COMMONWEALTH OF PUERTO RICO

Basic Financial Statements
and Required Supplementary Information

June 30, 2020

(With Independent Auditors' Report Thereon)

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year Ended June 30, 2020

Commonwealth of Puerto Rico

Honorable Pedro Pierluisi Urrutia
Governor

Prepared by:

Puerto Rico Department of the Treasury

Francisco Parés Alicea
Secretary of the Treasury

Angel Pantoja Rodríguez, Esq.
Under Secretary of the Treasury

Jeira Belén Ortíz, Esq.
Assistant Secretary of Central Accounting

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KPMG LLP
American International Plaza
Suite 1100
250 Muñoz Rivera Avenue
San Juan, PR 00918-1819

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 aggregate discretely presented component units, the general fund, the debt service fund, the ERS special revenue fund, the COFINA special revenue fund, the COFINA debt service fund, the Puerto Rico Health Insurance Administration fund, the Puerto Rico Medical Services Administration fund, and the aggregate remaining fund information of the Commonwealth of Puerto Rico (the Commonwealth) as of and for the year ended June 30, 2020, and the related notes to the financial statements. We were also engaged to audit the accompanying financial statements of the business-type activities and the unemployment insurance fund of the Commonwealth as of and for the year ended June 30, 2020, and the related notes to the basic financial statements. The financial statements described in this paragraph 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 Public Service Regulatory Board Independent Consumer Protection Office, which collectively represent 4.58% and 2.42% of the total assets and revenues, respectively, of the general fund.
  - Puerto Rico Maritime Shipping Authority, Special Communities Perpetual Trust special revenue and debt service funds, 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 22.23% and 7.18% of the total assets and revenues, respectively, of the aggregate remaining fund information.

These entities and funds collectively represent 24.45% and 2.51% 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 fund, which is a major enterprise fund.
  - Puerto Rico Medical Services Administration fund, 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 34.80% and 63.62% of the total assets and revenues, respectively, of the aggregate remaining fund information.

  These entities and funds collectively represent 96.44% and 96.63% 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 73.23% and 62.88% 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. However, because of the matter described in "Basis of Disclaimer of Opinion on Business–Type Activities and Unemployment Insurance Fund section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the business–type activities and unemployment insurance fund.

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.

Except as the matter described in the "Basis of Disclaimer of Opinion on Business–Type Activities and Unemployment Insurance Fund section, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Summary of Opinions

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

Basis for Disclaimer of Opinions on Business-Type Activities and Unemployment Insurance Fund

The financial statements of the Unemployment insurance fund as of June 30, 2020 were audited by other auditors, whose report thereon, dated August 12, 2022, include a "Basis for Disclaimer of Opinion" section stating that the unemployment insurance fund was unable to provide complete and accurate information associated with their determination of potential non-fraud and fraudulent overpayments within the CARES Act Unemployment Insurance Program. The unemployment insurance fund's records do not permit the auditors, nor is it practical to extend other auditing procedures, to obtain sufficient appropriate audit evidence to conclude that the receivable and payable balances and other related activity in the unemployment insurance fund were free of material misstatement. As a result of this matter, the other auditors were unable to determine whether further audit adjustments may have been necessary.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinions on Business-Type Activities and Unemployment Insurance Fund paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinion on the financial statements of the business-type activities and unemployment insurance fund. Accordingly, we do not express an opinion on these financial statements.

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 aggregate discretely presented component units, the general fund, the debt service fund, the ERS special revenue fund, the COFINA special revenue fund, the COFINA debt service fund, the Puerto Rico Health Insurance Administration fund, the Puerto Rico Medical Services Administration fund and the aggregate remaining fund information of the Commonwealth of Puerto Rico as of June 30, 2020, 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 III of PROMESA similar to bankruptcy. On January 18, 2022, the Title III 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 III of PROMESA. 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, 2020 and for the year then ended were audited by other auditors, whose report thereon, dated May 18, 2022, 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 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, 2020 and for the year then ended were audited by other auditors, whose report thereon, dated September 29, 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 $7.8 billion as of June 30, 2020, 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, 2020, and for the year then ended were audited by other auditors, whose report thereon, dated March 30, 2021, 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 business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information as of July 1, 2019 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 22; the schedules of changes in the total pension liability and related ratios for single-employer pension plans on pages 206 through 208; the schedule of changes in total other postemployment benefits liability and related ratios for single-employer pension plans on pages 209 through 211; and the schedule of revenue and expenditures – budget and actual–budgetary basis – general fund on page 212, 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 Disclaimer of Opinions on Business-Type Activities and Unemployment Insurance Fund". 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.

