderate-income families through its mortgage loan insurance program. The Commonwealth guarantees up to $75 million of the principal insured by the mortgage loan insurance program. As of June 30, 2019, the mortgage loan insurance program covered loans aggregating to approximately $557 million. Currently, the Commonwealth has not been called to make any direct payments pursuant to these guarantees and there are no triggering events indicating that it is more likely than not that it will be required to make payments on these guarantees.

(14) Conduit Debt Obligations and No Commitment Debt

From time to time, certain of the Commonwealth's component units issue revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of transportation, environmental, industrial, tourism, educational, and commercial facilities, deemed to be in the public interest and that are expected to provide benefits to the citizens of Puerto Rico. These bonds are supported by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private sector entity served by the bond issuance. Neither the Commonwealth nor any of its political subdivisions or its component unit thereof is obligated in any manner for the repayment of these bonds. Accordingly, the bonds are not reported as long-term liabilities in the stand-alone audited basic financial statements of the issuing entities. As of June 30, 2019, conduit debt obligations consisted of the following bonds issued by several Commonwealth's discretely presented component units (in thousands):

Issuing entity		Issued since inception to date	Amount outstanding
Major component units:			
GDB	$	1,047,500	322,100
PRHTA		270,000	108,138
Sub-total		1,317,500	430,238
Nonmajor component units		1,176,858	659,881
Total	$	2,494,358	1,090,119

(a) GDB

In December 2003, GDB, through PRHFA, a blended component unit of GDB, issued approximately $663 million in Capital Fund Program Bonds Series 2003 to lend the proceeds thereof to the PHA, a fund of the Commonwealth, in its financing of improvements to various public low and moderate-income housing projects. The Capital Fund Program Bonds Series 2003 are limited obligations of the PRHFA, which will be paid solely from an annual allocation of public housing capital funds when received from the U.S. Department of Housing and Urban Development (U.S. HUD) and other funds available under the bond indenture. Accordingly, these bonds are considered conduit debt and are excluded, along with the related assets held in trust, from the accompanying audited basic financial statements. The outstanding balance of these bonds amounted to approximately $84.2 million at June 30, 2019.

On August 1, 2008, the PRHFA issued the Capital Fund Modernization Program Subordinate Bonds amounting to approximately $384.5 million. The proceeds from the issuance were mainly used to finance a loan to a limited liability company and pay the costs of issuance. The $384.5 million bonds are limited obligations of the PRHFA, payable primarily by a pledge and assignment of federal housing assistance payments made available by the U.S. HUD, with an outstanding balance of approximately $237.9 million at June 30, 2019. Payment of principal of the Housing Revenue Bonds was also secured by an irrevocable standby letter of credit issued by GDB.

(b) PRHTA

In March 1992, the PRHTA issued Special Facility Revenue Bonds, 1992 Series A, B, and C for approximately $117 million for the construction of a toll bridge. The proceeds from the sale of these bonds were transferred by the PRHTA to a private entity, Autopistas de Puerto Rico & Compañía, S.E. (Autopistas), pursuant to a signed concession agreement for the design, construction, operation, and maintenance of the bridge. On October 30, 2003, the PRHTA issued Special Facility Revenue Refunding Bonds, 2004 Series A, amounting to approximately $153 million for the purpose of refunding PRHTA's

Special Facility Revenue Bonds, 1992 Series A, B, and C, which were issued to fund the construction of the bridge, and to pay the cost of issuance of the bonds. The proceeds from the sale of the bonds were transferred by the PRHTA to Autopistas pursuant to a new loan agreement by and between Autopistas and the PRHTA. The bonds should be paid from the proceeds received by Autopistas from the operation of the bridge.

Under certain circumstances, the concession agreement may be terminated and the PRHTA is then obligated to assume Autopista's entire obligation to pay principal of, and interest on, the bonds outstanding, which pursuant to the signed agreement, will be paid from the net revenue of the use and operation of the bridge. The PRHTA does not currently expect the concession agreement to terminate. The outstanding bonds (including accrued interest) at June 30, 2019, amounted to approximately $108.1 million.

(15) Risk Management

Primary Government

The risk management policies of the Primary Government are addressed on Note 1(y).

Discretely Presented Component Units

The following describes the risk management programs separately administered by certain discretely presented component units, including all the major discretely presented component units and certain nonmajor discretely presented component units carrying self-funded risk reserves:

(a) GDB

As previously noted, GDB ceased operations as of March 23, 2018, and completed a debt restructuring pursuant to a Qualifying Modification under Title VI of PROMESA, which became effective on November 29, 2018. For additional information regarding GDB's Qualifying Modification under Title VI of PROMESA, refer to Note 3(c)(viii).

To minimize the risk of loss, GDB purchases insurance coverage for public liability, hazard, automobile, crime, and bonding as well as workmen's compensation insurance for employees. The selection of the insurer has to be approved by the Public Insurance Office of the Department of the Treasury of the Commonwealth. Insurance coverage was updated annually to account for changes in operating risk. For the last three years, insurance settlements have not exceeded the amount of coverage.

(b) PRHTA

PRHTA carries commercial insurance to cover casualty, theft, claims and other losses. The current insurance policies have not been cancelled or terminated. PRHTA has not settled any claims in excess of its insurance coverage for fiscal year 2019.

(c) PREPA

PREPA purchases commercial insurance covering all risk property (including catastrophic risks), business interruption and extra expense (excluding transmission and distribution lines), boiler and machinery, general liability, aviation, and financial lines programs. In addition, PREPA is self-insured in regard to damages related to its transmission and distribution lines.

PREPA has a cost-plus health insurance program covering substantially all employees. PREPA contracted an administrator for the processing, approval, and payment of claims plus an administrative fee. The accrual for employees' health plan includes the liability for claims processed and an estimate for claims incurred but not reported.

Changes in the balances of the health insurance program (self-insurance risks) during fiscal year 2019 were as follows (in thousands):

Claims payable – July 1, as restated	$	3,652
Incurred claims		36,290
Claim payments		(36,984)
Claims payable – June 30	$	2,958

These claims payable is presented as a component of accounts payable and accrued liabilities in the accompanying combining statement of net position – discretely presented component units.

(d) PRASA

PRASA has acquired commercial insurance to mitigate its exposure to certain losses involving real and personal property (including windstorm, flood, and earthquake damages) and comprehensive general and automobile claims. PRASA also has an Owner Controlled Insurance Program under which commercial general liability, excess general liability, builder's risk, and contractors' pollution liability coverage are procured or provided on a project "wrap up" basis for contractors and subcontractors of any tier, who have been properly enrolled, while performing operations at the applicable project site. Each commercial insurance policy maintained by PRASA contains specific policy limits and deductibles. Settled claims resulting from these risks have not exceeded commercial insurance coverage for fiscal year 2019.

(e) UPR

UPR is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

UPR was insured through January 1993 under claims-made insurance policies with respect to medical malpractice risks for $250,000 per occurrence up to an annual aggregate of $500,000. UPR has been a self-insured for such risks since that date. Under Law Number 98 of August 24, 1994, the responsibility of UPR is limited to a maximum amount of $75,000 per person, or $150,000 if it involves actions for damages to more than one person or where a single injured party is entitled to several causes of action. Self-insured risk liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The process used in computing claims liabilities does not necessarily result in an exact amount, because actual claims liabilities depend upon such complex factors as inflation, changes in legal doctrines, and damage awards. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the claims liability amount for medical malpractice in fiscal year 2019 were as follows (in thousands):

Claims payable – July 1	$	8,225
Incurred claims and changes in estimates		(504)
Payments for claims and adjustments expenses		(957)
Claims payable – June 30	$	6,764

In addition, UPR is a defendant in several lawsuits other than medical malpractice arising out of the normal course of business. Management has recorded an accrual of approximately $2 million at June 30, 2019, to cover claims and lawsuits that may be assessed against UPR. UPR continues to carry commercial insurance for these risks of loss.

These claims payable are presented as a component of accounts payable and accrued liabilities in the accompanying combining statement of net position – discretely presented component units.

(f) SIFC

SIFC provides workers' compensation insurance to public and private employees. This insurance covers workers against injuries, disability, or death caused by work or employment related accidents, or by illness suffered as a consequence of their employment. SIFC establishes liabilities for incurred but unpaid benefits and benefit adjustment expenses based on the ultimate cost of settling the benefits. The liability includes estimates for cases reported that have not been adjudged and cases incurred but not reported. The following table provides a reconciliation of the beginning and ending liability for incurred but unpaid benefits and benefit adjustment expenses for the fiscal year 2019 (in thousands):

Liability for incurred but unpaid benefits and benefit adjustment expenses at July 1	$	680,734
Total incurred benefits		304,564
Total benefit payments		(304,994)
Liability for incurred but unpaid benefits and benefit adjustment expenses at June 30	$	680,304

The liability for incurred but unpaid benefits and benefit adjustment expenses is based on historical claims experience data, assumptions, and projections as to future events, including claims frequency, severity, persistency, and inflationary trends determined by an independent actuarial study. This liability has been discounted at 3.69% in 2019. SIFC's management believes that discounting such liability results in a better matching of costs and revenue since compensation benefits have a long payment cycle. The assumptions used in estimating and establishing the liability are reviewed annually based on current circumstances and trends.

SIFC's management believes that the liability for incurred but unpaid benefits and benefit adjustment expenses, actuarially determined at June 30, 2019, is a reasonable estimate of the ultimate net cost of settling benefits and benefit expenses incurred. Because actual benefit costs depend upon such factors as duration of worker disability, medical cost trends, occupational disease, inflation, and other social and economic factors, the process used in computing the ultimate cost of settling benefits and expenses for administering benefits is necessarily based on estimates. The amount ultimately paid may be above or below such estimates. Adjustments resulting from changes in estimates of these liabilities are charged or credited to operations in the period in which they occur.

The liability for incurred but unpaid benefits and benefit adjustment expenses is reported as liability for insurance benefits in the accompanying combining statement of net position – discretely presented component units.

(16) Commitments and Contingencies

Primary Government

Legal Contingencies

(a) Litigation Prior to Commencement of Title III Cases Related to Governmental Operations

The Commonwealth is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Under Act No. 104-1955, as amended, persons are authorized to sue the Commonwealth only for causes of actions set forth in said Act to a maximum amount of $75,000 or $150,000 if it involves actions for damages to more than one person or where a single injured party is entitled to several causes of action. Under certain circumstances, as provided in Act No. 9-1975, as amended, the Commonwealth may provide its officers and employees with legal representation, as well as assume the payment of any judgment that may be entered against them. There is no limitation on the payment of such judgments. To the extent claims arose prior to the commencement of the Commonwealth's Title III case, their status and priority may be affected by the Title III case.

With respect to pending and threatened litigation involving the Commonwealth's Governmental Activities, the Commonwealth reported approximately $1.08 billion as an amount to cover for awarded and anticipated unfavorable judgments at June 30, 2019. This amount was included as other long-term liabilities in the accompanying statement of net position, and represents the amount estimated as a probable liability or a liability with a fixed or expected due date that will require future available financial resources for this payment. Management believes that the ultimate liability in excess of amounts provided, if any, would not be significant.

The amounts recorded as legal contingencies by the Commonwealth do not reflect the dollar value the Commonwealth may have to pay on account of any claim. Any payments made on account of such claims will reflect the impact of the Commonwealth's case under Title III of PROMESA, and the effect such filing has on the priority and allowability of such claim, and the recoveries to be provided to holders of such claims. For further information regarding Title III of PROMESA refer to Note 3.

Of the total liability for legal claims and judgments recognized in the Governmental Activities, approximately $150 million is considered payable within one year, based on the payments made subsequent to June 30, 2019.

On December 21, 2012, the federal government, through the U.S. Department of Justice (USDOJ), filed a lawsuit in order to demand from the Commonwealth and its PRPOB, compliance with the action and remediation plan submitted on September 8, 2011, by the Civil Rights Division of the USDOJ pursuant to an investigation which revealed a pattern of civil rights violations by the PRPOB. According to this investigation and resulting report, the pattern or practice of illegal activity is the product of an ongoing failure by the Commonwealth and its PRPOB to provide officers with the necessary guidance, training, and tools to engage in constitutional and effective law enforcement. The federal government was seeking declaratory and equitable relief to eliminate this unlawful pattern by asking the Commonwealth and its PRPOB to adopt and implement policies and procedures in the areas of recruitment, hiring, promotions, policies, training, supervision, investigation, discipline, and to prevent the police officers from depriving persons of rights, privileges, or immunities secured and protected by the Constitution or laws of the United States. Although the claim does not include damages, the action and remediation plan proposed would require an investment of approximately $600 million, which is expected to be incurred over a period of 10 years, starting with fiscal year 2015. The Secretary of Justice of the Commonwealth is still negotiating the final determinations of the measures to be implemented by the PRPOB in terms of final costs and timeframe. On July 17, 2013, a final definitive agreement was reached between the USDOJ and the Commonwealth. Under the settlement agreement, the court dismissed the claim, but retained jurisdiction to ensure compliance with the agreement, through the appointment of a Technical Compliance Advisor. No provision for any liability is required at this time under this remediation plan. Expenditures and related liabilities will be recognized as costs are incurred during the execution of the remediation plan, which began in fiscal year 2015.

The Commonwealth receives financial assistance from the federal government in the form of grants and entitlements. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal laws and regulations, including the expenditure of resources for eligible purposes. Substantially, all grants are subject to audit under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Final Rule (Uniform Guidance), usually referred to as OMB "Super Circular" all of which are performed at the individual department or agency level. Disallowance as a result of these audits may become liabilities of the Commonwealth. As of June 30, 2019, based on an evaluation of pending federal disallowances, the Commonwealth has recorded approximately $59.9 million as other long-term liabilities in the accompanying statement of net position. Expenditures that are still subject to audit could be disallowed, but management believes any such future disallowances would not be material to the basic financial statements.

(b) Civil Actions Filed by Several Bondholder Groups and Other Creditors Against the Commonwealth Prior to the Commencement of the Title III Cases.

Several groups of bondholders, monoline insurers, and indenture trustees filed claims contesting the constitutionality of the Moratorium Act, among other things. These lawsuits were stayed from June 30, 2016, through May 1, 2017, under the Title IV stay and re-stayed upon commencement of the Title III cases. For additional information regarding the Moratorium Act, refer to Note 3.

(c) Key Civil Actions Filed Against the Commonwealth After the Commencement of the Title III Cases

A significant number of adversary proceedings have been initiated against the Commonwealth, COFINA, PRHTA, ERS, PREPA, and PBA after the commencement of their Title III Cases seeking judicial determinations regarding the scope of various creditor security interests in the Title III debtors' assets, among other relief that could impact creditor priorities in a Title III plan of adjustment.

Pension Plans

On September 29, 2011, two ERS beneficiaries commenced a derivative suit in the Commonwealth of Puerto Rico Court of First Instance, San Juan Part (the Commonwealth Court) in the case styled *Administración de los Sistemas de Retiro de los Empleados del Gobierno y la Judicatura de Puerto Rico, et. al v. UBS Fin. Servs. Inc. of Puerto Rico, et al.*, Civ. No. KAC-2011-1067 (803) (P.R. Ct. of First Instance Sept. 29, 2011) (the UBS Action), alleging breach of fiduciary duties and breach of contract against the underwriters in the issuance and underwriting of $3 billion of ERS Bonds in 2008. On December 7, 2016, the Commonwealth Court allowed ERS to intervene and ordered the plaintiffs, which now include ERS and seven individual plaintiffs (collectively, the Plaintiffs), to file a third amended complaint against the underwriters, including UBS Financial Services Inc. of Puerto Rico (UBS), and related entities (collectively, the UBS Defendants). UBS had served as the lead underwriter of the 2008 ERS Bonds.

Among other things, Plaintiffs allege that by participating as the lead underwriter of the 2008 ERS Bonds, UBS violated its contractual, non-contractual and fiduciary obligations to ERS. The Plaintiffs seek a ruling that UBS is liable to ERS for over $800 million for underwriting the 2008 ERS Bonds.

On March 6, 2019, Plaintiffs filed the Fourth Amended Complaint against the UBS Defendants, which was accepted by the Commonwealth Court on April 15, 2019. On April 29, 2019, UBS filed its answer and an informative motion regarding its intent to file a counterclaim if ERS's Title III automatic stay were to be lifted. The proposed counterclaim attached to the informative motion alleges breach of contract and indemnification arising out of ERS's issuance of the 2008 ERS Bonds.

On June 25, 2019, the Oversight Board filed a motion to stay certain contested matters pending confirmation of a proposed plan of adjustment for the Commonwealth. On July 24, 2019, the Title III Court entered an order staying until November 30, 2019, various adversary proceedings and claims objections before it with overlapping issues, including those involving the validity of the ERS Bond issuances. Because these overlapping issues are also at stake in the UBS Action, UBS contends that the UBS Action in the Commonwealth Court should be stayed pending the Title III Court's resolution of these common legal issues.

On October 8, 2019, UBS filed a motion for relief from the automatic stay in order to assert counterclaims in the Commonwealth Court for breach of contract and indemnification against the ERS in the UBS Action. UBS asserts that the System represented in the 2008 System Bond Offering Statements that it was issuing the 2008 System Bonds in accordance with the authority provided under the Retirement Act, and that the 2008 System Bonds would be legally binding special obligations of the System. UBS also argues that the System represented in the purchase contracts entered into with UBS that the System had full right, power, and legal authority to issue the bonds, and it was not in violation of any law. On December 11, 2019, the Title III Court held a hearing on UBS's stay relief motion. On December 16, 2019, the Title III Court granted UBS limited relief from the stay solely to allow UBS to present its proposed counterclaims in the Commonwealth Court. On February 4, 2020, UBS submitted its counterclaims in the Commonwealth Court. On March 9, 2020, the Oversight Board filed its objections to the counterclaims. On March 30, 2020, UBS renewed its stay relief motion, arguing that the Oversight Board's objection to the counterclaims violated the December limited lift-stay order and the Commonwealth Court should now be free to hear the Oversight Board's objections. On April 22, 2020, the Title III Court denied the motion.

UBS has also filed two proofs of claim against ERS related to the UBS Action, as well as two proofs of claim related to *Casasnovas Balado v. UBS Fin. Servs., Inc.*, No. KAC-2014-0072 (905) (P.R. Ct. of First Instance Jan. 29, 2016), an action filed by a group of individual plaintiffs arising from the ERS Bond issuances.

Commitments and Other Contingencies

On November 23, 1998, a global settlement agreement (the Global Agreement) was entered into by and between certain tobacco companies and certain states, territories, and other jurisdictions of the United States of America, including the Commonwealth. The Global Agreement calls for annual payments through the year 2025, which will vary due to inflationary and volume adjustments. Estimated payments to be received under the Global Agreement through the year ending June 30, 2025, amount to approximately $884 million. After 2025, the tobacco companies will continue making contributions in perpetuity. Pursuant to Act No. 173-1999, which created the Children's Trust (a blended component unit), the Commonwealth conditionally allocated and transferred to the Children's Trust the contributions that the Commonwealth is entitled to receive under the Global Agreement. Payments received under the Global Agreement and recognized as revenue during the year ended June 30, 2019, amounted to approximately $75.1 million. All of the revenue to be received under the Global Agreement and investment earnings on certain accounts under bond indentures is pledged as collateral for the Tobacco Settlement Asset Backed Bonds, Series 2002, 2005, and 2008. As of June 30, 2019, the approximate amount of the pledge is $1.4 billion, representing the approximate remaining principal and interest of the aforementioned bond issuances, which are committed through May 15, 2057. Accordingly, until May 15, 2057, such revenue is not available for other purposes.

The healthcare industry, under which PRMeSA operates, is subject to numerous laws and regulations, which include, among other things, matters such as government healthcare participation requirements, various licenses and accreditations, reimbursements for patient services, and Medicare and Medicaid fraud and abuse. Government action has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse and false claims statutes and/or regulations by healthcare providers. Providers that are found to have violated these laws and regulations may be subjected to fines or penalties. While management of PRMeSA believes its policies, procedures, and practices comply with governmental regulations, no assurance can be given that the Administration will not be subject to governmental inquires or actions.

As of June 30, 2019, the following blended component units maintained various unspent construction and assistance commitments as follows (in thousands):

Entity		Amount
PRIFA	$	15,613

The Commonwealth is also committed under numerous noncancelable long-term operating lease agreements, which expire through 2030, covering land, office facilities, and equipment. Rental expenditure within the governmental funds for the year ended June 30, 2019, under such operating leases was approximately $52.9 million.

The future minimum lease payments for these leases were as follows (in thousands):

Year(s) ending June 30:		
2020	$	56,174
2021		47,521
2022		30,564
2023		26,700
2024		15,279
2025–2029		24,313
2030		192
Total future minimum lease payments	$	200,743

Environmental Commitments and Contingencies

The Commonwealth accounts for pollution remediation obligations in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post closure care.

Once any of five specified obligating events occurs, a government is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. Obligating events include the following:

- The government is compelled to take pollution remediation action because of an imminent endangerment.

- The government violates a pollution prevention related permit or license.
- The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party (PRP) for remediation, or as a government responsible for sharing costs.
- The government is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation.
- The government commences or legally obligates itself to commence pollution remediation.

Discretely Presented Component Units

In the normal course of their operations, various discretely presented component units are also subject to guarantees and other actions brought by third parties seeking damages or entering into commitments. Such actions are disclosed in the separately issued reports of the major discretely presented component units. With respect to commitments related to guarantees, these commitments and guarantees are summarized below:

(a) GDB

Cooperative Development Investment Fund

On August 18, 2002, the Legislature approved Act No. 198, which creates the Cooperative Development Investment Fund (the Cooperative Fund). The purpose of the Cooperative Fund is to promote the development of cooperative entities. The Cooperative Fund will be capitalized through contributions to be provided by GDB up to $25 million to be matched by cooperative entities. As of June 30, 2019, GDB has contributed $24.8 million, including interest to the Cooperative Fund (none during the year ended June 30, 2019).

Other Risks Related to Mortgage Loans Servicing and Insurance Activities:

The PRHFA acts as servicer for a number of mortgage loans owned by other investors. The servicing is generally subcontracted to a third party. As of June 30, 2019, the principal balance of the mortgage loans serviced for others is approximately as follows (in thousands):

Entiy		Amount
Puerto Rico Community Development Fund I	$	37,577
Office for the Administration of the Assets of the Urban Renovation and Housing Corporation or its successor without guaranteed mortgage loan payments		7
Total	$	37,584

GDB and certain of its component units are defendants in several lawsuits arising out of the normal course of business. Management, based on advice of legal counsel, is of the opinion that the ultimate liability, if any, resulting from these pending proceedings will not have a material adverse effect on the financial position and results of operations of GDB or its component units.

Litigation Related to the Qualifying Modification

Cooperativa de Ahorro y Credito Abraham Rosa v. Commonwealth of Puerto Rico, Case No. 18-00028-LTS. This complaint was filed on March 22, 2018, by several state-chartered credit unions against GDB, the Public Corporation for the Supervision and Insurance of Cooperatives (COSSEC), FAFAA, the

Oversight Board, the Commonwealth, the public corporations that are in Title III proceedings, and other defendants. The plaintiffs allege that the defendants maliciously and under false pretenses offered and sold to the plaintiff's unsound bonds issued by the Commonwealth and its instrumentalities, including GDB. They allege that this sale resulted in an undue concentration of bonds in the cooperative's portfolios and created a systemic risk for the plaintiffs. Additionally, they allege that GDB, as fiscal agent to the Commonwealth, exerted significant influence on COSSEC, the public corporation in charge of regulating the Commonwealth's credit unions, which resulted in the bonds being offered and sold to the plaintiffs in violation of statutory, fiduciary, and regulatory duties, causing them material losses. The plaintiffs request a determination that the plaintiffs' claims against all debtors in Title III proceedings are exempted from discharge in such proceedings, and the imposition of monetary damages and compensation for losses suffered for breach of contract, violations to securities laws, negligence, breach of fiduciary duties, fraud, misrepresentations, and unjust enrichment. The Issuer and its Trustees, in their official capacity, waived service of process on July 31, 2018, agreeing to answer the complaint or otherwise plead on or before October 1, 2018. On October 1, 2018, GDB filed a motion to dismiss this complaint. On December 21, 2021, the Title III Court issued a memorandum opinion granting the motion to dismiss. On January 12, 2021, the plaintiffs filed a notice of appeal to the United States Court of Appeals for the First Circuit. That appeal remains pending at this time.

(b) PRHTA

PRHTA is a defendant or codefendant in various lawsuits for alleged damages in cases principally related to construction projects. The contactors are required, under the terms of the construction agreements, to carry adequate public liability insurance and to hold harmless PRHTA from lawsuits brought on account of damages relating to the construction of the projects. As of June 30, 2019, PRHTA, based on legal advice, has recorded a liability of approximately $100.7 million for probable losses on those claims not fully covered by insurance. Outstanding legal liability is composed of $21.2 million of legal cases related to construction projects and $79.5 million related to expropriation and related costs. However, due to the estimation process, the amount accrued may change in the near term. Most of these losses may be treated as unsecured claims in PRHTA Title III case. Other claims against PRHTA are principally related to the non-payment of PRHTA bonds and other long-term obligated that are fully recorded in the financial statements of PRHTA, including accrued interest. These liabilities are expected to be negotiated under PRHTA's reorganization under Title III of PROMESA, accordingly, no further accrual is necessary.

(c) PREPA

PREPA is a defendant in various lawsuits arising in the normal course of its business, including employment, contract, construction, and miscellaneous environmental claims. In the opinion of PREPA and its General Counsel, the ultimate disposition of such existing proceedings is either covered by insurance or will not have a material adverse effect on the financial position or operations of PREPA. However, management, based on discussion and opinions from legal counsels, has accrued a liability to cover litigation claims and contingencies that are approximately $252 million as of June 30, 2019.

(d) PRASA

PRASA is a defendant in various lawsuits arising in the normal course of its business, including employment, contract, construction, and miscellaneous environmental claims. In the opinion of PRASA and its General Counsel, the ultimate disposition of such existing proceedings is either covered by insurance or will not have a material adverse effect on the financial position or operations of PRASA. However, management, based on discussion and opinions from legal counsels, has accrued a liability to cover litigation claims and contingencies that are approximately $89.9 million as of June 30, 2019.

(e) UPR

UPR participates in a number of federal financial assistance programs. These programs are subject to audits in accordance with the provisions of the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) or to compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Management believes the impact, beyond any amount accrued at June 30, 2019, will not be material to UPR's basic financial statements.

Since inception, the Hospital, based on the opinion of its legal counsel, is considered an instrumentality of the Commonwealth. Under Law Number 98 of August 24, 1994, the responsibility of the Hospital for claim losses is limited to a maximum amount of $75,000 per person, or $150,000 if it involves actions for damages to more than one person or where a single injured party is entitled to several causes of action. Based on the review of these facts and circumstances, the Hospital's management has recorded a provision for claims losses of $150,000 for the fiscal years ended June 30, 2019, respectively, and has recorded an accrual of approximately $1,746,000 as of June 30, 2019, respectively, to cover claims and lawsuits that may be assessed against the Hospital.

Medical malpractice claims have been asserted against the Hospital and are currently at various stages of litigation. It is the opinion of the Hospital's legal counsel and the Hospital's management that recorded accruals are adequate to provide for potential losses resulting from pending or threatened litigation, as well as claims from unknown incidents that may be asserted arising from services provided to patients.

Environmental Commitments and Contingencies

The following discretely presented component units' operations are the ones carrying and involved in specific activities that are subject to state and federal environmental regulations:

(a) PREPA

The facilities and operations of PREPA are subject to regulation under numerous Federal and Commonwealth environmental laws, including the Clean Air Act, Clean Water Act, Oil Pollution Act (OPAV), Resource Conservation Recovery Act (RCRA), Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and Underground Storage Tanks, among others. PREPA monitors its compliance with laws and regulations and reviews its remediation obligations on an ongoing basis. In February 1992, the Environmental Protection Agency (EPA) conducted a multimedia inspection of PREPA's facilities and identified several alleged instances of noncompliance. PREPA and the EPA negotiated and signed a consent decree (the Consent Decree), to resolve the issues regarding the deficiencies observed during the inspection and to ensure future compliance with all applicable laws and regulations. The Consent Decree requires that PREPA improve and implement compliance programs and operations to ensure compliance with environmental laws and regulations.

In 2004, the United States federal court approved a modification to the Consent Decree in which PREPA reduced the sulfur content in the No. 6 fuel oil used in certain generating units of its Costa Sur, Aguirre, Palo Seco and San Juan Power Plants. Additionally, PREPA has completed a nitrogen oxide emissions reduction program and modified the optimal operating ranges for all its units under the Consent Decree.

PREPA believes it is in substantial compliance with the Consent Decree programs. On July 22, 2014, representatives from PREPA, EPA and United States Department of Justice (DOJ) met to discuss the termination of some of the Programs. As a result, the EPA and the DOJ requested PREPA to submit information regarding PREPA's compliance with the Programs for their review and evaluation. On September 25, 2014, PREPA's representatives met again with EPA and DOJ representatives and submitted the information requested, along with a letter where PREPA formally requested the EPA to review and approve the termination of those programs/provisions of the Consent Decree and its Modification of 2004 presented, as well as begin the process toward jointly filing in the Court a stipulation for Partial Termination of such programs. As of the date hereof, a draft of the partial termination agreement is being reviewed by EPA and DOJ. Once the document is final it must go through a public process for its final approval.

In 2002, PREPA received a Special Notice Concerning Remedial Investigation/Feasibility Study for Soil at the Vega Baja Solid Waste Disposal Superfund Site. The EPA has identified PREPA and six other entities as “potentially responsible parties,” as defined in the CERCLA.

On April 25, 2013, the Consent Decree civil action (No. 12-1988 (ADC)) was filed in the U.S. Court for the District of Puerto Rico. An Environmental Escrow Agreement (EEA) was entered into by and among the GDB, as the escrow agent, the Puerto Rico Land Authority (“PRLA”), the Puerto Rico Housing Department (PRHD), and PREPA and the EPA. The EEA was created to serve as financial assurance for the performance of the obligation under the Consent Decree. On June 24, 2013, PREPA deposited $400 thousand into GDB escrow account as provided in the Consent Decree. Accounts and payments in GDB are retained due to the restructuring process. The escrow account is now deposited in a commercial bank. If the escrow account balance is reduced below $250 thousand, PREPA, PRLA, and PRHD must establish and maintain a performance guarantee for the benefit of EPA equal to the difference of the escrow account balance and $250 thousand. Public agencies may elect to satisfy this performance guarantee requirement either individually, by providing separate performance guarantees which total the amount required to be maintained as set forth above, or collectively.

PREPA, on behalf of PRLA and PRHD, has requested disbursements charged against this account and payments have been processed. All payments required to be charged against this account are to cover projects required by the Consent Decree. If payments are not fulfilled, services can be suspended by the contractors resulting in the application of fines for noncompliance as agreed by the parties.

PREPA shall pay EPA all future response costs not inconsistent with the National Oil and Hazardous Substances Pollution Contingency Plan. PREPA has not been informed about these costs and is unable to determine an estimated amount, therefore there is no amount recorded in the financial statements.

This Consent Decree can be terminated upon motion by any party, provided that all public defendants have satisfied their obligations of payments of certain “Response Cost and Stipulated Penalties.” Termination of the Consent Decree shall not affect certain “Covenants Not to Sue” including all reservations pertaining to those covenants and shall not affect any continuing obligation of PREPA, PRLA and the PRDH (all referred in the Consent Decree as the Settling Defendants).

Currently, the appointment of a Supervisory Contractor is in progress. The inspection and reporting work required in the Agreement is being carried out by a project coordinator appointed by PREPA, in coordination with the representatives appointed by the PRLA and the PRDH. In September 2020, the EPA started a re-evaluation of the Preliminary Operation and Maintenance Plan (the Plan) implemented, as required by the AOC. As part of this review, the EPA contractor, inspected a number of properties that were not remedied because the lead concentration detected in the field was below 450 ppm. The information collected will be evaluated by the EPA and changes to the Plan or new remediation actions could be ordered by the EPA. PREPA may be required to pay additional costs incurred by the EPA.

PREPA continues to develop and implement a comprehensive program to improve environmental compliance media. This program has been and continues to be updated to conform to new regulatory requirements.

(b) PRASA

Prior to December 2006, the Water System had been subject to approximately 180 administrative orders arising from enforcement actions by PRDOH for violations of the SDWA and to three administrative consent agreements with PRDOH addressing monitoring and turbidity violations. On December 2006, the Authority entered into, a comprehensive settlement agreement with PRDOH resolving litigation brought against the Authority seeking enforcement of the administrative orders of PRDOH under the SDWA and the violations by the Authority of two of the prior consent agreements (the “2006 Drinking Water Settlement Agreement”). The 2006 Drinking Water Settlement Agreement which was filed on December 15, 2006, with the Court of First Instance, Superior Court of San Juan in Civil Action KPE 2006-0858, was approved on March 15, 2007, and subsequently amended on June 16, 2008, and continues in effect. The 2006 Drinking Water Settlement Agreement replaces and supersedes all prior PRDOH administrative orders and consent agreements.

The 2006 Drinking Water Settlement Agreement provides for remedial and compliance actions by the Authority in its water treatment plants in accordance with agreed-upon schedules and for the payment of stipulated penalties for non-compliance. It obligates the Authority to carry out approximately 210 long-term remedial measures over a 15-year period along with many other shorter-term remedial actions that will involve both capital expenditures and expenditures for operating, maintenance and training programs and evaluations and studies centered on ensuring that the quality of drinking water provided by the Authority to its customers meets all federal and Commonwealth regulatory standards. Additionally, the Authority paid a $1 million civil penalty to the Commonwealth and is required to pay stipulated penalties for violations of the agreement. Certain stipulated penalties paid by the Authority may be returned to the Authority under certain circumstances to be used to finance any action directed at achieving or maintaining compliance with the Authority’s obligations under the 2006 Drinking Water Settlement Agreement and under local and federal laws applicable to the Water System. The Authority submits quarterly progress reports to the PRDOH to inform on its compliance with the terms of the 2006 Drinking Water Settlement Agreement and self-assesses any applicable stipulated penalties.

The 2006 Drinking Water Settlement Agreement requires the implementation of remedial measures of the water treatment systems classified as short, mid, and long-term remedial measures. As of June 30, 2019, the Authority had completed all short-term and mid-term remedial measures related to the water treatment plants, made up of 540 short-term and 115 mid-term remedial measures.

The long-term remedial measures are divided into three terms: Term 1 measures were to be completed by December 31, 2011, Term 2 measures were to be completed by December 31, 2016, and Term 3 measures are to be completed by December 31, 2021. All long-term remedial measures under Term 1 have been completed. Term 2 measures have a total of 18 projects, of which 13 have already been completed. Regarding the remaining five remedial measures, the Authority and PRDOH filed a joint motion to move three projects to Term 3 category and to have the other two eliminated, which motion was granted by the court. Term 3 measures initially comprised a total of 13 projects, converted to 16 with the inclusion of the three projects moved from Term 2. Of these 16 projects, eight have been completed. The time frame for the completion of the remaining eight projects is December 31, 2021, but the Authority expects to negotiate with PRDOH an amendment to the 2006 Drinking Water Settlement Agreement to provide for revised project completion time frames consistent with agreements reached with EPA under the 2015 EPA Consent Decree, which revised time frames will provide for more flexibility to complete these projects based on a project prioritization system approved by EPA. Please refer to Note 22 for more detail.

Before the 2017 Hurricanes, the Authority had been in substantial compliance with the capital improvement project deadlines of the 2006 Drinking Water Settlement Agreement. After these

Hurricanes, the Authority submitted a notification to PRDOH invoking the force majeure provisions of the 2006 Drinking Water Act Settlement Agreement and indicated the possibility of some delays in projects and program due dates.

During the past year, the Authority has been required to pay stipulated penalties under the 2006 Drinking Water Settlement Agreement related to compliance issues in respect of primary standards (and mostly related to DBPs), which amounted to approximately $14,500 per quarter. The Authority has also been required to pay stipulated penalties because of certain missing or late deliverables, remedial measures, and mitigation measures.

As part of the Agreement, the Authority paid stipulated penalties during fiscal year 2019 of $726,600. Stipulated penalties were paid by the Authority for failing to comply with remedial measures deadlines and parameters exceedances. The Authority deposited $111,200 for fiscal year 2019 in an escrow account for parameters exceedances. The escrow account is to be used for compliance projects with the approval of the PRDOH.

To the date of the issuance of this financial statement, as mentioned above, the Authority has substantially complied with the capital improvement project deadlines under the 2006 Drinking Water Settlement Agreement. The Authority anticipates, however, that it may have difficulties meeting future deadlines unless the PRDOH approves the prioritization system under that Settlement Agreement.

Construction Commitments

As of June 30, 2019, the following discretely presented component units maintained various unspent construction agreements as follows (in thousands):

	Amount
Major:	
PREPA	$ 771,000
PRHTA	382,200
UPR	61,800
Sub-total	1,215,000
Nonmajor	20,220
	$ 1,235,220

Service Concession Arrangements (SCA)

(c) PRHTA

On September 22, 2011, PRHTA entered into the Toll Road Service Concession Agreement with Autopistas Metropolitanas de Puerto Rico, LLC (Metropistas), in which PRHTA granted to Metropistas the right to operate PR-5 and PR-22 highways (the Toll Roads) for a period of 40 years. During the 40-year term, Metropistas will have the right to charge and collect the tolls imposed on the Toll Roads.

PRHTA received an upfront concession fee payment of $1,136 million, of which approximately $873.1 million was used to redeem or defease bonds issued and outstanding associated with the Toll Roads.

PRHTA recorded a deferred inflow of resources from the Toll Road Service Concession Agreement of approximately $1.1 million that is being amortized and recognized as revenue over the 40 years term of the agreement. The Toll Roads (capital assets) will continue to be reported in the statement of net position as a separate item as highways and bridge under service concession agreements. As of June 30, 2019, the total aggregate amount of the Toll Roads capital assets was approximately $141.9 million, net of accumulated depreciation. Toll Roads depreciation was suspended on September 22, 2011, until the expiration of the Toll Road Service Concession Agreement because the agreement requires Metropistas to return the Toll Roads to PRHTA in their original or an enhanced condition.

On April 19, 2016, PRHTA entered into an amendment of the Toll Road Service Concession Agreement to extend the original term for 10 additional years and to create five bidirectional tolling points on the Toll Roads. PRHTA received an upfront concession fee payment of $100 million, which was used to pay $18.2 million of PRHTA current debt and $79.8 million was transferred to the Commonwealth in fiscal year 2016. Also, in June 2017, PRHTA received an additional $15 million payment concurrently with the commencement of the bidirectional system described above.

During the fiscal year ended June 30, 2019, PRHTA did not capitalize improvements made by Metropistas to the Toll Roads.

Toll Roads and Bridge Concessions under the Service Concession Agreements, at June 30, 2019, consisted of (in thousands):

Toll roads concession	$	310,392
Toll roads concession improvements		51,173
Bridge concession		109,500
Total		471,065
Less accumulated depreciation		(271,442)
Total	$	199,623

(17) Retirement Plans

The Commonwealth retirement systems includes ERS, JRS, and the TRS (collectively referred to as the Retirement Systems). ERS is a multi-employer, JRS and TRS are single-employer defined benefit plans administered by the Retirement System Board.

Membership as of July 1, 2017

	ERS	TRS	JRS	Total
Inactive employees currently receiving benefits payments	120,441	43,770	410	164,621
Inactive employees entitled to but not yet receiving benefits payments	-	1,094	49	1,143
Active employees	112,615	32,024	381	145,020
Total	233,056	76,888	840	310,784

The Commonwealth accounts for pension liability based on actuarial valuations measured as of the beginning of the year (June 30, 2018). The Commonwealth retirement plans are not administered as trusts and follow the guidance in GASB Statement No. 73 since there are no assets accumulated in trusts meeting the following criteria established by GASB Statement No. 68:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. Defined benefit pension plan assets also are legally protected from creditors of the plan members.

On January 18, 2022, the Title III Court entered an order confirming the Eighth Amended Plan for the Commonwealth, ERS, and PBA. The Eighth Amended Plan preserves all accrued pension benefits for current retirees and employees at ERS, TRS, and JRS. However, upon the effective date of the Eighth Amended Plan, pension benefits at TRS and JRS will be frozen and cost-of-living adjustments will be eliminated, among other things. For further information on the Eighth Amended Plan's impact on pension benefits, refer to the final version of the Eighth Amended Plan, which is available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

(a) ERS

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

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

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

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

(i) Service Retirements

(a) *Eligibility for Act No. 447-1951 Members:* Act No. 447-1951 members who were eligible to retire as of June 30, 2013, would continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447-1951 members could retire upon (1) attainment of age 55 with 25 years of credited service; (2) attainment of age 58 with 10 years of credited service; (3) any age with 30 years of credited service; (4) for Public Officers in High Risk Positions (the PRPOB and Commonwealth 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. 447-1951 members who would attain 30 years of credited service by December 31, 2013, would be eligible to retire at any time.

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

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

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

(b) Eligibility for Act No. 1-1990 Members: Act No. 1-1990 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1-1990 members could retire upon (1) attainment of age 55 with 25 years of credited service; (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. 1-1990 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 65 with 10 years of credited service. In addition, Act No. 1-1990 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.

(c) *Eligibility for System 2000 Members*: System 2000 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 55 for public officers in high-risk positions and attainment of age 60 otherwise.

System 2000 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 55 for public officers in high-risk positions and upon attainment of the retirement eligibility age shown in the table below otherwise.

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

(d) Eligibility for Members Hired after June 30, 2013: Attainment of age 58 if a public officer in a high-risk position and attainment of age 67 otherwise.

(ii) Service Retirement Annuity Benefits

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

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

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

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

If the Act No. 447-1951 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. Maximum benefit is 75% of average compensation. Except for the PRPOB policemen and Commonwealth Firefighters, the benefit was actuarially reduced for each year payment commences prior to age 58. For participants selecting the Coordination Plan, the basic benefit is recalculated at SSRA as 1% of average compensation up to $6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to $6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of $6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of $6,600 multiplied by years of credited service in excess of 20 years. Except for police and firefighters, the benefit was actuarially reduced for each year payment commences prior to age 58.

For Act No. 447-1951, Mayors with at least 8 years of credited service as a Mayor, the accrued benefit was not to 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 included service earned as a Mayor in excess of 10 years. Maximum benefit was 90% of highest compensation as a Mayor.

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

If the Act No. 1-1990 member is a police officer or firefighter member that had at least 30 years of credited service as of June 30, 2013, the accrued benefit equaled 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. 1-1990 members, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service. The benefit was actuarially reduced for each year payment commences prior to age 65.

For Act No. 1-1990 Mayors with at least 8 years of credited service as a Mayor, the accrued benefit was not to 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 included service earned as a Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

(iii) Compulsory Retirement

All Act No. 447-1951 and Act No. 1-1990 Public Officers in High-Risk Positions were required to 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 PRPOB, the Chief of the Firefighter Corps, or supervising authority as applicable.

(iv) Termination Benefits

(a) Lump Sum Withdrawal

Eligibility: A Member was eligible upon termination of service prior to 5 years of service or if the balance in the hybrid contribution account is $10,000 or less.

Benefit: The benefit equaled a lump sum payment of the balance in the hybrid contribution account as of the date of the permanent separation of service.

(b) Deferred Retirement

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

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

(v) Death Benefits

(a) Pre-retirement Death Benefit

Eligibility: Any current nonretired member was eligible.

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

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

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

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

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

Benefit if No Spouse or Children: The parents of the member should each receive 50% of the participant's compensation at date of death, payable as an annuity for life.

Post death Increases: Effective July 1, 1996, and subsequently every three-years, the above death benefits are increased by 3% provided that the beneficiary(ies) had been receiving payments for at least three-years.

The cost of these benefits was paid by the Commonwealth.

(c) Postretirement Death Benefit for Members Who Retired prior to July 1, 2013

Eligibility: Any retiree or disabled member receiving a monthly benefit who had not elected a reversionary annuity and whose benefits commenced prior to July 1, 2013.

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

i. For those married or with dependent children at the time of death, the annual income to a widow, or widower or dependent children is equal to 60% (50% if in the Coordination Plan – 30%, prior to January 1, 2004) of the retirement benefit payable for life for a surviving spouse and/or disabled children and payable until age 18 (age 25 if pursuing studies) for nondisabled children. If in the Coordination Plan, the benefit to the surviving spouse does not begin until the spouse's attainment of age 60 and the surviving spouse must have been married to the member for at least 10 years to be eligible for this benefit. The increase in the percentage from 30% to 50% if in the Coordination Plan is paid by the Commonwealth for former government employees or by the public enterprise or municipality for their former employees. *See* Act No. 105 of 1969, as amended by Act No. 158 of 2003.

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

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

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

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

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

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

(vi) Disability Benefits

(a) Disability

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

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

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

Eligibility: Police, firefighters, and other employees in specified high-risk positions who are disabled in the line of work due to reasons specified in Act No. 127-1958 (as amended).

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

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

(vii) *Special Benefits*

(a) *Minimum Benefits*

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

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

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

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

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

(c) Special "Bonus" Benefits

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

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

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

(viii) Early Retirement Programs

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

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

(b) JRS

Plan Description – JRS was administered by the Retirement System Board as a single employer defined benefit pension plan. It was a trust created by Act No. 12-1954, as amended, to provide pension and other benefits to retired judges of the Judiciary Branch of the Commonwealth.

JRS consisted of two benefit structures pursuant to Act No. 12-1954, as amended by Act No. 162-2013. Benefit provisions vary depending on member's date of hire as follows:

- Judges hired on or before June 30, 2014, with certain distinctions for judges hired December 24, 2013, to June 30, 2014 (the defined benefit plan).
- Judges hired July 1, 2014, or later (contributory, hybrid program).

All judges of the Judiciary Branch of the Commonwealth are members of JRS. Members include all persons holding a position as Judge of the Puerto Rico Supreme Court, Judge of the Court of Appeals, Superior and Municipal Judges of the Court of First Instance in the Commonwealth.

The benefits provided to members of JRS are statutorily established by the Commonwealth and may be amended only by the Legislature with the Governor's approval.

The following summary of the JRS's pension plan provisions is intended to describe the essential features of the plan before the enactment of Act 106-2017. Please note that all eligibility requirements and benefit amounts shall be determined in strict accordance with applicable law and regulations, which were not changed or amended with the enactment of Act 106-2017. In addition, the Eighth Amended Plan freeze pension benefits and eliminate all COLAs from and after of the Effective Date in accordance with the terms and provisions of the Eighth Amended Plan. For further information on the Eighth Amended Plan's impact on pension benefits, refer to the final version of the Eighth Amended Plan, which is available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

Pension Plan Provisions Applicable to Judges Hired on or before June 30, 2014 (Pre-Act No. 162-2013 Members)

(1) Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the applicable benefit detailed below.

(a) Normal Retirement

Basic Eligibility: Age 60 with 10 years of credited service.

Basic Benefit: 25% of highest salary, as defined, plus 5% of highest salary, as defined, for each year of credited service in excess of 10 years, subject to a maximum of 75% of highest salary if hired before December 24, 2013, and 60% of highest salary if hired between December 24, 2013, and June 30, 2014.

Eligibility for Judges who serve without a Fixed Tenure: 10 years of credited service. This enhanced eligibility is not available to judges who are appointed after June 28, 2007, to an unlimited term.

Benefit for Judges who serve without a Fixed Tenure: 25% of the salary corresponding to the office during the retirement period, plus 5% of such salary for each year of credited service in excess of 10 years, subject to a maximum of 100% of such salary. If the judge has served in a position without a fixed tenure for a total of at least 8 years, the 25% increases to 50% in the preceding formula. This enhanced benefit is not available to judges who are appointed after June 28, 2007, to an unlimited term.

Optional Eligibility: Age and credited service as shown in the table below, provided at least 8 years of credited service were earned in office as a judge.

Age	Years of credited services
Less than 60	30
62	20
61	21
60	22
59	23
58	24
57	25
56	26
55	27

Optional Benefit: 75% of highest salary if hired before December 24, 2013, and 60% of highest salary if hired between December 24, 2013, and June 30, 2014.

Enhanced Eligibility: Any judge who has served without a fixed tenure for at least 3 years and has at least 25 years of credited service. This enhanced benefit is not available to judges who are appointed after June 28, 2007, to an unlimited term.

Enhanced Benefit: 75% of the salary earned at the time of retirement.

Compulsory Retirement: All judges must retire by age 70. If the judge has less than 10 years of credited service, the judge can elect a refund of accumulated contributions, or a proportional part of the basic benefit based on completed years and months of credited service.

(b) Early Retirement

Basic Eligibility: 20 years of credited service before age 60.

Basic Benefit: The basic benefit payable under Normal Retirement, reduced on an actuarial equivalent basis for each month that early retirement date precedes age 60. However, no actuarial reduction is applied for judges who serve without a fixed tenure.

Optional Eligibility: 20 years of credited service, provided at least 8 years of credited service were earned in office as a judge.

Optional Benefit: 75% of highest salary if hired before December 24, 2013, and 60% of highest salary if hired between December 24, 2013, and June 30, 2014, reduced on an actuarial equivalent basis for each month that early retirement date precedes the age specified in the table under Optional Eligibility under Normal Retirement for the applicable years of credited service.

(2) Termination Benefits

(a) Lump Sum Withdrawal

Eligibility: A member is eligible upon termination of service.

Benefit: The benefit equals a refund of accumulated contributions.

(b) Deferred Retirement

Eligibility: A member is eligible upon termination of service prior to age 60 and after 10 years of credited service, provided the member has not taken a lump sum withdrawal.

Benefit: The benefit, commencing at age 60, is equal to the benefit payable upon Normal Retirement.

(3) Death Benefits

(a) Occupational Death Benefit

Eligibility: The beneficiaries of any active participant who dies from an employment related cause under the Workmen's Accident Compensation Act.

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

Children's Benefit: $10 ($20 if full orphan) for each child payable monthly until child reaches age 18 or completion of studies, if later. The maximum family benefit is 75% of the participant's salary at date of death.

Benefit if No Spouse or Children: Refund of accumulated contributions, plus an amount equal to one year of compensation, as defined, in effect at the time of death.

(b) Pre-retirement Death Benefit

Eligibility: Any current non-retired member is eligible, provided they are not eligible for the Occupational Death Benefit.

Benefit:

(i) While in active service, the benefit equals a refund of accumulated contributions; plus, an amount equal to one year of compensation in effect at the time of death.

(ii) While not in active service, the benefit equals a refund of accumulated contributions.

(c) Special Pre-retirement Death Benefit

Eligibility: An active participant who was eligible to retire at the date of death with a surviving spouse or dependent children.

Benefit: The post-retirement death benefits described below assuming the active participant retired the day before the date of death.

(d) Post-retirement Death Benefit

Eligibility: Any retiree or disabled member receiving a monthly benefit.

Benefit:

(i) For those married or with dependent children at the time of death, an annual income equal to 60% of the retirement benefit at time of death, payable for life for a surviving spouse and/or disabled children, and payable until age 18 or completion of studies, if later, for non-disabled children.

(ii) The benefit, when there is no relation as stated above, is equal to the remaining balance of accumulated contributions at the time of retirement after the deduction of lifetime annual income paid and is payable to a beneficiary or to the Member's estate. In no case may the benefit be less than $1,000. The Commonwealth pays the difference, up to $500, between (1) the

accumulated fees, as defined, with interest less the lifetime annual income paid and (2) $1,000. JRS pays for the rest.

(4) Disability Benefits

(a) Non-occupational Disability

Eligibility: All members are eligible for non-occupational disability upon 10 years of credited service and the occurrence of disability.

Benefit: 30% of average compensation, plus 1% of average compensation for each year of credited service in excess of 10 years, payable as an annuity; subject to a maximum of 50% of average compensation.

(b) Occupational Disability

Eligibility: All members disabled while in the course and as a consequence of their work, as certified by two physicians appointed by the Plan Administrator, and provided the member is receiving compensation from the Workmen's Accident Compensation Act.

Benefit: 50% of salary at date of disability, payable as an annuity, reduced by any payments received from the State Insurance Fund Corporation under the Workmen's Accident Compensation Act.

(5) Special Benefits

(a) Cost-of-Living Adjustments (COLA) to Pension Benefits: Effective January 1, 2001, commencing January 1, 2002, and subsequently every three years thereafter, the annual benefit is increased by 3% for retirees and disabled members provided that the member had been receiving payments for at least three years.

These COLAs are paid by the Commonwealth. In addition, an ad hoc 3% COLA was granted effective January 1, 1999, and is paid by JRS. Under the Eighth Amended Plan, these COLAs will be eliminated from and after the Effective Date. For further information on the Eighth Amended Plan's impact on pension benefits, refer to the final version of the Eighth Amended Plan, which is available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

(b) Special "Bonus" Benefits

(i) Christmas Bonus (Act No. 144-2005): An annual bonus of $600 for each retiree, beneficiary, and disabled member paid in December provided the judge was hired before December 24, 2013. JRS pays $150 per retiree, beneficiary, and disabled member and the balance is paid by the Commonwealth.

(ii) Summer Bonus (Act No. 37-2001): An annual bonus of $100 for each retiree, beneficiary, and disabled member paid in July provided the judge was hired before December 24, 2013. The amount is prorated if there are multiple beneficiaries. This benefit is paid by the Commonwealth.

(iii) *Medication Bonus (Act No. 155-2003):* An annual bonus of $100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the judge was hired before December 24, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries. This benefit is paid by the Commonwealth.

Judges hired on December 24, 2013, and thereafter are not eligible for these special "bonus" benefits.

Before July 1, 2017, the Commonwealth made contributions to the JRS for the special benefits granted by special laws. The funding of the special benefits was provided to the JRS through legislative appropriations each January 1 and July 1. Special benefits to eligible Act 12-1954 participants are being paid by the Commonwealth as they become due since July 1, 2017.

Pension Plan Provisions Applicable to Judges Hired on or after July 1, 2014 (Act No. 162-2013 Members)

Prior to August 23, 2017, members hired on or after July 1, 2014, were covered by a contributory, hybrid plan with defined benefit and defined contribution components as follows:

(1) Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the applicable benefit detailed below.

(a) Normal Retirement

Eligibility: Age 65 with 12 years of credited service.

Basic Benefit: 1.5% of average compensation, as defined, for each year of credited service, plus the annualized value of the balance in the hybrid program contribution account at the time of retirement.

Compulsory Retirement: All judges must retire by age 70. If the judge has less than 12 years of credited service, the judge will receive a refund of the hybrid program contribution account.

(b) Early Retirement

Basic Eligibility: Age 55 with 12 years of credited service before age 65.

Basic Benefit: 1.5% of average compensation, as defined, for each year of credited service, reduced by 1/180 for each for the first 60 months and by 1/360 for each of the next 60 months by which the early retirement date precedes age 65, plus the annualized value of the balance in the hybrid program contribution account at time of retirement.

(2) Termination Benefits

(a) Lump Sum Withdrawal

Eligibility: A member is eligible upon termination of service with less than 12 years of credited service.

Benefit: The benefit equals a refund of the hybrid program contribution account.

(b) Deferred Retirement

Eligibility: A member is eligible upon termination of service prior to age 65 and after 12 years of credited service, provided the member has not taken a lump sum withdrawal.

Benefit: The benefit, commencing at age 65, is equal to the benefit payable upon Normal Retirement. The benefit may commence as early as age 55, subject to the reductions described under early retirement.