We and the other auditors have applied certain limited procedures to the schedules of changes in the net pension liability and related ratios for single-employer pension plans; the schedules of changes in total other postemployment benefits liability and related ratios for single-employer pension plans; 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.

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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 Disclaimer of Opinions on Business-Type Activities and Unemployment Insurance Fund" paragraph, 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
September 30, 2022

Stamp No. E481812 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, 2020. 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 $59.8 billion as of June 30, 2020, which was comprised of approximately $31.1 billion in total assets and approximately $3.7 billion in deferred outflows of resources, less approximately $92.9 billion in total liabilities and approximately $1.7 billion in deferred inflows of resources.
- The net deficit of the Commonwealth's Primary Government increased by approximately $514.4 million during fiscal year 2020. The net deficit for Governmental Activities increased by approximately $233.4 million and the net position for Business-type Activities increased by approximately $281 million during the fiscal year 2020.
- The Commonwealth's Governmental Activities had total revenue of approximately $21.8 billion for fiscal year 2020, which was greater than total expenses of approximately $21.7 billion. The Commonwealth's Business-type Activities had total revenue of approximately $6.3 billion for fiscal year 2020, which represented an increase of approximately $2.3 billion when compared to fiscal year 2019.
- The Commonwealth's Primary Government had total expenses of approximately $28.6 billion in fiscal year 2020, which included expenses of approximately $6.9 billion incurred by Business-type Activities, which represented an increase of approximately $3.4 billion when compared to total expenses incurred during fiscal year 2019 (as restated).
- For fiscal year 2020, the total excess of revenue over expenditures in the General Fund (budgetary basis) was approximately $604.6 million. It consisted of the difference between total actual revenue of approximately $9.3 billion (excluding other financing sources), less total actual expenditures of approximately $8.7 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, 2020, 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 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.

[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.

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 2020.

Net Position

Condensed financial information from the statement of net position as of June 30, 2020, and 2019 is as follows (in thousands):

	Governmental Activities		Business-type Activities		Primary Government	
	2020	2019 (As restated)	2020	2019 (As restated)	2020	2019 (As restated)
Assets:						
Non-capital assets:						
Cash and investments	$ 15,380,990	10,024,919	1,537,278	1,473,927	16,918,268	11,498,846
Receivables, net	4,323,785	4,370,525	1,891,019	1,042,907	6,214,804	5,413,432
Other	102,045	99,633	19,205	22,078	121,250	121,711
Total non-capital assets	19,806,820	14,495,077	3,447,502	2,538,912	23,254,322	17,033,989
Capital Assets	7,781,730	8,044,180	89,058	89,483	7,870,788	8,133,663
Total assets	**27,588,550**	**22,539,257**	**3,536,560**	**2,628,395**	**31,125,110**	**25,167,652**
Deferred outflows of resources	**3,615,536**	**2,244,933**	**49,390**	**31,676**	**3,664,926**	**2,276,609**
Liabilities:						
Long-term liabilities	77,478,588	76,133,254	2,120,970	1,479,437	79,599,558	77,612,691
Other liabilities	12,420,535	6,927,010	926,507	358,870	13,347,042	7,285,880
Total liabilities	**89,899,123**	**83,060,264**	**3,047,477**	**1,838,307**	**92,946,600**	**84,898,571**
Deferred inflows of resources	**1,613,219**	**1,798,777**	**38,386**	**40,706**	**1,651,605**	**1,839,483**

	Governmental Activities		Business-type Activities		Primary Government	
	2020	2019 (As restated)	2020	2019 (As restated)	2020	2019 (As restated)
Net Position:						
Net investment in capital assets	2,502,990	2,817,827	65,971	67,464	2,568,961	2,885,291
Restricted	474,867	554,434	908,935	1,416,212	1,383,802	1,970,646
Unrestricted (deficit)	(63,286,113)	(63,447,112)	(474,819)	(702,618)	(63,760,932)	(64,149,730)
Total net position (deficit)	$ **(60,308,256)**	**(60,074,851)**	**500,087**	**781,058**	**(59,808,169)**	**(59,293,793)**

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, 2020, amounted to approximately $34.8 billion and $94.6 billion, respectively, for a net deficit of approximately $59.8 billion as of June 30, 2020, compared to a net deficit of approximately $59.2 billion as of June 30, 2019 (as restated).