(3) Death Benefits

(a) Pre-retirement Death Benefit

Eligibility: Any current non-retired member is eligible.

Benefit: The benefit equals a refund of the hybrid program contribution account.

(b) Post-retirement Death Benefit

Eligibility: Any retiree or disabled member.

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

For all members, the excess, if any, of the hybrid program contribution account at the time of retirement over the total hybrid program annuity payments paid to the member and any beneficiary per the terms of the optional form of payment is payable to a beneficiary or the member's estate.

(4) Disability Benefits

Eligibility: All members are eligible upon 5 years of credited service and the occurrence of disability prior to age 65.

Benefit: 1.5% of average compensation, as defined, for each year of credited service plus the annuitized value of the balance in the hybrid program contribution account at the time of disability, payable as an annuity; subject to a maximum of 33% of average compensation, as defined.

(5) Special Benefits

(a) Cost-of-Living Adjustments (COLA) to Pension Benefits

Commencing on January 1, 2017, and subsequently every three years thereafter, the annual benefit is increased by 3% for retirees and disabled members provided that the member had been receiving payments for at least three years.

These COLAs are paid by the Commonwealth. Under the Eighth Amended Plan, these COLAs will be eliminated from and after the Effective Date. For further information on the Eighth Amended Plan's impact on pension benefits, refer to the final version of the Eighth Amended Plan, which is available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

(c) TRS

Plan Description – TRS administered two benefit structures pursuant to Act No. 160-2013 (which amended Act 91-2004), as modified by the April 11, 2014, decision of the Puerto Rico Supreme Court. Benefit provisions vary depending on a member's date of hire as follows:

- Members hired on or before July 31, 2014, with certain distinctions for members who retired August 1, 2014, or later (the Defined Benefits Plan).
- Members hired August 1, 2014, or later (the Contributory Hybrid Program).

All active teachers of the Department of Education and the employees of TRS became plan members of TRS at their date of employment. Licensed teachers working in private schools or other educational organizations had the option to become members of TRS so long as the required employer and employee contributions were satisfied.

The benefits provided to members of TRS were statutorily established by the Commonwealth and could be amended only through legislation.

The following of the TRS's pension plan provisions is intended to describe the essential features of the plan before the enactment of Act 106-2017. Please note that all eligibility requirements and benefit amounts shall be determined in strict accordance with applicable law and regulations, which were not changed or amended with the enactment of Act 106-2017.

As part of the plan description information, the most important aspects of Act No. 160-2013, as modified by the April 11, 2014 decision of the Puerto Rico Supreme Court, are as follows: (i) active participants as of July 31, 2014 continued to participate in the Defined Benefit Program; (ii) starting August 1, 2014, the Defined Benefit Program was closed to future participants, who enrolled and contributed to the Contributory Hybrid Program; (iii) the retirement age for new employees hired on or after August 1, 2014 was increased to age 62; (iv) the employee contributions for new employees hired on or after August 1, 2014 was increased to 10% from August 1, 2014 to June 30, 2017, 13.12% from July 1, 2017 to June 30, 2020, and 14.02% from July 2020 and thereafter; (v) Special benefits payable to active participants that retired on or before July 31, 2014 was reduced, and (vi) special benefits postemployment were eliminated for future retirees.

In addition, the Eighth Amended Plan will implement a pension benefit freeze as of the Effective Date for any additional pension benefits for service on or after May 4, 2017 (excluding teachers hired on or after August 1, 2014, who will not be subject to any freeze or benefit reduction) in accordance with the terms and provisions of the Eighth Amended Plan. As of the date hereof, the Effective Date has not occurred. For further information on the Eighth Amended Plan's impact on pension benefits, refer to the final version of the Eighth Amended Plan, which is available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

Defined Benefit Pension Program

Effective July 1, 2017, TRS implemented Act 106-2017, under which the Commonwealth's General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payments by the applicable employers. As of July 1, 2017, the TRS stopped making pension payments to retirees. Since July 1, 2017, the TRS continues to help manage the administrative matters of the pension benefits that are being paid by the Commonwealth. The aforementioned benefits under the Defined Benefit Program and Contributory Hybrid Program had been paid by the TRS until June 30, 2017. The following section describes the Defined Benefit Program that continues in effect after the implementation of Act 106-2017 for certain beneficiaries who have not opted into the New Defined Contribution Plan.

The members of the TRS hired on or before July 31, 2014, are eligible for the benefits described below under the Defined Benefit Program:

(1) Retirement Annuity

Plan members are eligible for monthly benefit payments determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation is computed based on the highest 36 months of compensation recognized by TRS. The monthly annuity for which a member is eligible is limited to a minimum of $400 per month and a maximum of 75% of the average compensation.

Members are eligible for retirement annuity benefits upon complying with the following:

Age	Years of creditable services	Retirement annuity compensation
55	30 or more	75% of average compensation
50	30 or more	75% of average compensation(1)
Under 50	30 or more	65% of average compensation
50	At least 25, but less than 30	1.8% of average compensation times years of service
47, but less than 50	At least 25, but less than 30	95% of 1.8% of average compensation times years of service
60 or more	At least 10, but less than 25	1.8% of average compensation times years of service

(1) Refer to subsection (g) under Early Retirement Program.

(2) *Deferred Retirement Annuity*

A participating employee who terminated service before age 60, after having accumulated a minimum of 10 years of creditable service, qualified for a deferred retirement annuity payable beginning at age 60. A participating employee who completed 25 or more years of creditable service and is under the age of 47 at termination qualified for a deferred retirement annuity payable beginning at age 47. The vested rights described above were provided if his or her contributions to TRS are left within TRS until the attainment of the respective retirement age.

(3) *Occupational Disability Annuity*

A participating employee, who as a direct result of the performance of his or her occupation became disabled, was eligible for an annuity of 1.8% of average compensation based on the highest 60 months or the number of months of creditable service, if less than 5 years, recognized by TRS, times years of creditable service, but not less than $400 per month.

(4) *Nonoccupational Disability Annuity*

A participating employee disabled for causes not related to his or her occupation, and with at least five years of credited service, is eligible for an annuity of 1.8% of average compensation based on the highest 60 months recognized by the TRS, times years of service; but not less than $400 per month.

(5) *Death Benefits*

Pre-retirement – The beneficiaries receive the member contributions made plus 2% interest accumulated as of the date of death (after reducing debts with TRS). Additionally, for beneficiaries of members who died on or before July 31, 2014, they will receive an amount equal to the annual compensation of the member at the time of death.

Post-retirement – For members who retire on or before July 31, 2014: The surviving spouse receives 50% of the member's pension and the other 50% is shared among the members' children (if any) and only if such children are under 22 years of age or disabled (until disability ceases). If there is no surviving spouse or qualifying children, the beneficiaries receive the excess, if any, of the accumulated contributions at the time of retirement over the total annuity benefits received before death. The benefit includes the full pension for the month in which the pensioner died plus an additional fifteen-day pay period payable to the member's eligible beneficiaries, but in no case, may the benefit be less than $1,000 per month (prior to discounting any debts with TRS).

Post-retirement – For members who retire on or after August 1, 2014: If the member elected at the time of retirement to transfer a portion of the annuity to a beneficiary by selecting an actuarially equivalent option form of payment, the applicable survivor benefit will be granted. Otherwise, the excess, if any, of the accumulated contributions at the time of retirement over the total annuity benefits received before death is payable to the beneficiaries or to the member's estate.

(6) Refunds

A participating employee who ceases his or her employment with the Commonwealth on or before July 31, 2014, without the right to a retirement annuity has the right to a refund of the employee contributions paid to TRS, plus any interest earned thereon.

(7) Early Retirement Program

On January 27, 2000, Act No. 44 was approved, which provided that effective March 9, 2000, members were eligible for early retirement upon attaining the age of 50 and 28 years of service in the first year of implementation and age 50 and 25 years of service in subsequent years. Those who selected early retirement under these conditions receive monthly benefits equal to 75% of their average compensation, which was computed based on the highest 36 months of compensation recognized by TRS. Effective July 31, 2001, the option for early retirement was closed. On January 27, 2001, Act No. 45 was approved, that established 50 years as the minimum age requirement to obtain a pension benefit equal to 75% of average compensation with 30 years of service. In these cases, the retiree pays the participating employee contribution until attaining 55 years of age. Act No. 160-2013 imposed the same obligation on the employer.

Special Benefits *(previous Act 106-2017)*

The following section represents the special benefits program that TRS administered prior to July 1, 2017.

Act No. 160-2013 provides for a reduction in the special laws for pensioners as of July 31, 2014, and the elimination of special laws for future pensioners who retire on or after August 1, 2014. Special benefits include the following:

(1) Christmas Bonus

An annual bonus of $600 for each retiree and disabled member paid each December. TRS paid $150 per retiree and disabled member and the remaining bonus was paid by the Commonwealth. After August 1, 2014, for active participants that were retired on or before July 31, 2014, the bonus was $200 and paid by the Commonwealth.

(2) Medication Bonus

An annual bonus of $100 for each retiree, beneficiary, and disabled member paid each July to cover health costs; evidence of coverage was not required. This benefit was paid by the Commonwealth. Act No. 160-2013 kept this benefit for active participants that were retired on or before July 31, 2014.

(3) Death Benefit

Act No. 272 of March 29, 2004, increased the death benefit from $500 to $1,000. This $500 increase was paid by the Commonwealth. As per Act No. 160-2013, this benefit only applied to pensioners as of July 31, 2014, that eventually died.

Before July 1, 2017, the Commonwealth made contributions to the TRS for the special benefits granted by special laws. The funding of the special benefits was provided to the TRS through legislative appropriations each January 1 and July 1. Special benefits to eligible Act 91-2004 participants are being paid by the Commonwealth as they become due since July 1, 2017.

(d) New Defined Contribution Plan

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

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

- All active participants of the Retirement Systems as of July 1, 2017; except for members of TRS and JRS that will keep vesting benefits under the provisions of Act No. 91-2004, as amended and Act No. 12-1954, as amended.
- New hires entering the public service workforce after July,1 2017
- Any business or public corporation with employees not participating in the Retirement Systems as of July 1, 2017, can, through an approved resolution by its board of directors or governing body, join the New Defined Contribution Plan. The Retirement Systems Board is responsible of establishing the eligibility requirements and procedures to be followed to join the New Defined Contribution Plan.

Enrollment in the New Defined Contribution Plan is optional for the Governor, secretaries and chiefs of agencies and public corporations; assistants and advisors of the Governor; members of commissions and boards appointed by the Governor; members of the Legislature; and employees and officials of the Legislature, the Office of Legislative Services, the Superintendence of the Capitol Building and the Office of the Comptroller of Puerto Rico. Also, enrollment will be optional for employees of departments, divisions, bureaus, offices, dependencies, public corporations, and instrumentalities of the Commonwealth of Puerto Rico working and living outside the territorial limits of Puerto Rico.

(i) Contributions

Contributions by members consists, as a minimum, of an 8.5% of their compensation directly deposited by the DOT in the individual member accounts under the New Defined Contribution Plan created pursuant to Act No. 106-2017. Also, as of that date, System's participants shall make no individual contributions or payments to the accumulated pension benefits payment account or additional contributions to ERS. However, Act 71-2019 states that in the case of members of the Puerto Rico Police Bureau, the mandatory contribution is 2.3% of their compensation. In the case of those members of the Puerto Rico Police Bureau, which have less than 10 years to qualify for retirement as established by Act No. 447-1951, the reduction in the percentage of contribution from the 8.5% level will apply voluntarily.

(e) Total Pension Liability

The Commonwealth's total pension liability as of June 30, 2019, was measured as of June 30, 2018, and was determined by an actuarial valuation with beginning of year census data as of July 1, 2017, that was updated to roll forward the total pension liability to June 30, 2018, assuming no gains or losses.

(i) Actuarial Methods and Assumptions

The total pension liabilities in the June 30, 2018, actuarial valuations were determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

	ERS	JRS	TRS
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Actuarial assumptions:			
Inflation	Not applicable	Not applicable	Not applicable
Projected salary increases per annum	3.0% per annum. No compensation increases are assumed until July 1, 2021 as a result of Act No. 3-2017, four-year extension of Act No. 66-2014, and the current general economy	3.0% per annum. No compensation increases are assumed until July 1, 2021 as a result of Act No. 3-2017, four-year extension of Act No. 66-2014, and the current general economy	2.5% per annum general wage inflation plus service-based merit increases. No compensation increases are assumed until July 1, 2021 as a result of Act No. 66-2014 and the current general economy.
Cost-of-living adjustments	None assumed.	None assumed.	None assumed.

The mortality tables used in the June 30, 2018; actuarial valuations were as follows:

- *Pre-Retirement Mortality:* For ERS general employees not covered under Act No. 127-1958 and for TRS and JRS members, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on a generational basis. For ERS members covered under Act No. 127-1958, RP 2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females, adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year, and projected forward using MP-2018 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

  For ERS, 100% of deaths while in active service are assumed to be occupational only for members covered under Act No. 127-1958. For JRS, among deaths while in active service, 50% are assumed to be occupational and 50% are assumed to be nonoccupational.

- *Post-Retirement Healthy Mortality:* For ERS and TRS, rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% (ERS) or 87% (TRS) of the rates from the UP-1994 Mortality Table for Females. The base rates are projected on a generational basis using Mortality Improvement Scale MP-2018 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

  For JRS, RP-2014 Healthy Annuitant Mortality Rates are assumed with white collar adjustments for males and females, adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year, and projected forward using MP-2018 on a generational basis. As generational tables, it reflects mortality improvements both before and after the measurement date.

- *Post-Retirement Disabled Mortality:* For ERS, rates which vary by gender are assumed for disabled retirees based on a study of the plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvements. The 2010 base rates equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2017 on a generational basis. As a generational table, it reflects mortality improvements before and after the measurement date.

For TRS, rates which vary by gender are assumed for disabled retirees based on a study of the plan's experience from 2007 to 2012 equal to the rates in the UP-1994 Mortality Table for Males and Females. The base rates are projected using Mortality Improvement Scale MP-2018 on a generational basis from the 2010 base year. As a generational table, it reflects mortality improvements both before and after measurement date

For JRS, RP-2014 Disabled Annuitant Mortality Rates for males and females are assumed adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on a generational basis. As a generational table, it reflects mortality improvements before and after the measurement date.

(ii) Discount Rate

The discount rate for June 30, 2018, was 3.87%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

(iii) Changes in Total Pension Liability

Changes in the Commonwealth's total pension liability of ERS, TRS, and JRS, as of June 30, 2019 (using a June 30, 2018, measurement date) were as follows (in thousands):

	ERS	TRS	JRS	
	Total Pension liability	Total Pension liability	Total Pension liability	Total Pension liability
Balance at July 1, 2017	$ 28,181,328	16,417,644	615,604	45,214,576
Changes for the year:				
Service cost	72,908	240,453	20,652	334,013
Interest on total pension liability	933,312	581,585	22,292	1,537,189
Effect of plan changes	(1,536,651)	(23,125)	(408)	(1,560,184)
Efect of economic/demographics gains or losses	(890,978)	67,795	(38,268)	(861,451)
Changes in assumptions	(966,007)	(559,013)	(22,787)	(1,547,807)
Benefit payments	(1,320,365)	(786,093)	(26,581)	(2,133,039)
Net changes	(3,707,781)	(478,398)	(45,100)	(4,231,279)
Balance at June 30, 2018	$ 24,473,547	15,939,246	570,504	40,983,297

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

The following presents the liability as of June 30, 2018, calculated using the discount rate of 3.87%, as well as what the total pension liability would be if it was calculated using a discount rate that is 1-

percentage point lower (2.87%) or 1-percentage point higher (4.87%) than current rate (in thousands):

		At 1% decrease (2.87%)	At current discount rate (3.87%)	At 1% increase (4.87%)
ERS	$	27,849,002	24,473,547	21,734,345
TRS		18,133,941	15,939,246	14,135,238
JRS		649,449	570,504	505,924

(v) Changes in Assumptions

Actuarial assumptions are revised periodically to more closely reflect both actual and anticipated future experience. Due to the change in the census collection date to the beginning of the fiscal year, rather than the end of the fiscal year, demographic gain/loss during the year is limited to the difference between actual and expected benefit payments, which arise from differences in termination and retirement activity and mortality versus expectations.

The discount rate increased from 3.58% as of June 30,2017 to 3.87% as of June 30, 2018.

The projected mortality improvement scale was updated from Scale MP-2017 to Scale MP-2018.

In TRS, due to the significant decline in service purchases as a result of the purchase price increase in late 2015, the service purchase assumption for members hired prior to August 1, 2014, was eliminated.

(f) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources from Pension Activities

Pension expense and total pension liability recognized by the Commonwealth for the year ended June 30, 2019, related to the Retirement Systems were as follows (in thousands):

	Governmental activities		Business-type		Discretely presented component units		Total	
	Liability	Expense	Liability	Expense	Liability	Expense	Liability	Expense
ERS	17,965,569	(557,843)	500,741	(18,173)	6,007,237	(178,646)	24,473,547	(754,662)
TRS	15,939,246	1,739,361					15,939,246	1,739,361
JRS	570,504	51,228	-	-	-	-	570,504	51,228
	34,475,319	1,232,746	500,741	(18,173)	6,007,237	(178,646)	40,983,297	1,035,927

Deferred outflows and deferred inflows of resources from pension activities by source reported by the Commonwealth in the statement of net position as of June 30, 2019, for each of the Retirement Systems were as follows (in thousands):

Retirement system	Source		Governmental activities: Deferred outflows of resources	Governmental activities: Deferred inflows of resources	Business-type activities: Deferred outflows of resources	Business-type activities: Deferred inflows of resources	Discretely presented component units: Deferred outflows of resources	Discretely presented component units: Deferred inflows of resources
ERS	Differences between expected and actual experience in measuring total pension liability	$	—	543,371	—	15,145	—	180,586
	Changes in assumptions		—	589,129	—	16,421	—	196,489
	Changes in proportion		26,502	152,296	508	5,708	144,675	13,443
	Benefits payments made subsequent to the measurement date		956,210	—	27,102	—	329,074	—
	Total ERS		982,712	1,284,796	27,610	37,274	473,749	390,518
TRS	Differences between expected and actual experience in measuring total pension liability		54,236	—	—	—	—	—
	Changes in assumptions		—	447,211	—	—	—	—
	Benefits payments made subsequent to the measurement date		807,472	—	—	—	—	—
	Total TRS		861,708	447,211	—	—	—	—
JRS	Differences between expected and actual experience in measuring total pension liability		—	28,701	—	—	—	—
	Changes in assumptions		—	17,090	—	—	—	—
	Benefits payments made subsequent to the measurement date		25,737	—	—	—	—	—
	Total JRS		25,737	45,791	—	—	—	—
Total	Differences between expected and actual experience		54,236	572,072	—	15,145	—	180,586
	Changes in assumptions		—	1,053,430	—	16,421	—	196,489
	Changes in proportion and differences between actual contributions and proportionate share		26,502	152,296	508	5,708	144,675	13,443
	Benefits payments made subsequent to the measurement date		1,789,419	—	27,102	—	329,074	—
	Total	$	1,870,157	1,777,798	27,610	37,274	473,749	390,518

Deferred outflows of resources related to pensions resulting from the payment of benefits subsequent to the measurement date were approximately $1.3 billion, $807.5 million, and $25.7 million as of June 30, 2019, for the corresponding proportionate share of ERS, for TRS and for JRS, respectively, and will be recognized as a reduction of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows/inflows of resources from pension activities are schedule to be recognized in pension expense as follow (in thousands):

Year ended June 30:		ERS	TRS	JRS
2020	$	(308,181)	(98,244)	(15,264)
2021		(308,181)	(98,244)	(15,264)
2022		(308,181)	(98,244)	(15,263)
2023		(308,180)	(98,243)	-
2024		(308,180)	-	-
Total	$	(1,540,903)	(392,975)	(45,791)

(g) Net Pension Liability Information for Discretely Presented Component Units

(i) Plan Description and Membership

University of Puerto Rico Retirement System

The University of Puerto Rico Retirement System (UPR Retirement System) is a single-employer, defined benefit pension plan that covers all employees of UPR with the exception of hourly, temporary, part-time, contract, and substitute employees, and visiting professors. It is qualified and exempt from Puerto Rico and United States income taxes. The UPR Retirement System is not subject to the requirements of the Employees Retirement Income Security Act of 1974 (ERISA). The UPR Retirement System issues a publicly available financial report that includes additional financial information, other required disclosures and required supplementary information for the plan. That report may be obtained by writing to the University of Puerto Rico Retirement System at P.O. Box 21769, San Juan, Puerto Rico 00931-1769.

Puerto Rico Electric Power Authority Retirement System

The Puerto Rico Electric Power Authority Retirement System (PREPA Retirement System) is a single-employer, defined benefit pension plan that covers all permanent full-time employees of PREPA administered by Employees' Retirement System of the Puerto Rico Electric Power Authority. It is qualified and exempt from Puerto Rico and United States income taxes. The PREPA Retirement System is not subject to the requirements of the Employees Retirement Income Security Act of 1974 (ERISA). The PREPA Retirement System issues a publicly available financial report that includes additional financial information, other required disclosures and required supplementary information for the plan. That report may be obtained by writing to the Retirement System of the Puerto Rico Electric Power Authority, PO Box 13978, San Juan, Puerto Rico 00908-3978.

(18) Other Postemployment Benefits

As further described in Note 1(t), the Commonwealth provides postemployment healthcare benefits through the following defined benefit plans:

- Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Employees' Retirement Plan (ERS–OPEB)
- Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Judiciary's Retirement Plan (JRS–OPEB)
- Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Teachers' Retirement Plan (TRS–OPEB)

(a) Plans Descriptions

ERS–OPEB, TRS-OPEB, and JRS-OPEB are unfunded single employer defined benefit other postemployment (OPEB) plans sponsored by the Commonwealth that are administered on a pay-as-you-go basis. Accordingly, there are no assets accumulated in a qualifying trust for these OPEB plans (collectively referred to as the "OPEB Plans") that meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions.* The OPEB Plans were created under Act No. 95-1963. Healthcare benefits are provided through insurance companies whose premiums are paid by the retiree with the Commonwealth providing a matching share. ERS–OPEB covers substantially all full-time employees of (1) the Primary Government and (2) those component units of the Commonwealth not having their own postemployment benefit plans. JRS–OPEB covers all judges of the Judiciary Branch of the Commonwealth. TRS–OPEB covers all active teachers of the DOE and employees of the TRS Administration.

For ERS–OPEB and TRS–OPEB, Commonwealth employees became plan members upon their date of employment. Plan members were eligible for benefits upon reaching the applicable pension benefits retirement age. Act No. 3-2013 eliminated this healthcare benefit to ERS–OPEB members retired after June 30, 2013. Act No. 160-2013 eliminated this healthcare benefit to TRS–OPEB members retired after July 31, 2014.

For JRS-OPEB, judges of the Judiciary Branch of the Commonwealth become plan members upon their date of employment. Plan members are eligible for benefits upon reaching the age of 60 with 10 years of service.

Funding Policy – The contribution requirement of the OPEB Plans is established by Act No. 95-1963. The OPEB benefit consists of a maximum of $100 per month per retiree or disabled member. Each of the OPEB Plans is financed by the Commonwealth and its public corporations on a pay-as-you-go basis. The funding of the OPEB benefits are provided through legislative appropriations each July 1. The legislative appropriations are considered estimates of the payments to be made for the healthcare benefits throughout the year. There is no contribution requirement for plan members during active employment.

(b) Membership as of July 1, 2017

	ERS	TRS	JRS	Total
Inactive employees currently receiving benefits payments	98,916	36,494	370	135,780
Inactive employees entitled to but not yet receiving benefits payments	-	-	24	24
Active employees	-	-	381	381
Total	98,916	36,494	775	136,185

(c) Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2019, was determined by the actuarial valuation with beginning of year census data as of July 1, 2017, which was updated to roll forward the funded status to June 30, 2018.

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

ERS-OPEB

Measurement Date	June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	3.87%
Mortality Assumption	Pre-retirement Mortality: For general employees not covered under Act 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for male and females adjusted to reflect Mortality Improvement Scale MP-2018 from 2006 base year, and projected forward using MP-2018 on generational basis. As generational tables, they reflect mortality improvements both before and after measurement date.
	Post-retirement Healthy Mortality: Rates which vary by gender are assumed for helthy retirees and benifeciaries based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from UP-1994 Mortality Tables for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. As a generational table, it reflects mortality improvements both before and after measurement date.
	Post-retirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2018 on a generational basis. As a generational table, it reflects mortality improvements both before and after measurement date.

JRS-OPEB and TRS-OPEB

Measurement Date	June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	3.87%
Mortality Assumption	Pre-retirement Mortality: For general employees not covered under Act 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for male and females adjusted to reflect Mortality Improvement Scale MP-2018 from 2006 base year, and projected forward using MP-2018 on generational basis. As generational tables, they reflect mortality improvements both before and after measurement date.

Post-retirement Healthy Mortality: RP-2014 Healthy Annuitant Mortality Rates with white collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2017 from the 2006 base year, and projected forward using MP-2018 on a generational basis. As generational table, it reflects mortality improvements both before and after the measurement date.

Post-retirement Disabled Mortality: RP-2014 Disabled Annuitant Mortality Rates, for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year, and projected forward using MP-2018 on a generational basis. As generational table, it reflects mortality improvements both before and after the measurement date.

The discount rate for June 30, 2018, was 3.87%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index.

(d) Changes in Total OPEB Liability of OPEB Plans

Changes in the Commonwealth's total OPEB liability of ERS-OPEB, TRS-OPEB, JRS-OPEB, and Other-OPEB plans as of June 30, 2019 (using a June 30, 2018, measurement date) were as follows (in thousands):

	ERS Total OPEB liability as restated	TRS Total OPEB liability	JRS Total OPEB liability	Other Total OPEB liability as restated	Total OPEB liability as restated
Balance at July 1, 2017, as restated	$ 902,151	468,810	6,955	728,772	2,106,688
Changes for the year:					
Service cost	—	—	238	8,440	8,678
Interest on total OPEB liability	35,682	16,166	252	21,743	73,843
Effect of plan changes	—	—	—	660	660
Efect of economic/demographics gains or losses	(17,392)	3,914	(622)	(32,141)	(46,241)
Changes in assumptions	(27,760)	(13,242)	(223)	14,008	(27,217)
Benefit payments	(68,214)	(34,814)	(337)	(36,930)	(140,295)
Net changes	(77,684)	(27,976)	(692)	(24,220)	(130,572)
Balance at June 30, 2018	$ 824,467	440,834	6,263	704,552	1,976,116

(e) *Retiree Healthcare OPEB Liability, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources*

At June 30, 2019, the OPEB liability and expense for the year ended June 30, 2019, amounted to (in thousands):

	Governmental activities		Business-type		Discretely presented component units		Total	
	Liability	Expense	Liability	Expense	Liability	Expense	Liability	Expense
ERS-OPEB	691,008	(12,817)	16,377	491	117,082	3,644	824,467	(8,682)
TRS-OPEB	440,834	6,834					440,834	6,834
JRS-OPEB	6,263	99	-	-	-	-	6,263	99
Other-OPEB	10,443	335	-	-	694,109	4,866	704,552	5,201
	1,148,548	(5,549)	16,377	491	811,191	8,510	1,976,116	3,452

Because all participants of ERS-OPEB are inactive, there are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement year.

At June 30, 2019, OPEB Plans reported deferred outflows of resources and the deferred inflows of resources related to OPEB from the following sources (in thousands):

		Governmental activities		Business-type activities		Discretely presented component units	
OPEB	Source	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
ERS	Benefits payments made subsequent to the measurement date	$ 56,401	—	1,347	—	9,748	—
	Total ERS	56,401	—	1,347	—	9,748	—
TRS	Benefits payments made subsequent to the measurement date	33,985	—	—	—	—	—
	Total TRS	33,985	—	—	—	—	—
JRS	Differences between expected and actual experience in measuring total OPEB liability	—	491	—	—	—	—
	Changes in assumptions	—	500	—	—	—	—
	Benefits payments made subsequent to the measurement date	331	-	—	—	—	—
	Total JRS	331	991	—	—	—	—
Other	Differences between expected and actual experience in measuring total OPEB liability	—	6,990	—	—	6,099	21,312
	Changes in assumptions	536	725	—	—	15,697	16,323
	Benefits payments made subsequent to the measurement date	—	—	—	—	24,166	—
	Total JRS	536	7,715	—	—	45,962	37,635
Total	Differences between expected and actual experience	—	7,481	—	—	6,099	21,312
	Changes in assumptions	536	1,225	—	—	15,697	16,323
	Benefits payments made subsequent to the measurement date	90,717	-	1,347	—	33,914	—
	Total	$ 91,253	8,706	1,347	—	55,710	37,635

Deferred outflows of resources related to OPEB resulting from the payment of benefits subsequent to the measurement date were approximately $67.5 million, $34 million, $331 thousand, and $24.2 million, as of June 30, 2019 for the ERS-OPEB, for TRS-OPEB, for JRS-OPEB, and Other-OPEB, respectively, and will be recognized as a reduction of the total other postemployment benefits liability in the year ended

June 30, 2020. Other amounts currently reported by JRS-OPEB and Other-OPEB as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits are schedule to be recognized in OPEB expense as follows (in thousands):

		JRS-OPEB	Other-OPEB
Year ended June 30:			
2020	$	(390)	(9,798)
2021		(390)	(8,320)
2022		(211)	(1,833)
2023		-	(505)
2024		-	(701)
Thereafter*		-	(1,861)
Total	$	(991)	(23,018)

(f) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability as of June 30, 2019, calculated using the discount rate of 3.87%, as well as what the OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than current rate (in thousands):

		At 1% decrease (2.87%)	At current discount rate (3.87%)	At 1% increase (4.87%)
ERS-OPEB	$	904,269	824,467	756,706
TRS-OPEB		485,491	440,834	403,023
JRS-OPEB		7,016	6,263	5,635

The following presents the Other-OPEB liability as of June 30, 2019, calculated using a discount rate rage of 2.98% to 3.50%, as well as what the Other-OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower (1.98% - 2.50%) or 1-percentage point higher (3.98% - 4.50%) than current rate (in thousands):

		At 1% decrease (1.98% - 2.50%)	At current discount rate (2.98% - 3.50%)	At 1% increase (3.98% - 4.50%)
PBA	$	12,234	10,443	8,979
PREPA		409,463	360,877	321,189
PRASA		86,558	75,427	66,310
PRHTA		3,505	3,169	2,867
UPR		257,464	226,844	201,514
SIFC		31,589	27,792	24,675

(g) Total Other Postemployment Benefits Liability for Blended and Discretely Presented Component Units Other-OPEB

(i) Plan Description and Membership

Public Buildings Authority

The Public Building Authority provides retirement healthcare benefits covered by a collective bargain agreement and is considered a single-employer plan. The benefits consist of a maximum monthly payment (annuity) to cover medical expenses. Participants groups covered are (i) employees under a Collective Labor Agreement with the "Union Independiente de Empleados de la Autoridad de Edificios Públicos" (UIEAEP), and (ii) PBA's management employees.

Puerto Rico Electric Power Authority Other Postemployment Benefits Plan

The Puerto Rico Electric Power Authority Retired Employees Healthcare Plan is a single-employer defined benefit healthcare plan where no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* and which is administered by PREPA. Benefit provisions under the OPEB Plan are established and may be amended by PREPA's Governing Board.

Puerto Rico Aqueduct and Sewer Authority Other Postemployment Benefits Plan

The Puerto Rico Aqueduct and Sewer Authority provides retirement healthcare benefits under the Healthcare Benefit Plan to Retirees pursuant to collective bargain agreements. The Plan is administered by PRASA. The benefit consists of a fixed maximum monthly payment (annuity) to cover medical expenses. Based on the Plan's features and functionality, and for the purpose of the actuarial valuation, it has been identified as a single-employer defined benefit healthcare plan. Participants groups covered are employees under the Collective Labor Agreement with "Unión Independiente Auténtica" ("UIA"), employees under the Collective Labor Agreement with "Hermandad Independiente de Empleados Profesionales de la Autoridad de Acueductos y Alcantarillados" ("HIEPAAA") and employees under the Managers' Regulation, all of which are PRASA's employees. All employees with more than twenty (20) years of rendered service within PRASA are eligible for the healthcare benefit upon retirement age. Act No.3 of April 4, 2013, an amendment to Act No. 447, established a new retirement age.

University of Puerto Rico Retirement System

The University of Puerto Rico provides postemployment benefits other than pension for its retired employees. Substantially all of the employees may become eligible for these benefits if they are eligible to retire under the University of Puerto Rico Retirement System (30 years of service, age 58 with 10 years of service or age 55 with 25 years of service). Employees are also eligible on disability with 10 years of service. The cost of providing such benefits is recognized when paid. The UPR Retirement System issues a publicly available financial report that includes additional financial information, other required disclosures and required supplementary information for the plan. That report may be obtained by writing to the University of Puerto Rico Retirement System at P.O. Box 21769, San Juan, Puerto Rico 00931-1769.

Puerto Rico Highways and Transportation Authority

The Puerto Rico Highways and Transportation Authority provides retirement healthcare benefits under the OPEB Program to eligible retirees, its spouses, and dependents, for a period of one year after retirement for union employees and for the reminder calendar year for management employees as a single employer defined benefit. The OPEB Plan can be amended by action of the PRHTA subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report because there are no assets legally segregated for the sole purpose of paying benefits under the OPEB plan.

State Insurance Fund Corporation Other Postemployment Benefits Plan

The State Insurance Fund Corporation provides retirement healthcare benefits under the OPEB Program to all employees who meet certain age and years of service requirements pursuant to collective bargain agreements. The benefits consist of fully-insured health and other healthcare related benefits which are funded from the SIFC's assets.

(ii) Recognition of Total Other Postemployment Liability Amounts

For those discretely presented component units that administer Other-OPEB plans, the following consists of the Total Other Postemployment Benefits Liability and Other Postemployment Benefits Expense recognized in their audited basic financial statements within the discretely presented component units (in thousands):

		Total OPEB liability	OPEB expense
Blended component units:			
PBA	$	10,443	335
Major component units:			
PREPA		360,877	(7,800)
PRASA		75,427	4,282
PRHTA		3,169	214
UPR		226,844	8,170
SIFC		27,792	—
	$	704,552	5,201

The following consists of the deferred outflows and deferred inflows of resources from other postemployment benefits activities by source reported at June 30, 2019, by those discretely presented component units referred to above (in thousands):

Other OPEB plans	Source		Deferred outflows of resources	Deferred inflows of resources
PBA	Differences between expected and actual experience in measuring the total pension liability	$	—	6,990
	Changes in assumptions		536	725
	Total GDB		536	7,715
PREPA	Benefits payments made subsequent to the measurement date		12,782	—
	Differences between expected and actual experience in measuring the total OPEB liability		—	15,782
	Changes in assumptions		5,963	8,896
	Total PREPA		18,745	24,678
PRASA	Differences between expected and actual experience in measuring the total OPEB liability		6,099	2,189
	Changes in assumptions		6,326	6,975
	Total PRASA		12,425	9,164

Other OPEB plans	Source		Deferred outflows of resources	Deferred inflows of resources
PRHTA	Changes in assumptions	$	54	—
	Total PRHTA		54	—
UPR	Benefits payments made subsequent to the measurement date		11,384	—
	Differences between expected and actual experience in measuring the total pension liability		—	2,446
	Changes in assumptions		3,354	—
	Total UPR		14,738	2,446
SIFC	Differences between expected and actual experience in measuring the total OPEB liability		—	895
	Changes in assumptions		—	452
	Total SIFC		—	1,347
Total	Benefits payments made subsequent to the measurement date		24,166	—
	Differences between expected and actual experience in measuring the total OPEB liability		6,099	28,302
	Changes in assumptions		16,233	17,048
	Total	$	46,498	45,350

(19) Debt Service Deposit Agreements

On May 26, 2005, the Commonwealth, PFC, and GDB (together the Commonwealth Entities) and Lehman Brothers Special Financing Inc. (Lehman) entered into Debt Service Deposit Agreements (DSD Agreements) effective on July 1, 2005. The objective of the DSD Agreement was for the Commonwealth Entities to secure an upfront payment in exchange for granting Lehman the rights to earnings generated from eight of its debt service funds. On September 25, 2008, as a result of Lehman commencing a case in the United States Bankruptcy Court for the Southern District of New York under Chapter 11 of Title 11 of the United States Code, Lehman selected Hexagon Securities LLC to act as the Qualified Dealer under the DSD Agreements and delivered Qualified Securities as permitted under the DSD Agreement. Seven of the funds are associated with the Commonwealth PFC bonds, presented in the accompanying basic financial statements as Commonwealth appropriation bonds, and one fund is associated with the Commonwealth's general obligation bonds. On May 26, 2005, the Commonwealth Entities received the upfront payment of approximately $82.7 million, representing the present value of the projected earnings income adjusted for credit timing risks as well as an appropriate amount of compensation for Lehman.

With the upfront payment, the Commonwealth Entities delivered to Lehman the required and scheduled debt service deposits and Lehman delivered qualified government debentures, which will mature before the next debt service payment date at an amount approximating such next debt service payment. Lehman will attempt to earn sufficient funds on the debt service deposit amounts, less its cost for the qualified government debentures, to make back the $82.7 million over time. At the same time, the Commonwealth Entities will be managing their borrowings and investments by increasing the predictability of its cash flows from earnings on its investments and not for purposes of speculation. The Commonwealth Entities acknowledge that, in exchange for the upfront payment received, they are foregoing their rights to receive investment earnings on the deposit amounts referred to above in the future and that, by accepting the upfront payment, the

Commonwealth Entities have minimized the risks resulting from fluctuations in interest rates during the term of the DSD Agreements but also have foregone the possibility of receiving greater returns on such amounts from such fluctuations.

Under the DSD Agreements, the Commonwealth Entities will be exposed to the payment to Lehman of a Termination Amount, as defined in the agreement, principally upon the occurrence of redemption or a defeasance of the related bonds on or prior to the last scheduled deposit date. The amount of the Termination Amount will vary depending on various market conditions, as defined in the DSD Agreements. Under certain market conditions, the Termination Amount owed to Lehman by the Commonwealth may exceed the amount of the original upfront payment received.

The $82.7 million upfront payment received by the Commonwealth Entities was recognized as other revenue for budgetary purposes in 2005; however, under U.S. GAAP, such upfront payment was deferred and is being recognized proportionally over the future periods the Commonwealth Entities would have otherwise earned such interest earnings. The unamortized balance amounted to approximately $8.6 million and is a component of unearned revenue at June 30, 2019. During fiscal year 2019, approximately $2.2 million was amortized into other revenue in the Governmental Activities of the accompanying statement of activities

(20) Swap Agreement Settlement

On February 11, 2019, the Title III Court ordered the approval of a settlement regarding a Swap Agreement, as amended (Swap Agreement), originally entered into on July 12, 2007, between COFINA and Goldman Sachs (GS) and with a fair value of approximately $65.9 million at February 12, 2019. In connection with the Swap Agreement, COFINA posted with GS collateral in a designated account that, as of February 6, 2019, contained approximately $49.9 million. From February 2, 2017, up to and including the date hereof, periodic payments in the aggregate amount of approximately $8 million became due and owed pursuant to the Swap Agreement. The COFINA Plan of Adjustment provided for the allowance of a claim relating to the Swap Agreement and alternative treatments for such claim depending upon the priority of GS's claim. Also, the COFINA Plan of Adjustment specified that all executory contracts and unexpired leases that exist between COFINA and any entity, and which have not expired by their own terms on or prior to the confirmation date of the COFINA Plan of Adjustment, would be deemed rejected by COFINA as of the Effective Date. Pursuant to this provision, the Swap Agreement was deemed rejected on the Effective Date and COFINA and GS agreed to the following: (1) the rejection of the Swap Agreement pursuant to the terms hereof, (2) the quantification of damages associated with such rejection, and (3) the treatment of such claims in accordance with the provisions of the COFINA Plan of Adjustment. As part of the settlement, any and all of the collateral was determined to be for GS's benefit, free from any claim or right of any nature whatsoever and on February 12, 2019, COFINA paid to GS an additional amount of $11 million. Upon payment, COFINA and GS have no further obligation to each other pursuant to the COFINA Plan of Adjustment or the Swap Agreement, and each party was discharged and released of any claims and liabilities to the other arising from or relating to the Swap Agreement.

(21) Fund Balance (Deficit)

Below is the detail included in the fund balance (deficit) classifications for the governmental funds as of June 30, 2019 (in thousands):

	General	Debt service	Employees' Retirement System of the Governmet of the Commonwealth of Puerto Rico	COFINA Special revenue	COFINA Debt service	Nonmajor governmental	Total governmental
Nonspendable:							
Inventory	$ —	—	—	—	—	487	487
	—	—	—	—	—	487	487
Spendable:							
Restricted for:							
General government	6,050	—	851,090	—	—	—	857,140
Public housing and welfare	91,661	—	—	—	—	—	91,661
Health	—	—	—	—	—	772	772
Education	5,836	—	—	—	—	320,464	326,300
Public safety	—	—	—	—	—	36,203	36,203
Capital projects	—	—	—	—	—	206,545	206,545
Debt service	—	—	—	—	—	107,587	107,587
Subtotal	103,547	—	851,090	—	—	671,571	1,626,208
Committed to:							
Public housing and welfare	—	—	—	—	—	11,204	11,204
Subtotal	—	—	—	—	—	11,204	11,204
Assigned to:							
General government	—	—	—	—	—	40,223	40,223
Public housing and welfare	479	—	—	—	—	—	479
Debt service	—	—	—	21,426	—	—	21,426
Subtotal	479	—	—	21,426	—	40,223	62,128
Unassigned	7,424,101	(2,905,671)	—	—	(6,360)	(1,212,837)	3,299,233
Total fund balance (deficit)	$ 7,528,127	(2,905,671)	851,090	21,426	(6,360)	(489,352)	4,999,260

The following table presents individual information of deficit fund balance and net position of nonmajor governmental and proprietary funds (in thousands):

Nonmajor governmental	Fund balance	Nonmajor proprietary	Net position
PBA Special Revenue Fund	$ (25,031)	Lotteries	$ (33,445)
PA Special Revenue Fund	(6,086)		
SCPT Special Revenue Fund	(19,128)		
UPRCCC	(5,145)		
PBA Debt Service Fund	(660,848)		
PRIFA Debt Service Fund	(465,976)		
PRMSA Debt Service Fund	(27,366)		
Total	$ (1,209,580)		

(22) Subsequent Events

Subsequent events were evaluated through April 8, 2022, to determine if any such events should either be recognized or disclosed in the 2019 basic financial statements. The subsequent events disclosed below are principally those related to debt activities, including credit rating downgrade events, other revenue and/or budget related matters and fiscal events and related legislation, both local and federal, that management believes are of public interest for disclosure.

Primary Government

(a) Certain U. S. Internal Revenue Service Examinations

The United States Internal Revenue Service (the IRS) issued several letters from February to March 2019 to PBA, PREPA, COFINA and PRMFA to inform them that the IRS is conducting certain investigations. Related to Forms 8038-CP (Return for Credit Payments to Issuers of Qualified Bonds, as defined by IRS) related to certain Bond issuances.

PBA, PREPA, COFINA and PRMFA intend to respond to all correspondence from the IRS and intend to continue to cooperate with the IRS in connection with the above referenced examinations and are working with their representatives to respond to these IRS examinations in a timely manner.

In April 2019, the IRS filed an administrative expense claim against COFINA for the return of the Paid Subsidies. On June 12, 2019, with permission of the Oversight Board, FAFAA filed an objection to the IRS claim on behalf of COFINA. On October 25, 2019, the IRS filed a response to COFINA's objection. On December 24, 2019, on behalf of COFINA, FAFAA filed its reply to the IRS's response. Negotiations between COFINA and the IRS regarding settlement of the IRS claim are ongoing. A hearing before the Title III Court is scheduled for May 2022.

(b) Natural Disasters

(i) Earthquakes

On January 7, 2020, Puerto Rico was struck by a 6.4 magnitude earthquake causing devastating damages to infrastructure, an island wide power outage, water shortages and threatening the lives of its people. In order to safeguard the health and public safety of its citizens, the Governor issued executive orders EO 2020-01 and EO 2020-02 declaring a state of emergency to activate the emergency purchasing protocol allowing emergency management agencies to acquire the necessary supplies and essential services to provide a timely and effective response and activating the National Guard to provide support during the emergency management.

In addition, the Oversight Board authorized the utilization of Emergency Reserve funds from fiscal years 2019 and 2020 as needed by the Commonwealth without prior approval of reapportionments through January 31, 2020.

President Trump also approved an emergency declaration allowing direct federal assistance for emergency measures to protect lives, property, and public health after the series of earthquakes.

On January 11, 2020, the Governor issued executive order EO 2020-07 authorizing the appropriation of $12 million from the Emergency Fund to be distributed equally between the municipalities of Gúanica, Guayanilla, Peñuelas, Ponce, Utuado and Yauco to be used exclusively for damages and mitigation related to the emergency.

A preliminary assessment of the damages caused by the earthquake and subsequent aftershocks (excluding the May 2, 2020, earthquake discussed below), calculated by the United States Geological Survey, estimated total economic damages at approximately $836 million.

On January 8, 2021, Governor Pierluisi signed executive order EO-2021-011, which declared that any reconstruction project that is necessary due to damages from Hurricanes Irma and Maria or earthquakes will be considered a critical project that should be treated with agility and urgency. To that end, EO-2021-011 created a Council for Reconstruction (the Council) that will identify and recommend critical reconstruction projects and determine their respective priority. The Council will be required to prioritize projects to rebuild houses damages by the hurricanes and earthquakes, projects to rebuild and modernize the electric and sewer system and projects to rebuild public schools.

(ii) Status of Federal Disaster Relief Funds

The Government continues to coordinate relief and funding efforts to address the natural disasters that have affected Puerto Rico in recent years, including the continued recovery following Hurricanes Irma and Maria and the earthquakes that impacted (and continue to impact) the southern and southwestern part of Puerto Rico. As of March 28, 2022, approximately $78.6 billion has been appropriated by the United States Congress to Puerto Rico for disaster relief and recovery efforts. Of this amount, approximately $65.8 billion has been committed by federal agencies for distribution and $23 billion has been disbursed. Of the amounts obligated and disbursed, FEMA has approved approximately $37.7 billion and disbursed approximately $15 billion of the total amounts detailed above.

(iii) Revolving Funds for the Reconstruction of Puerto Rico

On November 18, 2020, Joint Resolution 85 was approved by the Legislature in order to establish a revolving fund in the amount of $750 million to advance funding for permanent work projects under the Public Assistance Program of the Federal Emergency Management Agency (FEMA). These funds will allow municipalities and other state dependencies to access much needed funding to develop permanent reconstruction works. Funding may be used specifically for reconstruction projects needed as a result of recent disasters, such as, the passage of Hurricanes Irma and María, and the earthquakes.

(c) COVID-19 Pandemic

(i) Executive Orders

On March 11, 2020, the World Health Organization declared the Coronavirus disease caused by a novel coronavirus (COVID-19) as a global pandemic. As a result of the health threat and to contain the virus spread across the island, Governor Váquez-Garced issued executive order EO 2020-020, on March 12, 2020, declaring a state of emergency in Puerto Rico to concentrate all efforts and implement necessary measures to safeguard the health, well-being and public safety of the citizens of Puerto Rico. The executive order authorized the Secretary of the DOT and the Executive Director of the PROMB to set up a special budget, from any available funds, including the Emergency Fund, to cover all necessary costs for the containment of the virus throughout the island and sharing information with the municipalities. Numerous executive orders have been subsequently issued by the Governor to manage all COVID-19 related matters.

As the Government observes and assesses the results of its measures to control the negative health and economic effects of COVID-19 on the people of Puerto Rico and Puerto Rico's economy, it will re-evaluate and further amend business restrictions as necessary to promote economic recovery while preserving the health, welfare, and safety of the people of Puerto Rico.

(ii) Economic Stabilization Measures

On March 23, 2020, the Oversight Board agreed with the Commonwealth to provide support to the Puerto Rican people, frontline workers, educators and students, and small businesses. The $788 million Emergency Measure Support Package consisted of $500 million that had to be authorized as an incremental appropriation to the fiscal year 2020 General Fund budget in compliance with the budgetary process under PROMESA, $157 million of reapportionment within the current fiscal year 2020 Commonwealth General Fund budget, and $131 million of Federal funds. This Emergency Measures Support Package was in addition to the availability of $160 million from Puerto Rico's Emergency Reserve Fund the Oversight Board had already authorized. As of January 22, 2021, the Government has disbursed $477 million of the $788 million approved in the Emergency Measure Support Package.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), commonly known as "Phase Three" of coronavirus economic relief. The CARES Act provides a stimulus to individuals, businesses, and hospitals in response to the economic distress caused by the COVID-19 pandemic; creates a $349 billion loan program for small businesses, including 501©(3) non-profits and physician practices; allocates $500 billion for assistance to businesses, states, and municipalities; expands telehealth services in Medicare, including services unrelated to COVID-19 treatments; expands eligibility for unemployment insurance and provides people with an additional $600 per week on top of the unemployment amount determined by each state; expands the Defense Production Act, allowing for a period of two-years when the government may correct any shortfall in resources without regard to the current expenditure limit of $50 million; provides the U.S. Secretary of the Treasury with the authority to make loans or loan guarantees to states, municipalities, and eligible businesses and loosens a variety of regulations prior legislation imposed through the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Economic Stabilization Act of 2008, and others; and authorizes supplemental appropriations to help the government respond to COVID-19 pandemic emergency.

On December 27, 2020, President Trump signed into law the *Consolidated Appropriations Act of 2021* (the Appropriations Act), which provided an additional $900 billion stimulus relief for the COVID-19 pandemic in the United States, including the territories. Importantly, the Appropriations Act extended the deadline by which the CARES Act and Coronavirus Relief Fund must be spent through December 31, 2021. Moreover, the Appropriations Act provided another round of direct payments to individuals, enhanced unemployment benefits, education funding, and aid to sectors affected by the economic impact of the pandemic. Among the stimulus, the Appropriations Act provided a direct economic relief via stimulus checks of $600 for individuals making up to $75,000 per year, $1,200 for couples making up to $150,000, and an extra $600 for dependent children that are under 17 years old. The Department of Treasury estimated that approximately 2.8 million Puerto Rico residents will benefit from this program. As of January 22, 2021, the DOT has disbursed $760 million to approximately 800,000 families.

On March 11, 2021, President Biden signed into law the *American Rescue Plan Act of 2021* (the American Rescue Plan), which provided an additional $1.9 trillion stimulus relief for the COVID-19 pandemic in the United States, including the territories. The American Rescue Plan built upon the measures in the CARES Act and Appropriations Act, including by providing for, among other things, (i) $1,400 direct payments to individuals making up to $75,000 per year and $2,800 for couples making up to $150,000 (which phase out at $80,000 and $160,000 respectively), plus an additional $1,400 for each child and/or adult dependent; (ii) an extension of expanded unemployment benefits with a $300 weekly supplement through September 6, 2021; (iii) various tax benefits; (iv) grants to small businesses; (v) education and housing assistance funding; (vi) additional COVID-19 related funding for vaccines, testing, and contract tracing, among other healthcare-related funding; and (vii) transportation-related funding. Importantly, for the first time ever, the American Rescue Plan permanently expanded the federal Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) to Puerto Rico and the U.S. territories. The U.S. Joint Committee on Taxation estimated that the EITC reform likely will result in nearly $8.1 billion in federal payments to all territories over the next decade (of which Puerto Rico would receive the largest portion), and the CTC reform likely will result in more than $4.5 billion in payments to Puerto Rican families through 2026.

Discretely Presented Component Units

Further specific subsequent events for major discretely presented component units follow:

(a) *PRHTA*

On February 22, 2022, the Oversight Board approved a revised fiscal plan (the PRHTA Fiscal Plan) to provide a roadmap for transforming not only PRHTA, but also infrastructure across Puerto Rico to catalyze economic growth. PRHTA has four objectives aligned with this goal: (a) transit security and safety projects; (b) improvement of existing transportation infrastructure; (c) completing highway systems; and (d) traffic reduction.

On May 5, 2021, the Oversight Board—as representative of the Commonwealth and PRHTA—entered into the HTA/CCDA PSA with certain holders of PRHTA and PRCCDA bonds, Assured Guaranty Corp., and National Public Finance Guarantee Corp. to settle certain claims against the Commonwealth regarding the bonds issued by PRHTA and PRCCDA, as well as claims against those issuers. The terms of the HTA/CCDA PSA have been incorporated into the Eighth Amended Plan for the Commonwealth, ERS, and PBA. The HTA/CCDA PSA also provides that PRHTA must file its own plan of adjustment—consistent with the economic provisions under the HTA/CCDA PSA—that would enable PRHTA to exit its Title III proceeding by the end of calendar year 2022.

(b) *PREPA*

(i) Fiscal Plan

On May 27, 2021, the Oversight Board approved the Certified 2021 Fiscal Plan for PREPA. On January 27, 2022, Oversight Board certified the Commonwealth Fiscal Plan. Even though the PREPA has its own Fiscal Plan, the Commonwealth Fiscal Plan includes a discussion of energy reform and the PREPA's transformation. The Commonwealth Fiscal Plan provides that, over the next five years, the power sector in Puerto Rico must continue its transformation and modernization to support the delivery of reliable, clean, and affordable power. The Commonwealth must continue to implement a comprehensive energy sector reform to enable a successful transformation and unlock the resulting growth from Fiscal Plan projects. Pursuant to the Commonwealth Fiscal Plan, the successful transformation of Puerto Rico's power sector depends on: (i) implementing regulatory reform supported by the Puerto Rico Energy Bureau, (ii) transitioning the PREPA's electricity grid operation and generation assets to private operators through private public partnerships, while moving the energy system to 100% renewables, and (ii) restructuring the PREPA's legacy debt obligations to be able to access capital markets and support the modernization of the power grid.

(ii) Transformation

On January 22, 2018, then Governor Rosselló announced that the Commonwealth would begin the transformation of PREPA. On October 31, 2018, the Governor announced the request for qualifications (RFQ) from interested entities in managing and operating PR'PA's electric power transmission and distribution system, pursuant to a long-term public-private partnership agreement. After a robust and competitive procurement process that lasted more than 18 months, the Partnership Committee (the Partnership Committee) established by the Puerto Rico Public-Private Partnership Authority (the P3 Authority) pursuant to Section 5 of Act 120, as amended, determined to recommend to the board of directors of the P3 Authority (the P3 Authority Board) that the contract (the T&D Contract) for the management, operation, maintenance, repair, restoration, and replacement of the Puerto Rico electric power transmission and distribution system (the Project) be awarded to a consortium composed of: (i) ATCO Ltd. (ATCO), Quanta Services, Inc. (Quanta) and Innovative Emergency Management, Inc. (IEM), which consortium has been incorporated as LUMA Energy (LUMA Energy).

On June 22, 2020, PREPA's Governing Board and the Government of Puerto Rico, pursuant to the procedures set forth in Act 29-2009 (as amended), each approved the T&D Contract. Following these approvals, the T&D Contract was then signed by the parties on June 22, 2020.