Net position (deficit) for Governmental Activities increased by approximately $233.4 million for fiscal year 2020, increasing to a deficit of approximately $60.3 billion as of June 30, 2020, from a deficit of approximately $60.1 billion as of June 30, 2019 (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 $63.3 billion as of June 30, 2020. The unrestricted deficit in Governmental Activities, which decreased by approximately $161 million, 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 $37.4 billion and total pension liability amounting to approximately $35.6 billion as of June 30, 2020, as compared to outstanding bonds and notes amounting to approximately $37.1 billion and net pension liability amounting to approximately $34.4 billion as of June 30, 2019 (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 decreased by approximately $281 million in fiscal year 2020 when compared to fiscal year 2019 (as restated), from approximately a $781.1 million net position as of June 30, 2019 (as restated), to approximately a $500.1 million net position as of June 30, 2020. The principal reason for the decrease in net position is related to an increase in transfers made to PRHIA from the Commonwealth of approximately $367 million and a negative change in net position in the Unemployment Insurance Fund of approximately $601 million.

Statements of Activities and Results of Operations

Condensed financial information of the statements of activities for the years ended June 30, 2020, and 2019 is as follows (in thousands):

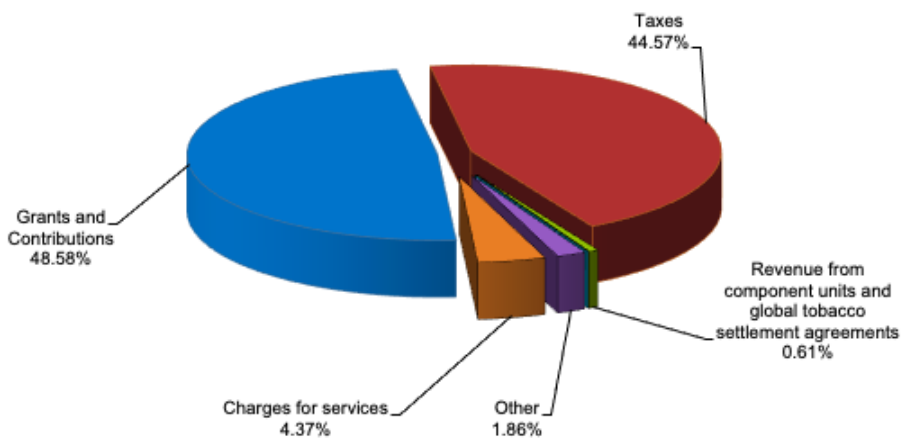
	Governmental Activities		Business-type Activities		Primary Government	
	2020	2019 (As restated)	2020	2019 (As restated)	2020	2019 (As restated)
Revenue:						
Program revenue:						
Charges for services	$ 951,360	847,678	1,225,989	1,397,095	2,177,349	2,244,773
Operating grants and contributions	10,502,799	10,031,946	5,030,534	2,551,716	15,533,333	12,583,662
Capital grants and contributions	75,693	77,106	—	—	75,693	77,106
	11,529,852	10,956,730	6,256,523	3,948,811	17,786,375	14,905,541
General revenue:						
Taxes	9,705,164	12,617,216	—	—	9,705,164	12,617,216
Revenue from global tobacco settlement agreement	71,669	75,121	—	—	71,669	75,121
Revenue from component units	60,754	75,561	—	—	60,754	75,561
Net gain on GDB restructuring	—	915,303	—	—	—	915,303
Other, including earning (loss) on investments	405,922	327,523	28,891	25,951	434,813	353,474
	10,243,509	14,010,724	28,891	25,951	10,272,400	14,036,675
Total revenue	**21,773,361**	**24,967,454**	**6,285,414**	**3,974,762**	**28,058,775**	**28,942,216**
Extraordinary item:						
Gain on PROMESA Tittle III	**—**	6,260,592	—	—	—	6,260,592
Expenses:						
General government	6,088,482	(199,131)	—	—	6,088,482	(199,131)
Public safety	2,091,131	2,006,474	—	—	2,091,131	2,006,474
Health	3,616,359	3,642,654	—	—	3,616,359	3,642,654
Public housing and welfare	3,904,770	5,157,307	—	—	3,904,770	5,157,307
Education	2,821,040	4,004,633	—	—	2,821,040	4,004,633
Economic development	919,638	857,194	—	—	919,638	857,194
Intergovernmental	150,855	177,337	—	—	150,855	177,337
Interest and other	2,071,230	2,924,958	—	—	2,071,230	2,924,958
Unemployment insurance	—	—	3,306,939	65,443	3,306,939	65,443
Puerto Rico Health Insurance Administration	—	—	2,941,965	2,846,318	2,941,965	2,846,318
Puerto Rico Medical Services Administration	—	—	179,204	83,872	179,204	83,872
Nonmajor proprietary funds	—	—	481,538	561,309	481,538	561,309
Total expenses	**21,663,505**	**18,571,426**	**6,909,646**	**3,556,942**	**28,573,151**	**22,128,368**
Increase (decrease) in net position before transfers	**109,856**	**12,656,620**	**(624,232)**	**417,820**	**(514,376)**	**13,074,440**
Transfers	**(343,261)**	**(95,505)**	**343,261**	**95,505**	**—**	**—**
Change in net position	**(233,405)**	**12,561,115**	**(280,971)**	**513,325**	**(514,376)**	**13,074,440**
Net position (deficit), beginning of year, as restated (note 4)	**(60,074,851)**	**(72,635,966)**	**781,058**	**267,733**	**(59,293,793)**	**(72,368,233)**
Net position (deficit), end of year	**$ (60,308,256)**	**(60,074,851)**	**500,087**	**781,058**	**(59,808,169)**	**(59,293,793)**