On April 20, 2021, UTIER filed an adversary proceeding against PREPA challenging the implementation of the T&D Contract with LUMA. UTIER filed a motion for a preliminary injunction to enjoin LUMA from taking over operations of PREPA's T&D System. The Court denied that motion on May 21, 2021. Plaintiffs then filed a motion asking the Court to reconsider that decision one week later (the Motion for Reconsideration), on May 28, 2021, based on their contention that the Court applied an outdated version of Act 120-2018. The Court denied the Motion for Reconsideration on June 1, 2021, and LUMA commenced operating and maintaining PREPA's transmission and distribution system the same day. For further information, refer to the case description in Note 16 for *UTIER v. Pierluisi-Urrutia,* Adv. Pro. No. 21-00041-LTS (D.P.R. April 20, 2021).

On May 6, 2021, PREPA ERS filed a complaint against the Authority with substantially similar causes of action as in the UTIER adversary proceeding. For further information, refer to the case description in Note 16 for *SREAEE v. Pierluisi-Urrutia,* Adv. Pro. No. 21-00049-LTS (D.P.R. May 6, 2021).

On June 1, 2021, pursuant to the T&D Contract, LUMA took over the management and operation of PREPA electric power transmission and distribution system.

(c) ***PRASA***

(i) *Fiscal Plan*

On May 27, 2021, the Oversight Board approved its latest 6-year fiscal plan for PRASA (the PRASA Fiscal Plan) pursuant to PROMESA and the requirements imposed by the Oversight Board. The PRASA Fiscal Plan includes a series of new initiatives, including, among others, rate increases, a Public Private Partnership project for improving commercial services, increases in government account collections, reductions in physical water losses, and new federal funding. Please refer to the PRASA Fiscal Plan published in the Oversight Board webpage.

(ii) *USDA and SRF Debt Modification*

On July 2019, PRASA and FAFAA consummated definitive agreements (the "Agreements") restructuring PRASA's debt obligations under the Environmental Protection Agency's Clean Water and Drinking Water State Revolving Funds programs (SRF) and the United States Department of Agriculture's Rural Development, Rural Utilities Service program (RD) totaling almost $1 billion.

The Agreements were approved by The Oversight Board pursuant to Section 207 of PROMESA. The Agreements include the termination of existing Commonwealth guarantees of the Federal Debts, thus reducing overall Government contingent liabilities and the consolidation of all the restructured debt into two SRF loans and one RD loan with extended maturities and/or lower interest rates. The restructured debt was designated as Other System Indebtness in parity with other senior debt under PRASA's Master Agreement of Trust and in not guaranteed by the Commonwealth.

(iii) *Capital Improvement Program Reactivation*

In fiscal year 2016, PRASA was forced to suspend the execution of all CIP projects and important renewal work, such as replacing inefficient meters and failed/leaking pipelines was deferred.

Starting in fiscal year 2019, PRASA re-activated all regulatory-driven CIP projects and re-started its deposits into the Capital Improvement Fund. In addition, PRASA regained access to low interest deferral loans during fiscal year 2020 as a result of the restructuring of a substantial portion of the Commonwealth Guaranteed Indebtedness as Senior Indebtedness.

In 2020, PRASA faced a new dry season where 50% of the island went under moderate to severe drought conditions. A water rationing plan was implemented affecting around 140,000 clients served by the Carraizo system from July 2 to July 27, 2020. Additionally, around 23,000 clients served by the water treatment plants of Canovanas, El Yunque, Jaguar and Guzman Arriba were also under water rationing as a result of eater levels at the water intakes at the rivers serving the plants.

(iv) *PRASA Restructuring Transactions*

(a) *Settlement of GDB Loan*

On February 29, 2012, PRASA entered into a line of credit agreement with GDB (the Loan Agreement), which provided an available maximum amount of $150 million for the purpose of assisting with PRASA's cash flow needs. The Loan Agreement had an amortization period of fifteen (15) years, payable in nineteen (19) quarterly payments, commencing on June 30, 2014, plus a final balloon payment (of such amount as may be the balance then outstanding) on the maturity date. The Loan Agreement was subsequently transferred to the DRA upon consummation of the Qualifying Modification. At the time of the transfer to the DRA, the outstanding principal amount under the Loan Agreement was $57.5 million, plus accrued, and unpaid interest. On November 10, 2020, PRASA, FAFAA, DRA, and the servicer and collateral monitor for DRA reached an agreement to resolve and settle in full all PRASA's obligations under the Loan Agreement for a one-time payment in the amount of $20.5 million (the Settlement Agreement). On November 20, 2020, the Oversight Board approved the settlement and that same day PRASA made the required payment in full. Pursuant to the terms of the Settlement Agreement, the Loan Agreement was terminated and PRASA has no further obligation under it.

(b) *2020 Refunding Transaction*

On December 17, 2020, PRASA issued its 2020 Series A and Series B Revenue Refunding Bonds (the 2020 Senior Bonds) in the amount of $1,351.3 million and $18.8 million, respectively, for the purpose of refunding a portion of the outstanding bonds of PRASA. The total aggregate amount of the 2020 Senior Bonds issued was approximately $1.37 billion. The proceeds of the 2020 Senior Bonds were used to (i) refinance a portion of the outstanding 2008 Revenue Bonds, Series A and Series B (Senior Lien) (ii) refinance all of PRASA's outstanding Revenue Refunding Bonds, 2008 Series A and 2008 Series B, and (iii) pay costs of issuance of the 2020 Senior Bonds. The par amount of the refunded bonds equals $1.4 billion. Through the 2020 Senior Bonds, PRASA will be able to generate $350 million of debt service savings over the life of the 2020 Senior Bonds.

(c) *2021 Refunding Transaction*

On August 25, 2021, PRASA issued its Series 2021A, Series 2021B, Series 2021C, and Series 2022A Revenue Refunding Bonds (the 2021-2022 Senior Bonds) in the amount of $92.3 million, $842.4 million, $155.1 million, and $565.1 million, respectively, for the purpose of refunding a portion of the outstanding bonds of PRASA. The total aggregate amount of 2021-2022 Senior Bonds issued was approximately $1.6 billion. The proceeds of the 2021-2022 Senior Bonds were used to execute various transactions, including (i) a $842.4 million exchange of certain of PRASA's outstanding Series 2012A bonds, (ii) a $92.3 million tender for cash for certain of PRASA's outstanding Series 2012A bonds, (iii) a $155.1 million current taxable refunding of all PRASA's outstanding Series 2012B bonds; (iv) a $565.2 million forward delivery refunding of remaining Series 2012A bonds; and (v) a $209 million premium payment. The par amount of the refunded bonds equals $1.8 billion. Through the 2021-2022 Senior Bonds, PRASA will be able to generate $570 million of debt service savings over the life of the 2021-2022 Senior Bonds.

(v) 2020 Clean Water State Revolving Funds Loan

After the July 2019 successful debt restructuring of PRASA's outstanding loans under the Puerto Rico State Revolving Fund Program (the SRF Program), with the agreement of and in collaboration with the Environmental Protection Agency (EPA), PRASA regained access to funds from the SRF Program. On August 18, 2020, PRASA entered into a loan agreement with the Puerto Rico Department of Natural Resources and PRIFA for loans totaling up to $163 million to allow for funding of 28 wastewater capital improvement projects.

The executed loan agreement provides for a 30-year amortization after completion of the relevant projects, with a 1% interest rate. The loans were designated as Senior Indebtness under PRASA's Master Agreement of Trust.

(vi) 2021 Drinking Water State Revolving Funds Loan

Effective as of August 30, 2021, PRASA entered into a Financial Assistance Agreement with the Puerto Rico Department of Health and PRIFA for loans totaling $22,202,195.00 under the Puerto Rico Drinking Water State Revolving Fund Program. The loans provides for a 30-year amortization after completion of the relevant projects, with a 1% interest rate. The loans were designated as Senior Indebtness under PRASA's Master Agreement of Trust.

(vii) 2021 Clean Water State Revolving Funds Loan

Effective as of October 28, 2021, PRASA entered into a Financial Assistance Agreement with the Puerto Rico Department of Natural Resources and PRIFA for loans totaling $23,783,912.00 under the Puerto Rico Water Pollution Control Revolving Fund Program. The loans provides for a 30-year amortization after completion of the relevant projects, with a 1% interest rate. The loans were designated as Senior Indebtness under PRASA's Master Agreement of Trust executed an additional $32 million financial assistance agreement for investments into water distribution and other infrastructure.

(d) UPR

On August 5, 2016, the trustee of the Desarrollos Universitarios Inc. (DUI)'s AFICA Bonds notified UPR that it failed to make the basic lease payment to the trustee on July 25, 2016, and that a default under the lease agreement with DUI constitutes an event of default under the DUI's AFICA Bonds Trust Agreement. At this time, the trustee did not seek to collect or recover any indebtedness from, enforce any judgment against, obtain possession of, or exercise control over, any property of or from, the Commonwealth or any of its instrumentalities, including DUI and UPR, or exercise any act that was stayed by PROMESA, the Moratorium Act, or any Executive Orders related thereto. For additional information regarding the Moratorium Act, refer to Note 3. On or around the time that the PROMESA Title IV stay expired, the trustee again notified UPR that it was in default for failure to make the outstanding lease payments. In May 2017, UPR made the outstanding lease payments and continued to do so until July 2018. On December 19, 2018, DUI notified to the trustee of its AFICA Bonds that the UPR took the position that its Qualified Operations and Management Agreement (the “Operations and Management Agreement”) with the UPR for the operation, maintenance, and management of Plaza Universitaria facilities is no longer in existence. According to DUI, the UPR has not made a payment to DUI pursuant to the Operations and Management Agreement since July 2018, which now constitutes an event of default under the lease agreement, the loan agreement, and the trust agreement. On January 3, 2019, the trustee of the DUI’s AFICA Bonds notified the UPR that its failure to comply with the terms of the Operations and Management Agreement may constitute a default under the lease agreement, and that a default under the lease agreement could lead to an event of default under the loan agreement, which causes an event of default under the trust agreement. On January 11, 2019, the University and the Fiscal Agency and Financial Advisory Authority (FAFAA) notified the trustee of the DUI’s AFICA Bonds that they dispute several of the statements set forth in the DUI letter, including the obligation of the University to satisfy certain of the payments DUI alleges are outstanding under the Operations and Management Agreement.

On April 30, 2019, DUI filed a civil action requesting declaratory judgements regarding: (a) the expiration date of the Operations and Management Agreement and the fact that it remains in force; (b) the fact that the University has defaulted under the terms of said agreement and concurrently other ancillary agreements; (c) the amounts owed by the University under said agreement; and (d) the obligation of the University to fully fund the Working Capital account. Amounts claimed by DUI to the University for reimbursable expenditures fees, as defined in the Operations and Management Agreement, amounted to approximately $2.6 million as of June 30, 2020.

In a letter dated May 22, 2020, DUI notified the Trustee of its AFICA Bonds that the University has repeatedly failed to pay contractual sums due to DUI since July 1, 2018, under the Operations and Management Agreement. In a subsequent communication to the Trustee of the DUI’s AFICA Bonds, DUI stated that it will close the Plaza Universitaria facilities and that it will no longer operate, manage, and maintain the Plaza Universitaria facilities.

In a letter dated June 22, 2020, the Trustee of the DUI’s AFICA Bonds notified the University that the University’s failure to comply with the terms of the Operations and Management Agreement may constitute a default under paragraph 7.1(b) of the lease agreement, and that a default under the lease agreement could lead to an event of default under section 7.01(g) of the loan agreement, which causes an event of default under section 801(d) of the trust agreement.

On June 22, 2020, DUI filed a request for summary judgement restating its claims in the original complaint and updating amounts due by the University thought July 31, 2020. The University contested the motion. A hearing was held in August 2020, where both parties presented their arguments. On September 17, 2020, the Court issued an order that all arguments were under the advisement pending the Court’s final determination and adjudication.

On October 28, 2020, the University formally notified DUI of the termination of the Operations and Management Agreement effective October 31, 2020, pursuant to Section 3.01 (iii) thereof. After October 2020, all operating activities as contemplated in the Operations and Management Agreement were assumed by the University.

On December 1, 2020, the Court issued an order denying the University's motion for dismissal of the complaint. On December 16, 2020, the University filed an appeal. DUI has also moved the Court for the entry of injunctive relief as it understands that the University has unduly interfered with DUI's management of Plaza Universitaria, despite of DUI's reiterated admission of insolvency. The University opposed DUI's request for injunctive relief on December 31, 2020. On February 18, 2021, the Court denied the DUI's request for injunction and ordered the continuation of DUI's claim via the Court's ordinary course.

On January 22, 2021, the University entered into a Memorandum of Understanding (MOU) with the University of Puerto Rico Parking System, Inc. (UPRPS), a component unit of the University, in which the University appointed UPRPS, as the administrative agent, responsible for the maintenance, repairs and operation of Plaza Universitaria facilities. The University will pay $15,000 monthly as a fee for acquiring, screening, and renting the premises and managing the property, up to $90,000, and the University will reimburse all expenses, including but not limited to repair, security, maintenance, utilities, and any other expenses, up to $300,000, for the term of the MOU. The MOU expires on June 30, 2021.

The Oversight Board has certified six fiscal plans for the University since 2017. Considering the many variables in the forecasts, the Oversight Board has chosen to annually update and certify a Fiscal Plan for accuracy and to serve as the most updated information for the purposes of certifying an annual budget. These various University's Fiscal Plans, in accordance with PROMESA, have outlined a path to achieve fiscal responsibility, maintain access to capital markets, and provide adequate funding for the University's Retirement System.

(e) GDB

(i) Budgetary Events and Related Legislation

For fiscal years 2020, 2021 and 2022 the Oversight Board's certified budgets did not include appropriations to repay any of the GDB's outstanding loans.

REQUIRED SUPPLEMENTARY INFORMATION

COMMONWEALTH OF PUERTO RICO

Required Supplementary Information (Unaudited)

Schedule of Changes in Total Pension Liability and Related Ratios for Single-Employer Pension Plans – TRS

(Amounts in thousands)

The Schedule of Changes in the Total Pension Liability for Single-Employer Pension Plans presents the changes in the liability for the System of Annuities and Pensions for Teachers (TRS) at June 30, 2019:

		2019*
Total pension liability:		
Service cost	$	240,453
Interest		581,585
Effect of plan changes		(23,125)
Effect of economic/demographic gains(losses)		67,795
Effect of assumptions changes or inputs		(559,013)
Benefit payments		(786,093)
Net change in total pension liability		(478,398)
Total pension liability – beginning		16,417,644
Total pension liability – ending (a)		15,939,246
Covered-employee payroll		933,331
Employer's total pension liability as a percentage of covered-employee payroll		1707.78%

Notes:

Schedule is intended to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not required in accordance with the current GASB standards, they should not be reported.

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

See accompanying notes to required supplementary information and independent auditors' report.

COMMONWEALTH OF PUERTO RICO

Required Supplementary Information (Unaudited)

Schedule of Changes in Total Pension Liability and Related Ratios for Single-Employer Pension Plans – JRS

(Amounts in thousands)

The Schedule of Changes in the Total Pension Liability for Single-Employer Pension Plans presents the changes in the liability for the Retirement System for the Judiciary of the Commonwealth of Puerto Rico (JRS) at June 30, 2019:

		2019*
Total pension liability:		
Service cost	$	20,652
Interest		22,292
Effect of plan changes		(408)
Effect of economic/demographic gains(losses)		(38,268)
Effect of assumptions changes or inputs		(22,787)
Benefit payments		(26,581)
Net change in total pension liability		(45,100)
Total pension liability – beginning		615,604
Total pension liability – ending (a)		570,504
Covered-employee payroll		33,343
Employer's total pension liability as a percentage of covered-employee payroll		1711.02%

Notes:

Schedule is intended to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not required in accordance with the current GASB standards, they should not be reported.

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COMMONWEALTH OF PUERTO RICO

Required Supplementary Information (Unaudited)

Schedule of Changes in Total Pension Liability and Related Ratios for Single-Employer Pension Plans –

(Amounts in thousands)

The Schedule of Changes in the Total Pension Liability for Single-Employer Pension Plans presents the changes in th
for the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) at June 30, 20

		2019*
Total pension liability:		
Service cost	$	72,908
Interest		933,312
Effect of plan changes		(1,536,651)
Effect of economic/demographic gains(losses)		(890,978)
Effect of assumptions changes or inputs		(966,007)
Benefit payments		(1,320,365)
Net change in total pension liability		(3,707,781)
Total pension liability – beginning		28,181,328
Total pension liability – ending (a)		24,473,547
Covered-employee payroll		2,780,036
Employer's total pension liability as a percentage of covered-employee payroll		880%

Notes:

Schedule is intended to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not required in accordance with the current GASB standards, they should not be reported.

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

See accompanying notes to required supplementary information and independent auditors' report.

COMMONWEALTH OF PUERTO RICO

Required Supplementary Information (Unaudited)

Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios for Single-Employer Pension Plans – TRS

(Amounts in thousands)

The Schedule of Changes in the Total Other Postemployment Benefits Liability for Single-Employer Pension Plans presents the changes in the liability for the System of Annuities and Pensions for Teachers (TRS) at June 30, 2019:

		2019*	2018*
Total other postemployment benefits liability:			
Service cost	$	—	—
Interest		16,166	14,621
Effect of plan changes		—	—
Effect of economic/demographic gains(losses)		3,914	(750)
Effect of assumptions changes or inputs		(13,242)	(39,718)
Benefit payments		(34,814)	(36,493)
Net change in total other postemployment benefits liability		(27,976)	(62,340)
Total other postemployment benefit liability – beginning		468,810	531,150
Total other postemployment benefits liability – ending (a)		440,834	468,810
Covered-employee payroll		N/A	N/A
Employer’s other postemployments benefits liability as a percentage of covered-employee payroll		N/A	N/A

Notes:

Schedule is intended to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not required in accordance with the current GASB standards, they should not be reported.

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

See accompanying notes to required supplementary information and independent auditors’ report.

COMMONWEALTH OF PUERTO RICO

Required Supplementary Information (Unaudited)

Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios for Single-Employer Pension Plans – JRS

(Amounts in thousands)

The Schedule of Changes in the Total Other Postemployment Benefits Liability for Single-Employer Pension Plans presents the change in the liability for the Retirement System for the Judiciary of the Commonwealth of Puerto Rico (JRS) at June 30, 2019:

		2019*	**2018***
Total other postemployment benefits liability:			
Service cost	$	238	290
Interest		252	217
Effect of plan changes		—	—
Effect of economic/demographic gains(losses)		(622)	(48)
Effect of assumptions changes or inputs		(223)	(665)
Benefit payments		(337)	(336)
Net change in total other postemployment benefits liability		(692)	(542)
Total other postemployment benefits liability – beginning		6,955	7,497
Total other postemployment benefits liability – ending (a)		6,263	6,955
Covered-employee payroll		33,343	31,829
Employer's other postemployment benefits liability as a percentage of covered-employee payroll		18.78%	21.85%

Notes:

Schedule is intended to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not required in accordance with the current GASB standards, they should not be reported.

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

See accompanying notes to required supplementary information and independent auditors' report.

COMMONWEALTH OF PUERTO RICO

Required Supplementary Information (Unaudited)

Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios for Single-Employer Pension Plans – ERS

(Amounts in thousands)

The Schedule of Changes in the Total Other Postemployment Benefits Liability for Single-Employer Pension Plans presents the changes in the liability for the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) at June 30, 2019:

		2019*	2018* as restated
Total other postemployment benefits liability:			
Service cost	$	—	—
Interest		35,682	30,613
Effect of plan changes		—	—
Effect of economic/demographic gains(losses)		(17,392)	(11,175)
Effect of assumptions changes or inputs		(27,760)	(194,335)
Benefit payments		(68,214)	(72,034)
Net change in total other postemployment benefits liability		(77,684)	(246,931)
Total other postemployment benefit liability – beginning		902,151	1,149,082
Total other postemployment benefits liability – ending (a)		824,467	902,151
Covered-employee payroll		N/A	N/A
Employer's other postemployments benefits liability as a percentage of covered-employee payroll		N/A	N/A

Notes:

Schedule is intended to show information for 10 years. However, reclculations of prior years are not required, and if prior years are not required in accordance with the current GASB standards, they should not be reported.

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

See accompanying notes to required supplementary information and independent auditors' report.

COMMONWEALTH OF PUERTO RICO

Required Supplementary Information – Unaudited

Schedule of Revenue and Expenditures – Budget and Actual –

Budgetary Basis – General Fund

Year ended June 30, 2019

(In thousands)

		Original budget	Amended budget	Actual
Revenue:				
Income taxes	$	3,768,006	5,033,000	5,376,693
Sales and use taxes		1,594,000	2,205,000	2,326,848
Excise taxes		2,534,971	2,931,000	3,251,407
Property taxes		—	4,000	4,993
Other taxes		82,999	70,000	49,267
Charges for services		69,000	59,000	74,349
Revenue from component units		18,000	21,000	20,426
Intergovernmental		205,000	212,000	220,663
Other		134,000	112,000	115,232
Total revenue		8,405,976	10,647,000	11,439,878
Expenditures – current:				
General government		1,560,728	1,519,826	1,288,008
Public safety		2,071,204	2,094,268	1,998,857
Health		778,524	818,170	775,497
Public housing and welfare		491,387	470,731	443,069
Education		3,181,487	3,191,539	3,170,226
Economic development		498,410	472,456	501,713
Intergovernmental		175,784	190,534	177,421
Total expenditures		8,757,524	8,757,524	8,354,791
Excess (deficiency) of revenue over expenditures		(351,548)	1,889,476	3,085,087
Other financing sources:				
Transfer in from Lotteries Fund		52,000	60,000	86,404
Total other financing sources		52,000	60,000	86,404
Excess of revenue and other financing sources over expenditures.	$	(299,548)	1,949,476	3,171,491

See accompanying notes to required supplementary information and independent auditors’ report.

(1) Changes of Benefit Terms and Assumptions

On August 23, 2017, the Governor of the Commonwealth signed into law the Act to Guarantee the Payment to Our Pensioners and Establish New Plan Defined Contributions for Public Servants (Act No. 106-2017). Act No 106-2017 established the pay as you go mechanism effective July 1, 2017, for all the Commonwealth's pension plans. Accordingly, no assets are accumulated in a qualifying trust.

Changes in assumptions

In the revised June 30, 2018, actuarial valuation, there was an increase relating to the discount rate from 3.58% in 2017 to 3.87% in 2018.

In the revised June 30, 2017, actuarial valuation, there was an increase relating to the discount rate from 2.85% in 2017 to 3.58% in 2017.

(2) Budgetary Control

The Governor is constitutionally required to submit to the Legislature an annual balanced budget of the Commonwealth for the ensuing fiscal year. The annual budget is prepared by the PROMB and takes into consideration the advice provided by the PRPB (annual economic growth forecasts and four-year capital improvements plan), the DOT (revenue estimates, accounting records, and the comprehensive annual financial report), FAFAA (the fiscal agent), and other governmental offices and agencies. Section 7 of Article VI of the Constitution of Puerto Rico provides that "the appropriations made for any fiscal year shall not exceed the total revenue, including available surplus, estimated for the said fiscal year, unless the imposition of taxes sufficient to cover the said appropriations is provided by law."

The annual budget, which is developed utilizing elements of program budgeting, includes an estimate of revenue and other resources for the ensuing fiscal year under: (i) laws existing at the time the budget is submitted and (ii) legislative measures proposed by the Governor and submitted with the proposed budget, as well as the Governor's recommendations as to appropriations that in his judgment are necessary, convenient, and in conformity with the four -year capital improvements plan adopted by the PRPB.

The Legislature may amend the budget submitted by the Governor but may not increase any items so as to cause a deficit without imposing taxes or identifying other sources of revenue to cover such deficit. Upon passage by the Legislature, the budget is referred to the Governor who may decrease or eliminate any line item but may not increase or insert any new line item in the budget. The Governor may also veto the budget in its entirety and return it to the Legislature with his objections. The Legislature, by two-thirds majority in each house, may override the Governor's veto. If a budget is not adopted prior to the end of the fiscal year, the annual budget for the preceding fiscal year, as approved by the Legislature and the Governor, is automatically renewed for the ensuing fiscal year until a new budget is approved by the Legislature and the Governor. This permits the Commonwealth to continue making payments for its operating and other expenses until the new budget is approved. The appropriated annual budget for fiscal year 2019 (including other financing sources) amounted to approximately $8.8 billion, including several special budget appropriations to the General Fund made by the Legislature throughout the year which amounted to approximately $1.8 billion.

The PROMB has authority to amend the budget within a department, agency, or government unit without legislative approval.

PROMESA has significantly changed the approval process for the Commonwealth's general fund budget. After fiscal year 2017 the process to approve the budget is controlled by the Oversight Board. The Oversight Board submits to the Governor a notice delineating a schedule for the development, submission, approval, and certification of proposed budgets to be submitted by the Governor and the Legislature to the Oversight

Board for its approval. The Oversight Board, at its discretion, is responsible for determining the number of fiscal years to be covered by the budget submission.

The Oversight Board is responsible for submitting revenue estimates for the period covered by the proposed budgets to the Governor and Legislature for use by the Governor in developing budgets to be submitted for review and approval to the Oversight Board. The bill outlines three means by which a proposed budget could be approved.

- **Budget Submission by Governor**. If the Oversight Board determines that the proposed budget is compliant with the applicable fiscal plan, then the bill would allow the Oversight Board to approve the proposed budget and submit it to the Legislature for approval. If the proposed budget is found to be non-compliant with the applicable fiscal plan, then the bill would allow the Oversight Board to issue a "notice of violation" which would include recommendations to correct the deficiencies.
- **Oversight Board Budget**. Should the Governor fail to submit a compliant budget then the bill would permit the Oversight Board to develop and submit to the Governor and Legislature a revised compliant budget for the territory, and only to the Governor in the case of a territorial instrumentality.
- **Budget Adopted by Legislature.** The bill would direct the Legislature to adopt a proposed budget for submission to the Oversight Board. If the proposed budget is found to be non-compliant with the applicable fiscal plan, then the Oversight Board may issue a "notice of violation" which includes recommendations to correct the deficiencies.
- **Oversight Board Budget**. Should the Legislature fail to submit a compliant budget then the bill would allow the Oversight Board to develop and submit to the Governor and Legislature a revised compliant budget for the territory.
- **Certification of Budget as Compliant.** Under provisions of the bill, if the Governor and Legislature approve a territorial budget that is compliant, or if the Governor develops a budget for the Commonwealth that is compliant with the applicable fiscal plan, then the Oversight Board could issue a certificate of compliance. If the Governor and Legislature fail to develop and approve a budget that would be compliant, then the Oversight Board could develop and submit a budget to the Governor and Legislature and such budget would be deemed approved by the Governor and the Legislature. In the case of a territorial instrumentality, only the Governor could submit a proposed budget for review by the Oversight Board.
- **Budget jointly developed by the Oversight Board, the Governor, and Legislature**. The bill would allow the Oversight Board, the Governor, and the Legislature to work collaboratively to develop a consensus budget for the territorial government. In the case of a territorial instrumentality, the bill would allow the Oversight Board and the Governor to work collaboratively to develop a budget.

For budgetary purposes, encumbrance accounting is used. The encumbrances (that is, purchase orders and contracts) are considered expenditures when a commitment is made. For U.S. GAAP reporting purposes, encumbrances outstanding at year-end are reported within the restricted, committed, assigned, and unassigned fund balance classifications and do not constitute expenditures or liabilities on a U.S. GAAP basis because the commitments will be honored during the subsequent year. The unencumbered balance of any appropriation of the General Fund at the end of the fiscal year lapses immediately. Appropriations, other than in the General Fund, are continuing accounts for which the Legislature has authorized that an unspent balance from the prior year be carried forward and made available for current spending. In addition, for budgetary purposes, revenue is recorded when cash is received.

During any fiscal year in which the resources available to the Commonwealth are insufficient to cover the appropriations approved for such year, the Governor may take administrative measures to reduce expenses and submit to both houses of the Legislature a detailed report of any adjustment necessary to balance the budget, or make recommendations to the Legislature for new taxes or authorize borrowings under provisions of existing legislation or take any other necessary action to meet the estimated deficiency. Any such proposed adjustments must give effect to the "priority norms" established by law for the disbursement of public funds in the following order of priority: (i) the payment of the interest on and amortization requirements for public debt (Commonwealth general obligations and guaranteed debt for which the Commonwealth's guarantee has been exercised); (ii) the fulfillment of obligations arising out of legally binding contracts, court decisions on eminent domain, and other unavoidable obligations to protect the name, credit, and full faith of the Commonwealth; (iii) current expenditures in the areas of health, protection of persons and property, education, welfare, and retirement systems; and (iv) all other purposes.

In addition, the Legislature may direct that certain revenue be retained and made available for spending within a specific appropriation account. Generally, expenditures may not exceed the level of spending authorized for an individual department. However, the Commonwealth is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Appropriations are enacted for certain departments, agencies, and government units included in the General Fund.

For these funds, a schedule of revenue and expenditures – budget and actual budgetary basis – General Fund is included. Appropriations for capital projects are made for each bond issue and the authorization continues for the expected construction period.

The PROMB has the responsibility to ensure that budgetary spending control is maintained on an individual department basis. The PROMB may transfer part or all of any unencumbered balance within a department to another department subject to legislative approval. Budgetary control is exercised through the Puerto Rico Integrated Financial Accounting System (PRIFAS). PRIFAS ensures that encumbrances or expenditures are not processed if they exceed the department's total available spending authorization, which is considered its budget. The legal level of budgetary control is at the individual department level for General Fund expenditures, principal, and interest due for the year for the debt service fund, and by bond authorization for capital expenditures.

Notwithstanding the foregoing, the enactment of PROMESA (as discussed in Note 3) created an Oversight Board with the power to review and approve budgets for the Commonwealth and its instrumentalities. Under PROMESA, a fiscal plan for each covered entity must be certified by the Oversight Board before the Commonwealth can propose any fiscal year budgets. All budgets proposed after the enactment of PROMESA must be certified by the Oversight Board as being consistent with the applicable certified fiscal plan. For additional information on the budget certification process under PROMESA, refer to Note 3.

(3) Statutory (Budgetary) Accounting

The Commonwealth's budget is adopted in accordance with a statutory basis of accounting, which is not in accordance with U.S. GAAP. Revenue is generally recognized when cash is received. Income tax revenues are reduced for the amount of income tax refunds paid during the year and claimed but unpaid at year end. Short-term and long-term borrowings may be used to finance budgetary excess of expenditures over revenue. Expenditures are generally recorded when the related expenditure is incurred or encumbered. Encumbrances generally lapse the year following the end of the fiscal year when the encumbrance was established, as established by Act No. 123-2001. Unencumbered appropriations lapse at year-end. Amounts required for settling claims and judgments against the Commonwealth and certain other liabilities are not recognized until they are encumbered or otherwise processed for payment.

Under the statutory basis of accounting, the Commonwealth uses encumbrance accounting to record the full amount of purchase orders, contracts, and other commitments of appropriated resources as deductions from the appropriation prior to actual expenditure. In the governmental funds, encumbrance accounting is a significant aspect of budgetary control.

The schedule of revenue and expenditures – budget and actual – budgetary basis – General Fund only presents the information for the General Fund for which there is a legally adopted budget, as required by U.S. GAAP. For a reconciliation of the statement of revenue and expenditures – budget and actual – budgetary basis – General Fund with the statement of revenue, expenditures, and changes in fund balances (deficit) for the General Fund, refer to Note 6 to Required Supplemental Information. The Special Revenue Funds do not have a legally mandated budget.

(4) Budget/U.S. GAAP Reconciliation

Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with U.S. GAAP, a reconciliation of entity, timing, and basis differences in the excess (deficiency) of revenue and other financing sources over expenditures and other financing uses for the year ended June 30, 2019, is presented below for the General Fund (in thousands):

Excess of revenue and other financing sources under expenditures and other financing uses – budgetary basis	$	3,171,491
Entity differences–excess of revenues and other financing sources over expenditures and other financing uses for:		
Nonbudgeted funds		1,590,428
Inclusion of agencies with independent treasuries		55,620
Timing differences:		
Adjustment for encumbrances		179,039
Current year expenditures against prior year encumbrances		(379,440)
Basis of accounting differences:		
Revenue accrual adjustment		849,782
Expenditures accrual adjustments		700,558
Excess of revenue and other financing sources over expenditures and other financing uses – U.S. GAAP basis	$	6,167,478

See accompanying independent auditors' report.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

COMMONWEALTH OF PUERTO RICO

General Fund

Year ended June 30, 2018

(In thousands)

The General Fund is the primary operating fund of the Commonwealth. The General Fund is used to account for and report all financial resources received and used for those services traditionally provided by a government, which are not required legally or by sound financial management to be accounted for in another fund. Included are transactions for services such as general government, public safety, health, public housing and welfare, education, and economic development. Following is the supplemental schedule of expenditures – budget and actual – General Fund (budgetary basis).

COMMONWEALTH OF PUERTO RICO

Supplemental Schedule of Expenditures by Agency – Budget and Actual
Budgetary Basis – General Fund

Year ended June 30, 2019

(In thousands)

	Original budget	Amended budget	Actual
Expenditures – Current:			
General government:			
Senate of Puerto Rico	$ 32,256	32,240	32,240
House of Representatives of Puerto Rico	35,658	35,658	35,658
Comptroller's Office	39,133	39,017	39,017
Governor's Office	27,838	26,392	22,965
Office of Management and Budget (1)	193,038	70,553	53,609
Planning Board	12,703	12,468	12,608
Department of State	6,267	9,595	9,530
Department of the Treasury (1)	1,004,957	1,075,274	878,702
Office of the Administration and Transformation of Human Resources	2,356	3,344	2,831
Commonwealth Elections Commission	35,206	33,660	34,690
Federal Affairs Administration	3,308	3,291	3,226
General Services Administration	5,988	16,802	4,063
Civil Rights Commission	944	841	861
Office of the Citizen's Ombudsman	3,515	3,470	2,707
Government Ethics Board	8,951	8,951	8,951
Legislative Affairs Office	8,276	8,293	8,293
Office of the Superintendent of the Capitol	12,904	12,904	12,904
Comptroller's Special Reports Joint Commission	548	548	549
Legislative Donation Commission	21,590	21,590	23,184
Corporation "Enlace" Caño Martín Peña	10,929	10,929	10,929
Puerto Rico Statistics Institute	1,903	1,903	1,903
Office for the Governmental's Integrity and Efficiency	—	2,761	2,405
Permits Management Office	9,561	9,392	7,984
Permits Inspector General Office	4,000	—	—
Employees' Retirement System of the Government of the Commonwealth of Puerto Rico	8,525	8,099	8,098
Financial Oversight and Management Board for Puerto Rico	64,750	64,750	64,750
Public Buildings Authority	200	1,229	184
Office of Elections Comptroller	2,691	2,685	2,568
Information and Technology Communication Office	—	501	—
Appellative Board of the Personnel System Administration	2,733	2,686	2,599
Total general government	1,560,728	1,519,826	1,288,008
Public safety:			
Puerto Rico General Court of Justice	293,253	293,253	291,828
Civil Defense	7,228	31,936	6,575
Commission of Investigation, Processing and Appeals Board	491	478	354
Department of Justice	124,464	121,820	117,262
Puerto Rico Police Department	1,024,081	992,025	967,279
Puerto Rico Firefighters Corps	62,834	68,656	69,641
Puerto Rico National Guard	18,615	50,329	17,763
Public Service Commission	8,859	8,599	8,647
Consumer Affairs Department	11,382	11,178	11,146
Puerto Rico Public Safety Bureau	—	628	109
Natural Resources Administration	33,805	32,899	35,837
Office of the Model Forest	201	201	10
Department of Correction and Rehabilitation	390,213	377,918	370,704
Parole Board	2,352	2,321	1,997
Forensic Sciences Institute	14,803	20,036	19,957
Special Prosecutor Panel	2,468	2,457	2,457
Correctional Health	57,872	57,804	55,710
Medical Emergencies Service	18,283	21,730	21,581
Total public safety	2,071,204	2,094,268	1,998,857

(Continued)

COMMONWEALTH OF PUERTO RICO

Supplemental Schedule of Expenditures by Agency – Budget and Actual
Budgetary Basis – General Fund

Year ended June 30, 2019

(In thousands)

	Original budget	Amended budget	Actual
Health:			
Environmental Quality Board	$ 24,010	23,570	9,798
Department of Health	323,127	360,018	329,722
Puerto Rico Medical Services Administration	96,560	95,274	95,274
Mental Health and Drug Addiction Services Administration	99,105	102,162	104,999
Puero Rico Diabetes Center	391	391	391
Puerto Rico Safe Drinking Water Treatment Revolving Loan Fund	53,316	53,316	53,316
Puerto Rico Solid Waste Authority	3,483	3,465	3,465
Puerto Rico Health Insurance Administration	15,199	15,199	15,199
Puerto Rico Water Pollution Control Revolving Loan Fund	141,184	141,184	141,184
University of Puerto Rico Comprehensive Cancer Center	22,149	23,591	22,149
	778,524	818,170	775,497
Public housing and welfare:			
Puerto Rico Office for Socioeconomic and Community Development	18,705	17,704	13,708
Department of Labor and Human Resources	33,274	32,377	32,099
Labor Relations Board	947	927	926
Department of Housing	20,201	20,558	20,508
Department of Recreation and Sports	40,920	34,425	33,190
Administration for the Horse Racing Sport and Industry	2,275	2,224	2,523
Women's Affairs Commission	2,135	2,096	1,625
Public Housing Administration	324	324	324
Office of the Veteran's Ombudsman	2,406	2,346	2,107
Department of Family	42,806	40,202	40,628
Family and Children Administration	191,867	190,087	174,663
Minors Support Administration	10,988	10,756	10,577
Vocational Rehabilitation Administration	22,187	21,203	21,338
Social Economic Development Administration	84,454	83,051	77,681
Office of the Disabled Persons Ombudsman	1,438	1,413	1,351
Office for Elderly Affairs	2,608	2,584	2,521
Company for the Integral Development of the Península de Cantera	381	381	381
Patient Ombudsman	1,747	1,738	1,523
Administration for the Care and Development of the Childhood	11,724	6,335	4,851
Special Communities Trust	—	—	545
	491,387	470,731	443,069
Education:			
Department of Education	2,487,787	2,499,216	2,477,427
Institute of Puerto Rican Culture	13,750	16,235	16,569
Puerto Rico School of Plastics Arts	2,229	2,207	2,375
State Office for Historic Preservation	1,174	1,288	1,262
University of Puerto Rico	645,909	645,909	645,909
Musical Arts Corporation	5,983	5,964	5,964
Fine Arts Center Corporation	3,064	3,050	3,050
Puerto Rico Public Broadcasting Corporation	8,126	8,068	8,068
Puerto Rico Conservatory of Music Corporation	4,604	4,588	4,588
Puerto Rico Council on Education	8,861	5,014	5,014
	3,181,487	3,191,539	3,170,226

(Continued)

COMMONWEALTH OF PUERTO RICO

Supplemental Schedule of Expenditures by Agency – Budget and Actual
Budgetary Basis – General Fund

Year ended June 30, 2019

(In thousands)

	Original budget	Amended budget	Actual
Economic development:			
Department of Transportation and Public Works	$ 45,287	44,903	47,832
Department of Natural and Environmental Resources	5,769	34,091	13,499
Department of Agriculture	35,116	32,784	33,078
Cooperative Enterprises Development Administration	1,725	1,650	1,497
Department of Economic Development and Commerce	2,239	2,239	2,239
Agricultural Enterprises Development Administration	81,363	84,003	83,718
Energy Affairs Administration	706	619	595
Puerto Rico Trade and Export Company	632	1,962	1,962
Puerto Rico Infrastructure Financing Authority	3,344	12,847	34,635
Puerto Rico Housing Finance Authority	8,777	8,777	8,777
Puerto Rico Integrated Transportation Authority	31,141	33,048	32,548
Puerto Rico Fiscal Agency and Financial Advisory Authority	70,245	70,245	70,245
Puerto Rico Public Partnership Authority	210,856	144,079	154,079
Culebra Conservation and Development Authority	241	240	240
Ports of Americas Authority	234	234	234
Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads	735	735	735
Puerto Rico Maritime Transportation Authority	—	—	15,800
Total economic development	498,410	472,456	501,713
Intergovernmental – Municipal Services Administration	175,784	190,534	177,421
Total expenditures	$ 8,757,524	8,757,524	8,354,791

(1) As a department and a fiscal agent.

See accompanying independent auditors' report.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

(1) Public Buildings Authority Special Revenue Fund

The operating fund of the Public Buildings Authority, a blended component unit, used to account for the operation, maintenance, equipment replacement, and other extraordinary operation and maintenance costs of the buildings and facilities that, when constructed, are leased to the Commonwealth's Primary Government agencies.

(2) Puerto Rico Fiscal Agency and Finance Advisory Authority's Special Revenue Fund

The special revenue fund of the Puerto Rico Fiscal Agency and Finance Advisory Authority, a blended component unit, is used to account for the moneys received from the Commonwealth for the purpose of overseeing compliance with the certified budget and fiscal plan pursuant to the PROMESA Act of 2016; revise matters including, but not limited to, agreements, transactions, and regulations of the agencies and instrumentalities of the Commonwealth; enter into a creditors' agreement, and/or renegotiate or restructure the public debt, in whole or in part, or any other debt issued by any Government body.

(3) Puerto Rico Infrastructure Financing Authority's Special Revenue Fund

The special revenue fund of the Puerto Rico Infrastructure Financing Authority, a blended component unit, is used to account principally for the moneys received by the Commonwealth, up to $117 million, of certain federal excise taxes levied on rum and other articles produced in Puerto Rico and sold in the United States, which are collected by the U.S. Treasury and returned to the Commonwealth. Under Act No. 44-1988, as amended, the Commonwealth conditionally allocates to this fund the first $117 million of these federal excise taxes reimbursed, which are subsequently transferred to the Puerto Rico Infrastructure Financing Authority's Debt Service Fund to provide for the debt service of its special tax revenue bonds.

(4) Ponce Authority's Special Revenue Fund

The special revenue fund of Ponce Authority, a blended component unit, is used to account for its remaining legal and certain other administrative requirements resulting after the transfer of all rights and duties to Ponce Ports Authority. The main purpose of the Ponce Authority was the planning, development, and construction of a large-scale container terminal in the city of Ponce, Puerto Rico.

(5) Special Communities Perpetual Trust's Special Revenue Fund

The special revenue fund of the Special Communities Perpetual Trust, a blended component unit, is used to account for the moneys received from the Governmental Development Bank, through a line of credit financing and cash contributions, upon inception of the Special Communities Perpetual Trust. The financial resources received by this fund are used to carry out development projects that address the infrastructure and housing needs of certain under privileged communities.

(6) Puerto Rico System of Annuities and Pension for Teachers

The special revenue fund of the Puerto Rico System of Annuities and Pension for Teachers, a blended component unit, is used to account for the unliquidated assets that are pending to be transferred to the Commonwealth's General Fund.

(7) Retirement System of the Judiciary of the Commonwealth of Puerto Rico

The special revenue fund of the Retirement System of the Judiciary of the Commonwealth of Puerto Rico, a blended component unit, is used to account for the unliquidated assets that are pending to be transferred to the Commonwealth's General Fund.

(8) The Children's Trust Special Revenue Fund

The special revenue fund of the Children's Trust, a blended component unit, is used to account for the money received by the Commonwealth from a global settlement agreement dated November 23, 1998, between certain tobacco companies and certain states, territories, and other jurisdictions of the United State of America, including the Commonwealth. The financial resources received by this fund are used to carry out projects aimed at promoting the well-being of children and youth of Puerto Rico.

(9) University of Puerto Rico Comprehensive Cancer Center's Special Revenue Fund

The special revenue fund of the University of Puerto Rico Comprehensive Cancer Center, a blended component unit, is used to account for the moneys received from the Commonwealth and certain other grants from both the private sector and the Federal government, to execute public policy related to the prevention, orientation, investigation, and treatment of cancer in Puerto Rico.

Debt Service Funds

The debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest, and related costs other than bonds payable from operations of proprietary fund types, pension trust funds, and discretely presented component units. Long-term debt and interest due on July 1 of the following year are accounted for as a fund liability if resources are available as of June 30 for its payment.

(1) Public Buildings Authority Debt Service Fund

A blended component unit engaged in the construction and/or acquisition of building facilities for lease mainly to the Primary Government agencies. Its debt service fund is used to account for the financial resources that are restricted, committed, or assigned to expenditure for the payment of revenue bonds and other liabilities incurred to finance the construction of the buildings and facilities.

(2) Puerto Rico Infrastructure Financing Authority's Debt Service Fund

The debt service fund of the Puerto Rico Infrastructure Financing Authority accounts for the financial resources that are restricted to expenditure for the payment of interest and principal on its special tax revenue bonds. These resources are received from operating transfers from the Puerto Rico Infrastructure Financing Authority Special Revenue Fund.

(3) Puerto Rico Maritime Shipping Authority Debt Service Fund

This is the remainder of a former shipping company owned by the Commonwealth. Its debt service fund is used to account for the financial resources that are restricted for the payment of the long-term liability that resulted from the sale of its marine operations. This fund is mainly subsidized by appropriations and operating transfers from the General Fund.

(4) The Children's Trust Debt Service Fund

The debt service fund of The Children's Trust accounts for the financial resources that are restricted, committed, or assigned to expenditure for the payment of interest and principal on long-term obligations financed with moneys to be received by the Commonwealth from the global settlement agreement signed by certain tobacco companies.

Capital Projects Funds

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets not being financed by the Public Buildings Authority's Capital Projects Fund, the Puerto Rico Infrastructure Financing Authority's Capital Project Fund, proprietary fund types, pension trust funds, and discretely presented component units.

(1) Commonwealth of Puerto Rico Capital Project Fund

These funds present the activities of the capital improvements program of the Commonwealth, financed with the proceeds of the general obligation bonds.

(2) Public Buildings Authority's Capital Projects Fund

The Public Buildings Authority's capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets not financed by proprietary fund types, pension trust funds, and discretely presented component units.

(3) Puerto Rico Infrastructure Financing Authority's Capital Projects Fund

The Puerto Rico Infrastructure Financing Authority's capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned for the acquisition or construction of capital assets and capital improvements, not financed by proprietary fund types, pension trust funds, and discretely presented component units.

COMMONWEALTH OF PUERTO RICO

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2019

(In thousands)

	Special Revenue								
	Public Buildings Authority	**Puerto Rico Fiscal Agency and Financial Advisory Authority**	**Puerto Rico Infrastructure Financing Authority**	**Ponce Authority**	**Puerto Rico Systems of Annuities and Pensions for Teachers**	**Retirement System of the Judiciary of the Commonwealth of Puerto Rico**	**Special Communities Perpetual Trust**	**The Children's Trust**	**University of Puerto Rico Comprehensive Cancer Center**
Assets:									
Cash and cash equivalents in commercial banks	$ 50,413	57,690	9,872	442	128,997	93	—	11,523	24,693
Cash and cash equivalents in governmental banks	—	—	—	—	—	—	—	—	—
Investments	—	—	—	—	2,133	—	—	—	—
Receivables – net:									
Intergovernmental	—	—	—	—	—	—	—	—	2,142
Accounts	—	—	1,039	—	—	—	—	—	2,451
Loans	—	—	—	—	185,946	384	—	—	—
Accrued interest	—	—	—	—	38	—	—	—	—
Other	2,798	—	23	69	6,094	62	—	—	111
Due from:									
Other funds	—	—	—	—	—	—	—	—	—
Component units	—	—	—	—	—	—	—	—	—
Other governmental entities	—	1,849	—	63	—	—	—	—	—
Other assets	1,289	—	—	—	—	—	—	—	487
Restricted assets:									
Cash and cash equivalents in commercial banks	—	—	—	—	—	36,239	359	—	3,059
Cash and cash equivalents in governmental banks	—	—	—	—	—	—	—	—	—
Cash equivalents in PRGITF	—	—	—	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—	—	—
Due from other funds	—	—	140,131	—	—	—	877	—	—
Due from other governmental entities	—	—	—	—	—	—	471	—	—
Other	—	—	—	—	—	—	4	—	—
Real estate held for sale or future development	—	—	—	—	—	—	—	—	—
Total assets	$ 54,500	59,539	151,065	574	323,208	36,778	1,711	11,523	32,943
Liabilities, deferred outflow of resources, and fund balances (deficit):									
Accounts payable and accrued liabilities	$ 5,010	18,976	2,196	973	2,744	575	20,630	770	4,910
Due to:									
Other funds	—	—	—	3,959	—	—	194	—	—
Component units	2,036	—	—	—	—	—	—	—	3,371
Other governmental entities	6,573	340	—	28	—	—	15	—	—
Interest payable	11,110	—	11,408	—	—	—	—	—	28,944
Unearned revenue	1,129	—	—	—	—	—	—	—	—
Notes payable to GDB	48,821	—	37,361	1,700	—	—	—	—	—
Commonwealth appropriation bonds	—	—	—	—	—	—	—	—	—
General obligation and revenue bonds	—	—	—	—	—	—	—	—	—
Compensated absences	—	—	—	—	—	—	—	—	863
Other liabilities	4,852	—	—	—	—	—	—	—	—
Total liabilities	79,531	19,316	50,965	6,660	2,744	575	20,839	770	38,088
Deferred inflow of resources:									
Global tobacco settlement agreement	—	—	—	—	—	—	—	—	—
Total deferred inflow of resources	—	—	—	—	—	—	—	—	—
Fund balances:									
Nonspendable	—	—	—	—	—	—	—	—	487
Restricted for:									
Education	—	—	—	—	320,464	—	—	—	—
Public Safety	—	—	—	—	—	36,203	—	—	—
Debt service	—	—	—	—	—	—	—	—	—
Capital projects	—	—	100,100	—	—	—	—	—	1,547
Health	—	—	—	—	—	—	—	—	772
Committed to:									
Public housing and welfare	—	—	—	—	—	—	—	11,204	—
Capital projects	—	—	—	—	—	—	—	—	—
Assigned to:									
Public housing and welfare	—	—	—	—	—	—	—	—	—
Capital projects	—	—	—	—	—	—	—	—	—
General Government	—	40,223	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—
Unassigned (deficit)	(25,031)	—	—	(6,086)	—	—	(19,128)	(451)	(7,951)
Total fund balances (deficit)	(25,031)	40,223	100,100	(6,086)	320,464	36,203	(19,128)	10,753	(5,145)
Total liabilities, deferred inflow of resources, and fund balances (deficit)	$ 54,500	59,539	151,065	574	323,208	36,778	1,711	11,523	32,943

See accompanying independent auditors' report.

COMMONWEALTH OF PUERTO RICO

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2019

(In thousands)

	Debt Service				Capital Projects				
	The Children's Trust	Public Buildings Authority	Puerto Rico Infrastructure Financing Authority	Puerto Rico Maritime Shipping Authority	Commonwealth of Puerto Rico	Public Buildings Authority	Puerto Rico Infrastructure Financing Authority	Eliminations	Total Nonmajor Governmental Funds
Assets:									
Cash and cash equivalents in commercial banks	$ —	—	—	—	—	—	—	—	283,723
Cash and cash equivalents in governmental banks	—	—	—	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—	—	2,133
Receivables – net:									
Intergovernmental	—	—	—	—	—	—	—	—	2,142
Accounts	—	—	—	—	710	—	—	—	4,200
Loans	—	—	—	—	—	—	—	—	186,330
Accrued interest	—	—	—	—	—	—	—	—	38
Other	36,899	—	—	—	—	—	—	—	46,056
Due from:									
Other funds	—	—	3,073	—	113	—	3,239	—	6,425
Component units	—	—	—	—	—	—	—	—	—
Other governmental entities	—	—	—	—	—	—	15,821	—	17,733
Other assets	—	—	—	—	—	—	—	—	1,776
Restricted assets:									
Cash and cash equivalents in commercial banks	—	12,930	74	—	51,238	35,082	140,491	—	279,472
Cash and cash equivalents in governmental banks	—	—	—	—	—	—	—	—	—
Cash equivalents in PRGITF	—	—	—	—	—	—	—	—	—
Investments	107,099	—	—	—	—	—	—	—	107,099
Due from other funds	—	—	—	—	—	—	—	—	141,008
Due from other governmental entities	—	—	—	—	—	—	—	—	471
Other	488	—	—	—	—	—	39	—	531
Real estate held for sale or future development	—	—	—	—	1,854	—	—	—	1,854
Total assets	$ 144,486	12,930	3,147	—	53,915	35,082	159,590	—	1,080,991
Liabilities, deferred outflow of resources, and fund balances (deficit):									
Accounts payable and accrued liabilities	$ —	—	10	17	1,499	9,915	34,601	—	102,826
Due to:									
Other funds	—	—	—	—	—	—	90,390	—	94,543
Component units	—	—	—	—	—	—	4,556	—	9,963
Other governmental entities	—	—	—	—	1	—	2,727	—	9,684
Interest payable	—	494,830	259,009	27,349	—	—	—	—	832,650
Unearned revenue	—	—	—	—	—	—	—	—	1,129
Notes payable to GDB	—	—	—	—	—	—	—	—	87,882
Commonwealth appropriation bonds	—	—	374	—	—	—	—	—	374
General obligation and revenue bonds	—	178,948	209,730	—	—	—	—	—	388,678
Compensated absences	—	—	—	—	—	—	—	—	863
Other liabilities	—	—	—	—	—	—	—	—	4,852
Total liabilities	—	673,778	469,123	27,366	1,500	9,915	132,274	—	1,533,444
Deferred inflow of resources:									
Global tobacco settlement agreement	36,899	—	—	—	—	—	—	—	36,899
Total deferred inflow of resources	36,899	—	—	—	—	—	—	—	36,899
Fund balances:									
Nonspendable	—	—	—	—	—	—	—	—	487
Restricted for:									
Education	—	—	—	—	—	—	—	—	320,464
Public safety	—	—	—	—	—	—	—	—	36,203
Debt service	107,587	—	—	—	—	—	—	—	107,587
Capital projects	—	—	—	—	52,415	25,167	27,316	—	206,545
Health	—	—	—	—	—	—	—	—	772
Committed to:									
Public housing and welfare	—	—	—	—	—	—	—	—	11,204
Capital projects	—	—	—	—	—	—	—	—	—
Assigned to:									
Capital projects	—	—	—	—	—	—	—	—	—
General Government	—	—	—	—	—	—	—	—	40,223
Health	—	—	—	—	—	—	—	—	—
Unassigned (deficit)	—	(660,848)	(465,976)	(27,366)	—	—	—	—	(1,212,837)
Total fund balances (deficit)	107,587	(660,848)	(465,976)	(27,366)	52,415	25,167	27,316	—	(489,352)
Total liabilities, deferred inflow of resources, and fund balances (deficit)	$ 144,486	12,930	3,147	—	53,915	35,082	159,590	—	1,080,991

See accompanying independent auditors' report.