As described above, the Governmental Activities net deficit position increased from approximately $60.1 billion as of June 30, 2019 (as restated) to approximately $60.3 billion as of June 30, 2020, an increase of approximately $233.4 million. The increase in total net deficit position is mainly due to a combination of a decrease in total revenue and an increase in total expenses and transfers of approximately $3.4 billion, $3.1 billion, and $247.8 million respectively. During fiscal year 2020 the COVID-19 pandemic caused economic activity to slow down dramatically, impacting the collection of taxes and increasing government expenses. Approximately 44.57% of the Governmental Activities' revenue came from taxes, while approximately 48.58% resulted from grants and contributions (primarily federal financial assistance). Charges for services represented approximately 4.37% of total revenue. The Governmental Activities' expenses cover a range of governmental services. The largest expenses were for general government 28.10% of total expenses, public housing, and welfare 18.03% of total expenses, education 13.02% of total expenses, interest and other 9.56% of total expenses, health 16.69% of total expenses, and public safety 9.65% of total expenses. In fiscal year 2020, Governmental Activities' expenses, which amounted to approximately $21.7 billion, were funded by approximately $10.2 billion in general revenue, and approximately $11.5 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 control in expenses in areas such as:

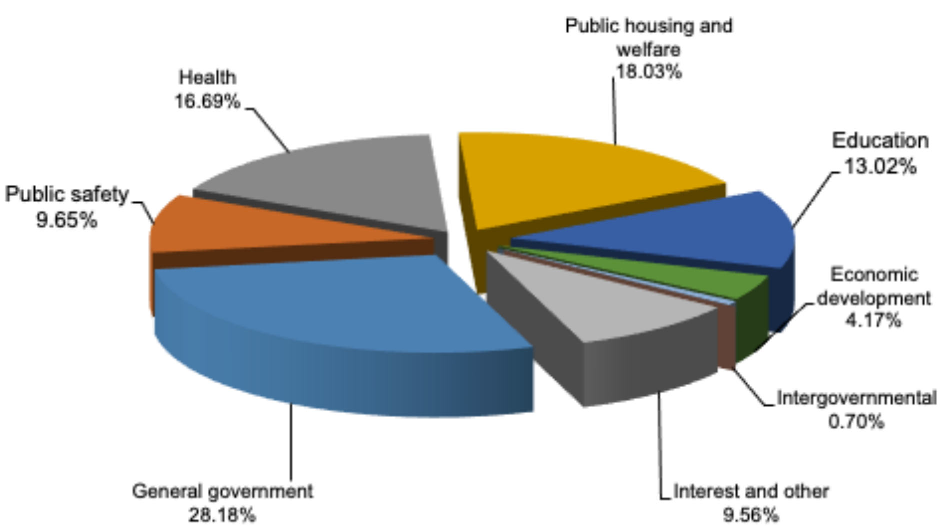
- Reduction in payroll and payroll related expenses.
- Freeze formula base contributions to the University of Puerto Rico, the Commonwealth's Judicial Branch, and the Municipalities.
- Reduction in education expenses, such as, a reduction in school transportation services, payroll savings on account 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 2020 decreased by approximately $3.2 billion compared to fiscal year 2019. This decrease is mainly related to a decrease in taxes of approximately $2.9 billion due to the effects of the COVID-19 measures and lockdown, and a recognition during fiscal year 2019 of a net gain on GDB debt restructuring of approximately $915.3 million. 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 decreased by approximately $281 million from the total net position as of June 30, 2019. Approximately 20% of the Business-type Activities total revenue came from charges for services, while approximately 80% resulted from grants and contributions (primarily federal financial assistance). Business-type Activities expenses cover a range of services. The largest expenses were for Unemployment Insurance and Health Insurance Administration. In fiscal year 2020, Business-type Activities' total expenses exceeded revenue by approximately $624.2 million. The excess of expenses over revenue in fiscal year 2020 was offset by net transfers from other funds, mainly by the Governmental Activities, amounting to approximately $343.3 million. Total expenses increased by approximately $3.4 billion in comparison with prior year expenses, related to an increase of approximately $3.2 billion in insurance benefits payments from the Unemployment Insurance Fund.