COMMONWEALTH OF PUERTO RICO

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

Year ended June 30, 2019

(In thousands)

	Special Revenue								
	Public Buildings Authority	**Puerto Rico Fiscal Agency and Financial Advisory Authority**	**Puerto Rico Infrastructure Financing Authority**	**Ponce Authority**	**Puerto Rico Systems of Annuities and Pensions for Teachers**	**Retirement System of the Judiciary of the Commonwealth of Puerto Rico**	**Special Communities Perpetual Trust**	**The Children's Trust**	**University of Puerto Rico Comprehensive Cancer Center**
Revenue:									
Intergovernmental	$ —	—	—	63	—	—	—	—	3,092
Interest and investment earnings	15,925	614	856	1	—	—	—	146	334
Other	63	1,083	13,337	—	358	—	233	—	6,081
Total revenue	15,988	1,697	14,193	64	358	—	233	146	9,507
Expenditures:									
Current:									
General government	85,721	47,552	13,239	—	—	—	—	—	—
Public safety	—	—	—	—	—	684	—	—	—
Health	—	—	—	—	—	—	—	722	27,784
Public housing and welfare	—	—	—	—	—	—	(105,692)	—	—
Education	—	—	—	—	20,446	—	—	—	—
Economic development	—	—	—	459	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—	—
Capital outlays	—	317	1,150	—	9	—	—	—	2,325
Debt service:									
Principal	30,782	—	4,780	—	—	—	105,755	—	207
Interest and other	48,183	—	3,413	—	—	—	—	—	28,944
Total expenditures	164,686	47,869	22,582	459	20,455	684	63	722	59,260
Excess (deficiency) of revenue over (under) expenditures	(148,698)	(46,172)	(8,389)	(395)	(20,097)	(684)	170	(576)	(49,753)
Other financing sources (uses):									
Transfers in	189,415	70,246	3,039	237	17,016	418	116	286	22,149
Transfers out	(13,805)	—	(2,998)	—	(32,596)	—	—	—	—
Total other financing sources	175,610	70,246	41	237	(15,580)	418	116	286	22,149
Net change in fund balances	26,912	24,074	(8,348)	(158)	(35,677)	(266)	286	(290)	(27,604)
Fund balances (deficit) – beginning of year as restated (note 4 to financial statements)	(51,943)	16,149	108,448	(5,928)	356,141	36,469	(19,414)	11,043	22,459
Fund balances (deficit) – end of year	$ (25,031)	40,223	100,100	(6,086)	320,464	36,203	(19,128)	10,753	(5,145)

See accompanying independent auditors' report.

COMMONWEALTH OF PUERTO RICO

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

Year ended June 30, 2019

(In thousands)

	Debt Service				Capital Projects				
	The Children's Trust	**Public Buildings Authority**	**Puerto Rico Infrastructure Financing Authority**	**Puerto Rico Maritime Shipping Authority**	**Commonwealth of Puerto Rico**	**Public Buildings Authority**	**Puerto Rico Infrastructure Financing Authority**	**Eliminations**	**Total Nonmajor Governmental Funds**
Revenue:									
Intergovernmental	$ —	—	—	—	—	—	—	—	3,155
Interest and investment earnings	3,791	—	—	2	—	—	—	—	21,669
Other	—	—	—	44	—	—	13,969	—	35,168
Total revenue	3,791	—	—	46	—	—	13,969	—	59,992
Expenditures:									
Current:									
General government	—	—	—	—	8	—	12,190	—	158,710
Public safety	—	—	—	—	—	—	—	—	684
Health	—	—	—	—	—	—	—	—	28,506
Public housing and welfare	—	—	—	—	—	—	—	—	(105,692)
Education	—	—	—	—	—	—	—	—	20,446
Economic development	—	—	—	9	—	—	—	—	468
Intergovernmental	—	—	—	—	—	—	—	—	—
Capital outlays	—	—	—	—	2,109	—	594	—	6,504
Debt service:									
Principal	36,595	66,235	46,480	—	—	—	—	—	290,834
Interest and other	43,024	162,327	68,577	6,837	—	—	—	—	361,305
Total expenditures	79,619	228,562	115,057	6,846	2,117	—	12,784	—	761,765
Excess (deficiency) of revenue over (under) expenditures	(75,828)	(228,562)	(115,057)	(6,800)	(2,117)	—	1,185	—	(701,773)
Other financing sources (uses):									
Transfers in	75,121	—	—	—	2,109	13,805	10,989	(58,117)	346,829
Transfers out	(286)	(40,847)	(181)	—	—	—	—	58,117	(32,596)
Total other financing sources	74,835	(40,847)	(181)	—	2,109	13,805	10,989	—	314,233
Net change in fund balances	(993)	(269,409)	(115,238)	(6,800)	(8)	13,805	12,174	—	(387,540)
Fund balances (deficit) – beginning of year as restated (note 4 to financial statements)	108,580	(391,439)	(350,738)	(20,566)	52,423	11,362	15,142	—	(101,812)
Fund balances (deficit) – end of year	$ 107,587	(660,848)	(465,976)	(27,366)	52,415	25,167	27,316	—	(489,352)

See accompanying independent auditors' report.

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the government is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Bureau of Emergency Services 9-1-1

This fund was created by Act No. 144-1994. The Bureau of Emergency Services 9-1-1 is responsible for providing an efficient service of fast response to emergency calls through the 9-1-1 number and transferring these to the appropriate response agencies.

Disability Insurance

This fund was created by Act No. 139-1968. It is used to account for disability benefits to remedy temporarily the loss of income as a result of disability caused by sickness or accident unrelated to employment.

Drivers' Insurance

This fund was created by Act No. 428-1950. It is used to account for contributions made by the drivers and their employers to provide a social security plan for the benefit of the drivers in Puerto Rico. The plan also includes payment of benefits for health and life insurance.

Lotteries Fund

This fund accounts for the assets and operations of the two lottery systems administered by the Commonwealth.

Ponce Ports Authority

This fund was created by Act No. 240-2011. It is used to account for the development of the container terminal formerly undertaken by Ponce Authority and handle such facilities future operations.

Puerto Rico Safe Drinking Water Treatment Revolving Loan Fund

This fund was created by Act No. 32-1997. It is administered, pursuant to Act No. 9-1970, as amended, by the PRDOH. Pursuant to such act, the PRDOH, on behalf of the Commonwealth, is authorized to enter into operating and capitalization grant agreements with the EPA for lending activities.

Puerto Rico Water Pollution Control Revolving Fund

This fund, administered by the EQB, is authorized to enter into operating agreements and capitalization grant agreements with the EPA, mostly for water infrastructure projects, under a joint cooperation agreement between the EQB, PRIFA, PRASA, and the FAFAA, where each entity has agreed to assume their corresponding responsibilities.

COMMONWEALTH OF PUERTO RICO

Combining Statement of Net Position – Nonmajor Proprietary Funds

June 30, 2019

(In thousands)

	Business-Type Activities – Nonmajor Enterprise Funds							
	Bureau of Emergency Services 9-1-1	**Disability Insurance**	**Drivers' Insurance**	**Lotteries**	**Ponce Ports Authority**	**Puerto Rico Safe Drinking Water Treatment Revolving Loan Fund**	**Puerto Rico Water Pollution Control Revolving Fund**	**Total**
Assets:								
Current assets:								
Cash and cash equivalents in commercial banks	$ 22,401	46,045	11,934	168,941	231	—	—	249,552
Receivables - net:								
Insurance premiums	—	3,342	909	—	—	—	—	4,251
Accounts	1,572	—	—	5,430	—	—	—	7,002
Accrued interest	—	52	—	—	—	—	—	52
Other	56	171	—	—	—	—	—	227
Due from other funds	—	—	—	—	3,959	—	—	3,959
Other assets	26	—	—	—	—	—	—	26
Restricted assets:								
Cash and cash equivalents in commercial banks	—	12,934	4,965	—	—	59,999	155,167	233,065
Other assets	—	—	—	—	—	98	394	492
Loans from component units	—	—	—	—	—	278	556	834
Total current assets	24,055	62,544	17,808	174,371	4,190	60,375	156,117	499,460
Noncurrent assets:								
Receivables - net:								
Loans from component units – restricted	—	—	—	—	—	145,974	311,261	457,235
Due from other funds	—	—	4,304	11,309	—	—	—	15,613
Restricted investments	—	28,046	—	—	—	—	—	28,046
Other restricted assets	—	—	—	16,005	—	—	78	16,083
Land and other nondepreciable assets	490	—	—	—	28,643	—	—	29,133
Depreciable assets	5,160	—	—	449	—	—	—	5,609
Total assets	29,705	90,590	22,112	202,134	32,833	206,349	467,456	1,051,179
Deferred outflows of resources:								
Other postemployment benefits related	3	—	—	143	—	—	—	146
Pension related	368	—	—	2,804	—	—	—	3,172
Total deferred outflows of resources	371	—	—	2,947	—	—	—	3,318
Liabilities and net position:								
Current liabilities:								
Accounts payable and accrued liabilities	3,462	986	264	5,617	21	53	387	10,790
Due to other funds	9,978	—	—	—	—	—	—	9,978
Due to other governmental entities	—	1	5	—	—	—	—	6
Interest payable	—	—	—	—	6,865	—	—	6,865
Unearned revenue	—	1,564	17	8,082	—	—	—	9,663
Compensated absences	—	170	57	67	—	—	—	294
Obligation for unpaid lottery prizes	—	—	—	105,218	—	—	—	105,218
Voluntary termination benefits payable	64	—	—	331	—	—	—	395
Liability for insurance benefits	—	431	114	—	—	—	—	545
Total pension liability	—	—	—	2,805	—	—	—	2,805
Total other postemployment benefits liability	—	—	—	144	—	—	—	144
Total current liabilities	13,504	3,152	457	122,264	6,886	53	387	146,703
Noncurrent liabilities:								
Notes payable to component units	—	—	—	—	20,762	—	—	20,762
Compensated absences	866	255	85	737	—	—	—	1,943
Obligation for unpaid lottery prizes	—	—	—	63,142	—	—	—	63,142
Voluntary termination benefits payable	—	—	—	1,644	—	—	—	1,644
Total pension liability	2,673	—	—	45,213	—	—	—	47,886
Total other postemployment benefits liability	43	—	—	1,589	—	—	—	1,632
Total liabilities	17,086	3,407	542	234,589	27,648	53	387	283,712
Deferred inflows of resources:								
Pension related	169	—	—	3,937	—	—	—	4,106
Net position:								
Net investment in capital assets	5,649	—	—	449	7,055	—	—	13,153
Restricted for emergency services	6,268	—	—	—	—	—	—	6,268
Restricted for lending activities	—	—	—	—	—	206,296	467,069	673,365
Restricted for payment of insurance benefits	—	40,549	4,851	—	—	—	—	45,400
Unrestricted	904	46,634	16,719	(33,894)	(1,870)	—	—	28,493
Total net position	$ 12,821	87,183	21,570	(33,445)	5,185	206,296	467,069	766,679

See accompanying independent auditors' report.

COMMONWEALTH OF PUERTO RICO

Combining Statement of Revenue, Expenses, and Changes in Fund Net Position – Nonmajor Proprietary Funds

Year ended June 30, 2019

(In thousands)

	Business-Type Activities – Nonmajor Enterprise Funds							
	Bureau of Emergency Services 9-1-1	**Disability Insurance**	**Drivers' Insurance**	**Lotteries**	**Ponce Ports Authority**	**Puerto Rico Safe Drinking Water Treatment Revolving Loan Fund**	**Puerto Rico Water Pollution Control Revolving Fund**	**Total**
Operating revenue:								
Insurance premiums	$ —	14,092	4,171	—	—	—	—	18,263
Emergency telephone service charges	20,485	—	—	—	—	—	—	20,485
Lottery ticket sales	—	—	—	756,190	—	—	—	756,190
Interest	—	—	—	—	—	—	287	287
Release of provision for loan losses	—	—	—	—	—	3,507	2,296	5,803
Other	—	—	—	42	15	—	—	57
Total operating revenue	20,485	14,092	4,171	756,232	15	3,507	2,583	801,085
Operating expenses:								
Insurance benefits	—	1,295	595	—	—	—	—	1,890
Lottery ticket sales	—	—	—	488,761	—	—	—	488,761
General, administrative, and other operating expenses	(22,842)	5,861	2,426	82,587	5	527	439	69,003
Total operating expenses	(22,842)	7,156	3,021	571,348	5	527	439	559,654
Operating income (loss)	43,327	6,936	1,150	184,884	10	2,980	2,144	241,431
Nonoperating revenue (expenses):								
U.S. government grants	34	—	—	—	—	531	2,474	3,039
Contributions to component units	—	—	—	—	—	—	(258)	(258)
Interest and investment earnings	216	2,093	83	977	—	649	1,691	5,709
Interest expense	—	—	—	—	(1,397)	—	—	(1,397)
Other	415	—	—	—	—	—	—	415
Total nonoperating revenue (expenses)	665	2,093	83	977	(1,397)	1,180	3,907	7,508
Income (loss) before transfers	43,992	9,029	1,233	185,861	(1,387)	4,160	6,051	248,939
Transfers from other funds	—	—	—	—	—	53,316	141,739	195,055
Transfers to other funds	(7,727)	—	—	(168,259)	—	—	—	(175,986)
Net change in net position	36,265	9,029	1,233	17,602	(1,387)	57,476	147,790	268,008
Net position (deficit) – beginning of year, as restated (see note 4 to financial statement)	(23,444)	78,154	20,337	(51,047)	6,572	148,820	319,279	498,671
Net position (deficit) – end of year	$ 12,821	87,183	21,570	(33,445)	5,185	206,296	467,069	766,679

See accompanying independent auditors' report.

COMMONWEALTH OF PUERTO RICO

Combining Statement of Cash Flows – Nonmajor Proprietary Funds

Year ended June 30, 2019

(In thousands)

	Business-Type Activities – Nonmajor Enterprise Funds							
	Bureau of Emergency Services 9-1-1	Disability Insurance	Drivers' Insurance	Lotteries	Ponce Ports Authority	Puerto Rico Safe Drinking Water Treatment Revolving Loan Fund	Puerto Rico Water Pollution Control Revolving Fund	Total
Cash flows from operating activities:								
Receipts from customers and users	$ 20,138	13,830	4,289	757,485	—	—	—	795,742
Other receipts		—	—	42	90	—	287	419
Payments to suppliers	(1,779)	(1,846)	(728)	(69,999)	(60)	(619)	(466)	(75,497)
Payments to employees	(7,489)	(3,983)	(1,647)	(6,175)	—	—	—	(19,294)
Payments of lottery prizes	—	—	—	(485,025)	—	—	—	(485,025)
Payments of insurance benefits	—	(1,313)	(611)	—	—	—	—	(1,924)
Net cash provided by (used in) operating activities	10,870	6,688	1,303	196,328	30	(619)	(179)	214,421
Cash flows from noncapital financing activities:								
U.S. government grants	34	—	—	—	—	531	2,474	3,039
Contributions to component units	—	—	—	—	—	—	(258)	(258)
Transfers from other funds	—	—	2,782	—	—	53,316	141,739	197,837
Transfers to other funds	(3,044)	—	—	(171,504)	—	—	—	(174,548)
Net cash provided by (used in) noncapital financing activities	(3,010)	—	2,782	(171,504)	—	53,847	143,955	26,070
Cash flows from capital and related financing activities:								
Recovery of cash impairment loss	—	—	—	—	101	—	—	101
Principal Payment	—	—	—	—	(101)	—	—	(101)
Capital expenditures	(241)	—	—	(192)	—	—	—	(433)
Net cash provided by (used in) by capital and related financing activities	(241)	—	—	(192)	—	—	—	(433)
Cash flows from investing activities:								
Interest collected on deposits, investments, and loans	849	2,093	83	977	—	551	1,575	6,128
Loans originated	—	—	—	—	—	—	(5,450)	(5,450)
Principal collected on loans	—	—	—	—	—	3,333	6,804	10,137
Proceeds from sales and maturities of investments	—	10,535	—	—	—	—	—	10,535
Purchases of investments	—	(11,763)	—	—	—	—	—	(11,763)
Net cash provided by (used in) investing activities	849	865	83	977	—	3,884	2,929	9,587
Net increase (decrease) in cash and cash equivalents	8,468	7,553	4,168	25,609	30	57,112	146,705	249,645
Cash and cash equivalents – beginning of year	13,933	51,426	12,731	143,332	201	2,887	8,462	232,972
Cash and cash equivalents – end of year	$ 22,401	58,979	16,899	168,941	231	59,999	155,167	482,617
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ 43,327	6,936	1,150	184,884	10	2,980	2,144	241,431
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation	319	—	—	180	—	—	—	499
Impairment (recovery) loss on loans receivable	—	—	—	—	—	(3,507)	(2,296)	(5,803)
Changes in operating assets and liabilities:								
Decrease (increase) in accounts receivable	(347)	(153)	195	(191)	75	—	—	(421)
Decrease (increase) in other assets	3	—	—	1,757	—	—	—	1,760
Decrease (increase) in deferred outflow of resources	15,597	—	—	11,248	—	—	—	26,845
Increase (decrease) in accounts payable and accrued liabilities	985	56	(14)	(2,566)	(55)	(92)	(27)	(1,713)
Increase (decrease) in due to other governmental entities	—	—	(3)	—	—	—	—	(3)
Increase (decrease) in unearned revenue	—	(109)	5	(271)	—	—	—	(375)
Increase (decrease) in compensated absences	(103)	(36)	(14)	(76)	—	—	—	(229)
Decrease in deferred inflow of resources	(794)	—	—	(1,074)	—	—	—	(1,868)
Decrease in total pension liability	(48,096)	—	—	(886)	—	—	—	(48,982)
Increase (decrease) in otherpostemployment benefits liability	43	—	—	(81)	—	—	—	(38)
Increase in obligation for unpaid lottery prizes	—	—	—	3,736	—	—	—	3,736
Decrease in voluntary termination benefits payable	(64)	—	—	(332)	—	—	—	(396)
Increase (decrease) in liability for disability benefits payable	—	(6)	(16)	—	—	—	—	(22)
Total adjustments	(32,457)	(248)	153	11,444	20	(3,599)	(2,323)	(27,010)
Net cash provided by (used in) operating activities	$ 10,870	6,688	1,303	196,328	30	(619)	(179)	214,421

See accompanying independent auditors' report.

Fiduciary funds are used to account for funds held by the Commonwealth in an agent capacity for individuals, organizations, and other governmental units. Following are the Commonwealth's fiduciary funds:

Agency Fund

Agency fund is used to account for assets held by the Commonwealth as an agent for individuals, private organizations, and other governments. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of the results of operations.

Special Deposits

This fund acts in a fiduciary capacity in order to account for moneys received with specified purposes for which the law does not specify its recording in any other fund. It mainly includes deposits under the custody of the courts of justice for alimony payments, escrows, revenue collections, and agency accounts for which the Commonwealth act in an agent's capacity.

COMMONWEALTH OF PUERTO RICO

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2019

(In thousands)

Assets		Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
Cash and cash equivalents in commercial banks	$	973,331	2,505,063	2,331,714	1,146,679
Cash and cash equivalents with governmental banks		50	—	50	—
Total assets	$	973,381	2,505,063	2,331,764	1,146,679
Liabilities					
Accounts payable and accrued liabilities	$	973,381	2,505,063	2,331,764	1,146,679
Total liabilities	$	973,381	2,505,063	2,331,764	1,146,679

See accompanying independent auditors’ report.

These entities, all legally separate entities, consistent with GASB Statement No. 14, as amended by GASB Statement No. 39 and No. 61, are discretely presented in a separate column of the basic financial statements of the Primary Government principally because of the nature of the services they provide, the Commonwealth's ability to impose its will, principally through the appointment of their governing authorities, and because these discretely presented component units provide specific financial benefits to, or impose financial burdens on, the Commonwealth (with the exception of Culebra Conservation and Development Authority and the Puerto Rico Science, Technology and Research Trust, which does not meet all these criteria, but the Commonwealth has determined it would be misleading to exclude them from the Commonwealth's financial reporting entity). These entities have been classified as nonmajor discretely presented component units because management believes they do not meet the following factors for inclusion as major: a) the services provided by the discretely presented component unit to the citizenry are such that separate reporting as a major discretely presented component unit is considered to be essential to financial statement users, b) there are significant transactions with the Primary Government, or c) there is a significant financial benefit or burden relationship with the Primary Government. The accounting principles followed by each of the discretely presented component units included herein may vary depending on the type of industries they are involved in (that is, banking, construction, public utilities, and so forth). The detailed information for each of these entities may be obtained directly from the administrative offices of the corresponding entities, as described in Note 1 to the basic financial statements.

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2019

(In thousands)

	Agricultural Enterprises Development Administration	Automobile Accidents Compensation Administration	Cardiovascular Center Corporation of Puerto Rico and the Caribbean	Center of Diabetes for Puerto Rico	Company for the Integral Development of the "Península de Cantera"	Corporation for the "Caño Martín Peña" ENLACE Project
Assets:						
Cash and cash equivalents in commercial banks	$ 86,828	25,462	13,557	708	1,438	7,167
Cash and cash equivalents in governmental banks	—	—	—	—	—	—
Investments	—	112,192	—	—	—	—
Receivables – net:						
Insurance premiums	—	—	—	—	—	—
Intergovernmental	—	—	—	—	162	—
Accounts	1,704	3,827	3,291	30	—	—
Loans and advances	330	—	—	—	5,522	—
Accrued interest	—	414	—	—	—	—
Other	1,760	608	745	75	1	—
Due from – net:						
Primary government	11,051	—	—	—	—	—
Component units	4,996	—	—	—	—	—
Other governmental entities	—	968	514	—	—	266
Inventories	3,796	—	1,923	2	—	—
Prepaid expenses	386	—	439	—	2	—
Other assets	—	288	—	—	—	—
Restricted assets:						
Cash and cash equivalents in commercial banks	—	275	—	—	—	—
Cash and cash equivalents in governmental banks	—	—	—	—	—	—
Investments	—	—	—	—	—	—
Other restricted assets	—	—	—	—	497	—
Real estate held for sale or future development	—	—	—	—	1,061	—
Capital assets:						
Land and other nondepreciable	3,739	901	103	—	80	2,217
Depreciable, net	17,552	3,827	13,238	407	2,370	186
Total assets	132,142	148,762	33,810	1,222	11,133	9,836
Deferred outflows of resources:						
Loss on bonds refunding	—	—	—	—	—	—
Other postemployment benefits related	582	407	58	—	—	—
Pension related	10,220	20,424	2,088	—	—	—
Total deferred outflows of resources	10,802	20,831	2,146	—	—	—
Liabilities:						
Accounts payable and accrued liabilities	25,892	5,046	26,148	78	1,353	4,436
Deposits and escrow liabilities	—	—	—	—	—	—
Due to:						
Primary government	10,748	—	30,776	—	—	—
Component units	1,534	—	9,468	—	37,791	—
Other governmental entities	1,032	9,335	5,509	218	—	—
Interest payable	—	—	—	—	12,653	—
Unearned revenue	—	37,962	—	—	—	38
Liabilities payable within one year:						
Commonwealth appropriation bonds	—	—	—	—	—	—
Revenue bonds	—	—	—	—	—	—
Notes payable to financial institutions	—	—	—	—	—	—
Capital leases	—	—	—	—	—	—
Compensated absences	846	1,297	1,279	40	—	89
Voluntary termination benefits payable	2,397	1,694	—	—	—	—
Liability for insurance benefit	—	60,063	—	—	—	—
Total pension liability	9,284	12,336	2,088	—	—	—
Total other postemployment benefits liability	516	407	58	—	—	—
Other long-term liabilities	—	—	116	—	—	—
Liabilities payable after one year:						
Commonwealth appropriation bonds	—	—	—	—	—	—
Revenue bonds	—	—	—	—	—	—
Notes payable to financial institutions	—	—	—	—	—	—
Capital leases	—	—	—	—	—	—
Compensated absences	750	—	—	35	—	170
Voluntary termination benefits payable	10,755	6,930	—	—	—	—
Net pension obligation	—	—	—	—	—	—
Total pension liability	149,715	217,341	22,605	—	—	—
Total other postemployment benefits liability	5,841	4,221	611	—	—	—
Other long-term liabilities	908	839	5,843	—	—	—
Total liabilities	220,218	357,471	104,501	371	51,797	4,733
Deferred inflows of resources:						
Service concession arrangements	—	—	—	—	—	—
Pension related	12,719	14,478	1,557	—	—	—
Total deferred inflows of resources	12,719	14,478	1,557	—	—	—
Net position:						
Net investment in capital assets	21,292	4,728	13,341	407	2,450	2,403
Restricted for:						
Capital projects	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Student loans and other educational purpose	—	—	—	—	—	—
Other specified purposes	—	—	—	—	497	—
Unrestricted (deficit)	(111,285)	(207,084)	(83,443)	444	(43,611)	2,700
Total net position (deficit)	$ (89,993)	(202,356)	(70,102)	851	(40,664)	5,103

(Continued)

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2019

(In thousands)

	Culebra Conservation and Development Authority	Economic Development Bank for Puerto Rico	Farm Insurance Corporation of Puerto Rico	Fine Arts Center Corporation	Government Development Bank Debt Restructuring Authority	Institute of Puerto Rican Culture
Assets:						
Cash and cash equivalents in commercial banks	$ 395	27,433	7,019	1,993	—	5,390
Cash and cash equivalents in governmental banks	—	—	—	—	—	—
Investments	—	112,455	—	—	—	—
Receivables – net:						
Intergovernmental	—	—	—	—	—	567
Accounts	—	—	—	155	—	439
Loans and advances	—	11,800	—	—	—	—
Accrued interest	—	102	—	—	35,830	—
Other	—	—	198	—	110,581	—
Due from – net:						
Primary government	—	—	—	—	—	—
Component units	—	—	1,534	—	36,015	—
Other governmental entities	—	—	413	—	1,180,956	—
Inventories	—	—	—	—	—	2,030
Prepaid expenses	—	—	—	632	—	—
Other assets	—	41	—	—	10	—
Restricted assets:						
Cash and cash equivalents in commercial banks	—	—	—	1,939	15,193	668
Cash and cash equivalents in governmental banks	—	—	—	—	—	—
Investments	—	—	—	—	—	—
Other restricted assets	—	—	—	—	—	—
Real estate held for sale or future development	—	4,477	—	—	8,129	—
Capital assets:						
Land and other nondepreciable	640	2,735	—	3,307	—	55
Depreciable, net	135	5,346	118	8,930	—	38,431
Total assets	1,170	164,389	9,282	16,956	1,386,714	47,580
Deferred outflows of resources:						
Loss on bonds refunding	—	—	—	—	—	—
Other postemplyment benefits related	—	37	5	11	—	178
Pension related	—	1,946	435	827	—	3,886
Total deferred outflows of resources	—	1,983	440	838	—	4,064
Liabilities:						
Accounts payable and accrued liabilities	45	1,302	1,997	585	61,170	1,826
Deposits and escrow liabilities	—	144,888	—	411	—	—
Due to:						
Primary government	—	—	—	—	—	—
Component units	—	5,941	5,044	—	—	1,837
Other governmental entities	—	—	4,692	—	—	—
Interest payable	—	89	—	—	—	—
Unearned revenue	—	—	2,289	—	—	204
Liabilities payable within one year:						
Commonwealth appropriation bonds	—	—	—	—	—	—
Revenue bonds	—	—	—	—	26,438	—
Notes payable to financial institutions	—	—	—	—	—	—
Capital leases	—	—	—	—	—	—
Compensated absences	37	—	144	28	—	16
Voluntary termination benefits payable	11	—	—	169	—	334
Liability for insurance benefits	—	—	—	—	—	—
Total pension liability	—	737	435	360	—	—
Total other postemployment benefits liability	—	37	5	11	—	—
Other long-term liabilities	—	—	603	—	—	—
Liabilities payable after one year:						
Commonwealth appropriation bonds	—	—	—	—	—	—
Revenue bonds	—	—	—	—	2,076,711	—
Notes payable to financial institutions	—	—	—	—	—	—
Capital leases	—	—	—	—	—	—
Compensated absences	—	429	293	185	—	292
Voluntary termination benefits payable	43	2,922	—	1,047	—	1,596
Net pension obligation	—	—	—	—	—	—
Total pension liability	116	19,593	1,503	5,976	—	58,804
Total other postemployment benefits liability	14	401	52	119	—	2,195
Other long-term liabilities	—	1,007	—	—	—	—
Total liabilities	266	177,346	17,057	8,891	2,164,319	67,104
Deferred inflows of resources:						
Service concession arrangements	—	—	—	—	—	—
Pension related	12	1,281	197	399	—	3,707
Total deferred inflows of resources	12	1,281	197	399	—	3,707
Net position:						
Net investment in capital assets	775	2,470	118	12,237	—	38,486
Restricted for:						
Capital projects	—	—	—	—	—	639
Debt service	—	—	—	—	—	—
Student loans and other educational purpose	—	—	—	—	—	—
Other specified purposes	—	7,189	—	1,939	—	750
Unrestricted (deficit)	117	(21,914)	(7,650)	(5,672)	(777,605)	(59,042)
Total net position (deficit)	$ 892	(12,255)	(7,532)	8,504	(777,605)	(19,167)

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2019

(In thousands)

	Institutional Trust of the National Guard of Puerto Rico	Land Authority of Puerto Rico	Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads	Musical Arts Corporation	Public Corporation for the Supervision and Deposit Insurance of P.R. Cooperatives
Assets:					
Cash and cash equivalents in commercial banks	$ 7,854	16,720	1,639	5,274	1,465
Cash and cash equivalents in governmental banks	—	2,074	—	—	—
Investments	—	—	—	—	317,935
Receivables – net:					
Intergovernmental	—	1,315	164	—	—
Accounts	569	25,673	895	20	—
Loans and advances	—	—	—	—	3,731
Accrued interest	132	—	—	—	2,256
Other	—	—	—	—	92
Due from – net:					
Primary government	—	—	—	—	—
Component units	—	—	—	—	—
Other governmental entities	—	2,722	—	55	—
Inventories	—	—	—	—	—
Prepaid expenses	182	—	125	—	—
Other assets	—	4,017	—	—	—
Restricted assets:					
Cash and cash equivalents in commercial banks	—	912	51	200	—
Cash and cash equivalents in governmental banks	—	—	—	—	—
Investments	33,175	—	—	—	—
Other restricted assets	—	—	—	—	—
Real estate held for sale or future development	—	—	—	—	—
Capital assets:					
Land and other nondepreciable	8,887	88,139	12,601	568	35
Depreciable, net	7,170	6,806	3,822	524	1,569
Total assets	57,969	148,378	19,297	6,641	327,083
Deferred outflows of resources:					
Loss on bonds refunding	—	—	—	—	—
Other postemplyment benefits related	—	134	—	19	—
Pension related	290	6,381	—	522	1,165
Total deferred outflows of resources	290	6,515	—	541	1,165
Liabilities:					
Accounts payable and accrued liabilities	1,676	5,729	936	191	201,514
Deposits and escrow liabilities	—	2,543	356	—	—
Due to:					
Primary government	—	2,950	—	—	—
Component units	—	7,545	—	—	—
Other governmental entities	—	33,722	17,433	896	—
Interest payable	—	451	—	—	—
Unearned revenue	—	9,026	—	203	—
Liabilities payable within one year:					
Commonwealth appropriation bonds	—	7,273	—	—	—
Revenue bonds	—	—	—	—	—
Notes payable to financial institutions	—	—	—	—	3,029
Capital leases	—	—	—	—	—
Compensated absences	25	591	161	622	—
Voluntary termination benefits payable	—	812	—	48	—
Liability for insurance benefits	—	—	—	—	—
Total pension liability	—	3,155	—	—	—
Total other postemplyment benefits liability	—	132	—	—	—
Other long-term liabilities	—	1,195	—	—	—
Liabilities payable after one year:					
Commonwealth appropriation bonds	—	48,545	—	—	—
Revenue bonds	—	—	—	—	—
Notes payable to financial institutions	—	—	—	—	6,057
Capital leases	—	—	—	—	—
Compensated absences	—	693	—	—	1,537
Voluntary termination benefits payable	—	2,828	—	363	—
Net pension obligation	—	—	—	20,755	—
Total pension liability	845	55,300	—	6,988	9,297
Total other postemplyment benefits liability	—	1,459	—	218	—
Other long-term liabilities	—	36,732	—	—	—
Total liabilities	2,546	220,681	18,886	30,284	221,434
Deferred inflows of resources:					
Service concession arrangements	—	—	—	—	—
Pension related	53	4,642	—	440	586
Total deferred inflows of resources	53	4,642	—	440	586
Net position:					
Net investment in capital assets	16,057	94,945	83	1,091	1,604
Restricted for:					
Capital projects	—	—	—	—	—
Debt service	—	—	51	—	—
Student loans and other educational purpose	—	—	—	—	—
Other specified purposes	35,793	—	—	200	95,113
Unrestricted (deficit)	3,810	(165,375)	277	(24,833)	9,511
Total net position (deficit)	$ 55,660	(70,430)	411	(23,542)	106,228

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2019

(In thousands)

	Puerto Rico Conservatory of Music Corporation	Puerto Rico Convention Center District Authority	Puerto Rico Destination Marketing Corporation	Puerto Rico Industrial Development Company
Assets:				
Cash and cash equivalents in commercial banks	$ 2,036	4,738	11,887	52,931
Cash and cash equivalents in governmental banks	—	—	—	—
Investments	—	7,898	375	—
Receivables – net:				
Intergovernmental	—	—	—	—
Accounts	—	8,340	21	12,272
Loans and advances	—	1,943	—	—
Accrued interest	—	—	—	—
Other	554	—	—	—
Due from – net:				
Primary government	—	—	—	—
Component units	—	4,929	—	—
Other governmental entities	—	—	—	609
Inventories	—	—	—	—
Prepaid expenses	45	8,437	514	57
Other assets	—	290	—	—
Restricted assets:				
Cash and cash equivalents in commercial banks	3,398	6,696	—	2,234
Cash and cash equivalents in governmental banks	—	—	—	—
Investments	—	811	—	1,800
Other restricted assets	—	—	—	—
Real estate held for sale or future development	—	—	—	—
Capital assets:				
Land and other nondepreciable	5,157	270,359	—	234,886
Depreciable, net	66,311	358,887	580	369,648
Total assets	77,501	673,328	13,377	674,437
Deferred outflows of resources:				
Loss on bonds refunding	—	—	—	447
Other postemployment benefits related	—	—	—	444
Pension related	4,726	—	—	26,884
Total deferred outflows of resources	4,726	—	—	27,775
Liabilities:				
Accounts payable and accrued liabilities	628	9,726	5,370	8,291
Deposits and escrow liabilities	—	6,406	—	7,787
Due to:				
Primary government	—	—	—	32,043
Component units	—	142,830	—	52,860
Other governmental entities	—	—	—	—
Interest payable	—	84,968	—	31,946
Unearned revenue	1,085	4,253	41	9,438
Liabilities payable within one year:				
Commonwealth appropriation bonds	—	—	—	—
Revenue bonds	—	37,135	—	26,943
Notes payable to financial institutions	—	—	—	8,876
Capital leases	—	—	8	102
Compensated absences	85	—	—	419
Voluntary termination benefits payable	17	—	—	1,594
Liability for insurance benefits	—	—	—	—
Total pension liability	—	—	—	14,425
Total other postemployment benefits liability	—	—	—	444
Other long-term liabilities	—	—	852	—
Liabilities payable after one year:				
Commonwealth appropriation bonds	—	—	—	—
Revenue bonds	—	352,028	—	122,877
Notes payable to financial institutions	—	300	—	55,430
Capital leases	—	—	4	243
Compensated absences	38	—	—	612
Voluntary termination benefits payable	—	—	—	7,539
Net pension obligation	—	—	—	—
Total pension liability	22,445	—	—	259,204
Total other postemployment benefits liability	—	—	—	5,082
Other long-term liabilities	—	—	1,790	25,688
Total liabilities	24,298	637,646	8,065	671,843
Deferred inflows of resources:				
Service concession arrangements	—	—	—	—
Pension related	430	—	—	17,249
Total deferred inflows of resources	430	—	—	17,249
Net position:				
Net investment in capital assets	71,467	12,284	568	383,024
Restricted for:				
Capital projects	—	1,102	—	—
Debt service	—	—	—	4,034
Student loans and other educational purpose	1,581	—	—	—
Other specified purposes	1,817	—	911	—
Unrestricted (deficit)	(17,366)	22,296	3,833	(373,938)
Total net position (deficit)	$ 57,499	35,682	5,312	13,120

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2019

(In thousands)

	Puerto Rico Industrial, Tourist, Educational, Medical and Environmental, Control Facilities Financing Authority	Puerto Rico Integrated Transit Authority	Puerto Rico Land Administration	Puerto Rico and Municipal Islands Maritime Transport Authority	Puerto Rico Metropolitan Bus Authority	Puerto Rico Municipal Finance Agency
Assets:						
Cash and cash equivalents in commercial banks	$ 276	4,806	14,240	8,512	1,688	—
Cash and cash equivalents in governmental banks	—	—	—	—	—	—
Investments	—	—	—	—	—	—
Receivables – net:						
Intergovernmental	—	—	—	—	—	—
Accounts	—	—	—	305	1,873	—
Loans and advances	—	—	—	—	—	—
Accrued interest	—	—	—	—	—	—
Other	—	—	492	627	—	—
Due from – net:						
Primary government	—	2,850	—	—	—	—
Component units	—	—	—	—	—	—
Other governmental entities	—	—	622	1,108	1,441	—
Inventories	—	—	—	66	5,135	—
Prepaid expenses	—	—	177	1,560	—	1,552
Other assets	—	—	—	—	—	—
Restricted assets:						
Cash and cash equivalents in commercial banks	—	—	—	—	—	37,280
Cash and cash equivalents in governmental banks	—	—	—	—	—	—
Investments	—	—	—	—	—	461,183
Other restricted assets	—	—	—	—	—	10,399
Real estate held for sale or future development	—	—	187,530	—	—	28
Capital assets:						
Land and other nondepreciable	—	—	14,509	93	6,350	—
Depreciable, net	—	151	9,874	51,544	12,337	—
Total assets	276	7,807	227,444	63,815	28,824	510,442
Deferred outflows of resources:						
Loss on bonds refunding	—	—	—	—	—	381
Other postemployment benefits related	2	—	84	17	676	—
Pension related	74	—	3,195	700	12,879	—
Total deferred outflows of resources	76	—	3,279	717	13,555	381
Liabilities:						
Accounts payable and accrued liabilities	75	215	1,467	8,330	16,830	1,370
Deposits and escrow liabilities	—	—	32,701	—	—	23,750
Due to:						
Primary government	—	—	3,216	1,710	89,979	—
Component units	—	—	—	74,641	15,515	—
Other governmental entities	55	2,530	502	1,512	366	—
Interest payable	—	—	—	—	—	8,616
Unearned revenue	—	—	1,354	—	—	—
Liabilities payable within one year:						
Commonwealth appropriation bonds	—	—	—	—	—	—
Revenue bonds	—	—	—	—	—	66,355
Notes payable to financial institutions	—	—	—	—	28,255	—
Capital leases	—	—	—	—	—	—
Compensated absences	—	32	233	352	1,121	—
Voluntary termination benefits payable	—	—	464	245	559	—
Liability for insurance benefits	—	—	—	—	—	—
Total pension liability	—	—	2,243	700	12,879	—
Total other postemployment benefits liability	—	—	84	17	676	—
Other long-term liabilities	—	—	—	166	—	—
Liabilities payable after one year:						
Commonwealth appropriation bonds	—	—	—	—	—	—
evenue bonds	—	—	—	—	—	340,606
Notes payable to financial institutions	—	—	—	—	—	—
Capital leases	—	—	—	—	—	—
Compensated absences	—	21	—	560	781	—
Voluntary termination benefits payable	—	—	1,489	1,642	2,467	—
Net pension obligation	—	—	—	—	—	—
Total pension liability	732	—	36,651	10,134	229,944	—
Total other postemployment benefits liability	14	—	903	160	7,733	—
Other long-term liabilities	—	—	—	587	4,827	—
Total liabilities	876	2,798	81,307	100,756	411,932	440,697
Deferred inflows of resources:						
Service concession arrangements	—	—	—	—	—	—
Pension related	46	—	2,452	1,387	24,311	—
Total deferred inflows of resources	46	—	2,452	1,387	24,311	—
Net position:						
Net investment in capital assets	—	151	24,383	51,637	18,687	—
Restricted for:						
Capital projects	—	—	—	—	—	—
Debt service	—	—	—	—	—	93,285
Student loans and other educational purpose	—	—	—	—	—	—
Other specified purposes	—	—	—	—	—	—
Unrestricted (deficit)	(570)	4,858	122,581	(89,248)	(412,551)	(23,159)
Total net position (deficit)	$ (570)	5,009	146,964	(37,611)	(393,864)	70,126

(Continued)

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2019

(In thousands)

		Puerto Rico Municipal Finance Corporation	Puerto Rico Ports Authority	Puerto Rico Public Broadcasting Corporation	Puerto Rico Public Private Partnerships Authority	Puerto Rico School of Plastic Arts
Assets:						
Cash and cash equivalents in commercial banks	$	41,411	14,606	2	27,339	1,242
Cash and cash equivalents in governmental banks		—	538	—	—	—
Investments		—	—	—	—	—
Receivables – net:						
Intergovernmental		17,926	—	—	130,245	—
Accounts		5	17,174	340	—	1,008
Loans and advances		—	—	—	—	—
Accrued interest		61	—	—	—	—
Other		—	—	903	—	—
Due from – net:						
Primary government		—	—	—	—	—
Component units		—	—	—	4,871	—
Other governmental entities		—	2,028	215	—	—
Inventories		—	—	—	—	—
Prepaid expenses		—	7,315	—	356	—
Other assets		—	—	61	—	—
Restricted assets:						
Cash and cash equivalents in commercial banks		—	21,820	1,714	—	—
Cash and cash equivalents in governmental banks		—	—	—	—	—
Investments		—	—	—	—	2,579
Other restricted assets		—	25,351	—	—	—
Real estate held for sale or future development		—	—	—	—	—
Capital assets:						
Land and other nondepreciable		—	363,053	83	—	—
Depreciable, net		—	878,128	4,915	127	7,742
Total assets		59,403	1,330,013	8,233	162,938	12,571
Deferred outflows of resources:						
Loss on bonds refunding		—	9,079	—	—	—
Other postemployment benefits related		—	684	40	—	—
Pension related		—	28,124	2,083	—	3,595
Total deferred inflows of resources		—	37,887	2,123	—	3,595
Liabilities:						
Accounts payable and accrued liabilities		53	25,526	4,330	128,557	520
Deposits and escrow liabilities		—	1,303	—	—	—
Due to:						
Primary government		—	65,633	—	—	—
Component units		—	306,705	—	6,177	—
Other governmental entities		25,869	10,754	—	828	—
Interest payable		—	124,848	—	—	—
Unearned revenue		—	44	—	30,284	—
Liabilities payable within one year:						
Commonwealth appropriation bonds		—	—	—	—	—
Revenue bonds		—	195,612	—	—	—
Notes payable to financial institutions		—	2,850	—	—	—
Capital leases		—	—	—	—	—
Compensated absences		—	1,908	797	210	42
Voluntary termination benefits payable		—	1,203	251	—	—
Liability for insurance benefits		—	—	—	—	—
Total pension liability		—	24,110	—	—	—
Total other postemployment benefits liability		—	684	—	—	—
Other long-term liabilities		—	87	—	—	—
Liabilities payable after one year:		—	—	—	—	—
Commonwealth appropriation bonds		—	—	—	—	—
revenue bonds		—	—	—	—	—
Notes payable to financial institutions		—	15,006	—	—	—
Capital leases		—	—	—	—	—
Compensated absences		—	—	1,291	68	26
Voluntary termination benefits payable		—	6,827	1,711	—	—
Net pension obligation		—	—	—	—	—
Total pension liability		—	431,511	21,364	—	14,053
Total other postemployment benefits liability		—	7,206	512	—	—
Other long-term liabilities		—	19	1,680	—	—
Total liabilities		25,922	1,221,836	31,936	166,124	14,641
Deferred inflows of resources:						
Service concession arrangements		—	669,748	—	—	—
Pension related		—	28,721	1,347	—	269
Total deferred inflows of resources		—	698,469	1,347	—	269
Net position:						
Net investment in capital assets		—	497,637	4,998	127	7,742
Restricted for:						
Capital projects		—	47,171	—	—	—
Debt service		—	—	—	—	—
Student loans and other educational purpose		—	—	—	—	2,579
Other specified purposes		—	—	1,786	—	—
Unrestricted (deficit)		33,481	(1,097,213)	(29,711)	(3,313)	(9,065)
Total net position (deficit)	$	33,481	(552,405)	(22,927)	(3,186)	1,256

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2019

(In thousands)

	Puerto Rico Science, Technology and Research Trust	Puerto Rico Telephone Authority	Puerto Rico Tourism Company	Puerto Rico Trade and Export Company	Nonmajor Component Units Total
Assets:					
Cash and cash equivalents in commercial banks	$ 29,632	—	55,685	8,631	490,004
Cash and cash equivalents in governmental banks	—	—	—	—	2,612
Investments	35,954	—	—	—	586,809
Receivables – net:					
Intergovernmental	—	—	—	—	150,379
Accounts	—	—	14,628	646	93,215
Loans and advances	—	—	6,068	—	29,394
Accrued interest	—	—	—	2,768	41,563
Other	2,240	—	5	392	119,273
Due from – net:					
Primary government	—	—	—	—	13,901
Component units	—	—	—	—	52,345
Other governmental entities	4,978	6	—	—	1,196,901
Inventories	—	—	—	—	12,952
Prepaid expenses	—	—	7	92	21,878
Other assets	127	—	—	—	4,834
Restricted assets:					
Cash and cash equivalents in commercial banks	—	—	72,974	5,735	171,089
Cash and cash equivalents in governmental banks	—	—	—	—	—
Investments	—	—	—	—	499,548
Other restricted assets	—	—	—	—	36,247
Real estate held for sale or future development	—	—	2,600	—	203,825
Capital assets:					
Land and other nondepreciable	38,579	—	5,053	40,048	1,102,177
Depreciable, net	6,521	—	15,957	36,226	1,929,379
Total assets	118,031	6	172,977	94,538	6,758,325
Deferred outflows of resources:					
Loss on bonds refunding	—	—	1,093	—	11,000
Other postemployment benefits related	—	—	184	105	3,667
Pension related	—	—	5,637	3,262	139,343
Total deferred outflows of resources	—	—	6,914	3,367	154,010
Liabilities:					
Accounts payable and accrued liabilities	3,437	15	32,354	2,721	589,739
Deposits and escrow liabilities	—	—	—	2,667	222,812
Due to:					
Primary government	—	—	2,730	1,768	241,553
Component units	—	—	10,330	1,399	679,617
Other governmental entities	—	—	78,421	5,196	198,870
Interest payable	—	—	10,842	2,516	276,929
Unearned revenue	—	—	—	—	96,221
Liabilities payable within one year:					
Commonwealth appropriation bonds	—	—	5,796	—	13,069
Revenue bonds	—	—	—	—	352,483
Notes payable to financial institutions	—	—	—	684	43,694
Capital leases	—	—	180	68	358
Compensated absences	—	—	741	468	11,583
Voluntary termination benefits payable	—	—	613	626	11,037
Liability for insurance benefits	—	—	—	—	60,063
Total pension liability	—	—	5,512	2,494	90,758
Total other postemployment benefits liability	—	—	184	105	3,360
Other long-term liabilities	9	—	—	—	3,028
Liabilities payable after one year:					
Commonwealth appropriation bonds	—	—	39,444	—	87,989
Revenue bonds	—	—	—	—	2,892,222
Notes payable to financial institutions	—	—	—	11,049	87,842
Capital leases	—	—	142	33	422
Compensated absences	—	—	965	27	8,773
Voluntary termination benefits payable	—	—	3,315	2,173	53,647
Net pension obligation	—	—	—	—	20,755
Total pension liability	—	—	99,845	44,320	1,718,286
Total other postemployment benefits liability	—	—	2,015	1,142	39,898
Other long-term liabilities	—	—	1,050	1,062	82,032
Total liabilities	3,446	15	294,479	80,518	7,887,040
Deferred inflows of resources:					
Service concession arrangements	—	—	—	—	669,748
Pension related	—	—	6,641	2,951	125,875
Total deferred inflows of resources	—	—	6,641	2,951	795,623
Net position:					
Net investment in capital assets	45,100	—	20,690	64,439	1,415,421
Restricted for:					
Capital projects	—	—	—	—	48,912
Debt service	—	—	—	—	97,370
Student loans and other educational purpose	—	—	—	—	4,160
Other specified purposes	—	—	—	5,224	151,219
Unrestricted (deficit)	69,485	(9)	(141,919)	(55,227)	(3,487,410)
Total net position (deficit)	$ 114,585	(9)	(121,229)	14,436	(1,770,328)

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Activities

Year ended June 30, 2019

(In thousands)

		Program revenue				General revenue and transfers									
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Net revenues (expenses) and changes in net position	Payments from (to) primary government	Payments from (to) other component units	Grants and contributions not restricted to specific programs	Interest and invest-ment earnings	Excise taxes and others	Change in net position	Net position (deficit) beginning of year as previously reported	Correction of errors, change in reporting entity and adoption of new pronouncements (note 4 to financial statements)	Net position (deficit)– beginning of year, as restated	Net position (deficit) end of year
Agricultural Enterprises Development Administration	$ 149,554	89,551	1,772	—	(58,231)	179,863	—	—	554	3,282	125,468	(215,461)	—	(215,461)	(89,993)
Automobile Accidents Compensation Administration	161,744	86,084	—	—	(75,660)	(4,726)	—	—	4,498	627	(75,261)	(127,095)	—	(127,095)	(202,356)
Cardiovascular Center Corporation of Puerto Rico and the Caribbean	(40,951)	81,164	—	—	122,115	—		—	—	—	122,115	(192,587)	370	(192,217)	(70,102)
Center of Diabetes for Puerto Rico	940	242	—	—	(698)	391	—	—	9	1	(297)	1,148	—	1,148	851
Company for the Integral Development of the “Península de Cantera”	4,311	—	1,149	—	(3,162)	—	—	29	29	—	(3,104)	(37,306)	(254)	(37,560)	(40,664)
Corporation for the "Caño Martin Peña" Enlace Project	8,000	—	11,271	37	3,308	—	—	—	27	—	3,335	5,115	(3,347)	1,768	5,103
Culebra Conservation and Development Authority	255	423	—	—	168	222	—	—	—	1,470	1,860	(968)	—	(968)	892
Economic Development Bank for Puerto Rico	(2,201)	3,763	—	—	5,964	—	—	—	2,949	3,942	12,855	(25,110)	—	(25,110)	(12,255)
Farm Insurance Corporation of Puerto Rico	(6,694)	2,623	—	—	9,317	—	—	—	63	—	9,380	(16,912)	—	(16,912)	(7,532)
Fine Arts Center Corporation	617	3,193	—	—	2,576	3,342	—	—	30	236	6,184	2,320	—	2,320	8,504
Government Development Bank Debt Restructuring Authority	823,374	41,474	—	—	(781,900)	—	—	—	224	4,071	(777,605)	—	—	—	(777,605)
Independent Consumer Protection Office	—	—	—	—	—	—	—	—	—	—	—	336	(336)	—	—
Institute of Puerto Rican Culture	41,531	—	2,337	—	(39,194)	12,449	—	—	—	—	(26,745)	8,688	(1,110)	7,578	(19,167)
Institutional Trust of the National Guard of Puerto Rico	6,186	6,456	—	—	270	—	—	—	6,939	—	7,209	48,609	(158)	48,451	55,660
Land Authority of Puerto Rico	(4,428)	9,709	810	—	14,947	—	—	—	—	1,553	16,500	(129,852)	42,922	(86,930)	(70,430)
Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads	3,245	1,334	1,034	—	(877)	735	—	—	—	652	510	(99)	—	(99)	411
Musical Arts Corporation	7,161	472	—	—	(6,689)	6,618	—	—	100	30	59	(23,601)	—	(23,601)	(23,542)
Public Corporation for the Supervision and Deposit Insurance of Puerto Rico Cooperatives	(55,286)	25,521	1,584	—	82,391	—	—	—	27,779	—	110,170	(3,942)	—	(3,942)	106,228
Puerto Rico Conservatory of Music Corporation	10,758	2,944	—	40	(7,774)	5,201	—	506	6	42	(2,019)	59,518	—	59,518	57,499
Puerto Rico Convention Center District Authority	81,217	31,535	120	—	(49,562)	2,671	4,623	—	117	521	(41,630)	77,312	—	77,312	35,682
Puerto Rico Council on Education	—	—	—	—	—	—	—	—	—	—	—	(8,815)	8,815	—	—
Puerto Rico Destination Marketing Corporation	25,165	248	—	—	(24,917)	25,828	—	—	155	4,229	5,295	—	17	17	5,312
Puerto Rico Energy Commission	—	—	—	—	—	—	—	—	—	—	—	9,675	(9,675)	—	—
Puerto Rico Industrial Development Company	200,368	59,231	3,259	—	(137,878)	23,031	—	—	669	3,329	(110,849)	126,035	(2,066)	123,969	13,120
Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority	750	153	—	—	(597)	—	—	—	—	—	(597)	105	(78)	27	(570)
Puerto Rico Integrated Transit Authority	1,014	—	6,361	—	5,347	—	(6,033)	—	185	—	(501)	5,510	—	5,510	5,009
Puerto Rico Land Administration	18,705	17,139	—	—	(1,566)	—	—	—	135	—	(1,431)	148,395	—	148,395	146,964
Puerto Rico and Municipal Islands Maritime Transport Authority	4,472	4,939	1,603	—	2,070	41,389	3,623	—	—	4,886	51,968	(97,163)	7,584	(89,579)	(37,611)
Puerto Rico Metropolitan Bus Authority	33,168	3,065	13,746	—	(16,357)	35,816	2,410	—	—	4,855	26,724	(420,588)	—	(420,588)	(393,864)
Puerto Rico Municipal Finance Agency	20,659	—	—	—	(20,659)	—	—	—	31,773	1,156	12,270	57,856	—	57,856	70,126
Puerto Rico Municipal Finance Corporation	137,006	—	136,161	—	(845)	—	22,609	—	1,406	25	23,195	10,286	—	10,286	33,481
Puerto Rico Ports Authority	354,046	118,879	3,820	—	(231,347)	—	—	—	3,978	520	(226,849)	(325,556)	—	(325,556)	(552,405)
Puerto Rico Public Broadcasting Corporation	(5,860)	2,476	—	—	8,336	8,926	—	3,991	1,107	—	22,360	(45,287)	—	(45,287)	(22,927)
Puerto Rico Public Private Partnerships Authority	2,875,856	16,407	2,822,320	—	(37,129)	42,542	—	—	82	—	5,495	(7,557)	(1,124)	(8,681)	(3,186)
Puerto Rico School of Plastic Arts	5,401	2,327	2,330	—	(744)	1,735	—	—	72	—	1,063	199	(6)	193	1,256
Puerto Rico Science, Technology and Research Trust	25,340	215	28,135	—	3,010	—	—	—	180	559	3,749	110,836	—	110,836	114,585
Puerto Rico Telephone Authority	6	—	—	—	(6)	—	6	—	—	—	—	(9)	—	(9)	(9)
Puerto Rico Tourism Company	124,552	168,255	—	—	43,703	(22,176)	(71,151)	—	—	73,384	23,760	(144,989)	—	(144,989)	(121,229)
Puerto Rico Trade and Export Company	35,826	14,415	2,353	—	(19,058)	—	—	—	12,806	920	(5,332)	19,768	—	19,768	14,436
Solid Waste Authority	—	—	—	—	—	—	—	—	—	—	—	(23,932)	23,932	—	—
Total nonmajor component units	$ 5,045,807	794,237	3,040,165	77	(1,211,328)	363,857	(43,913)	4,526	95,872	110,290	(680,696)	(1,155,118)	65,486	(1,089,632)	(1,770,328)

See accompanying independent auditors’ report.