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, 2020, 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 $3.8 billion. In fiscal year 2020, expenditures in these governmental funds exceeded revenue by approximately $1 billion. However, this excess of expenditures over revenue was increased by other financing uses totaling approximately $238 million in the governmental funds. For fiscal year 2020, the excess of expenditures over revenue increased by approximately $5.1 billion when compared with the prior year, primarily as a result of a decrease in income taxes, excise taxes and sales and use tax revenue of approximately $3.6 billion and an increase of approximately $2 billion total expenditures.

The General Fund is the chief operating fund of the Commonwealth. At the end of fiscal year 2020, 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 $7.9 billion. The fund balance of the Commonwealth's General Fund increased by approximately $338.2 million as a result of the fiscal year's change in financial position. An excess of revenue over expenditures of approximately $970.6 million, which was offset by other financing uses of approximately $632.3 million 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 $1.1 billion in fiscal year 2020, and the fund deficit at the end of year decreased to approximately $4 billion as of June 30, 2020. Bonds and interest payable during fiscal year 2020 increased by approximately $1 billion when compared with fiscal year 2019 as a result of the non-payment of general obligation bonds due during fiscal year 2020. 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 $200 million in fiscal year 2020, decreasing to a fund balance of approximately $651.1 million as of June 30, 2020.

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 decreased by approximately $9 million in fiscal year 2020, decreasing to a fund balance of approximately $12.5 million as of June 30, 2020. 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 increased by approximately $177.2 million during fiscal year 2020, to a fund balance of approximately $170.9 million as of June 30, 2020.

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 decreased from approximately $677.4 million as of June 30, 2019, to approximately $76.4 million as of June 30, 2020, a decrease of approximately $601 million. Expenses from the fund for unemployment benefits increased by approximately $3.2 billion, as compared to fiscal year 2019 due to the COVID-19 pandemic increase in unemployment benefit payments.

The PRHIA enterprise fund total net position increased from a net position of approximately $202.2 million as of June 30, 2019 to a net position of approximately $389.9 million as of June 30, 2020, an increase of approximately $187 million mainly as a results in an increase of transfers received from the General Fund.

The PRMeSA enterprise fund net position decreased from a deficit of approximately $758.7 million as of June 30, 2019 to a deficit of approximately $748.9 million as of June 30, 2020, a decrease of approximately $9.8 million.

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 212 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 2020 was approximately $9.3 billion (excluding other financing sources), representing a decrease of approximately $1.1 million, or 10%, from original budgeted revenue and a decrease of approximately $2.2 billion or 19% from actual revenue of approximately $11.4 billion for fiscal year 2019.

Total General Fund actual expenditures on a budgetary basis for fiscal year 2020 were approximately $8.7 billion, representing a decrease of approximately $375.2 million or 4% from original budgeted expenses and an increase of approximately $321.1 million or 4% from actual expenditures of approximately $8.4 billion for fiscal year 2019.

For fiscal year 2020, the budgeted excess of revenue over expenditures (budgetary basis) was approximately $604.6 million, consisting of the difference between total actual revenue of approximately $9.3 billion and total actual expenditures of approximately $8.7 billion. For fiscal year 2019, the 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 $8.3 billion. The budgeted excess of revenue over expenditures (budgetary basis) for fiscal year 2020 decreased by approximately $2.5 billion when compared to the surplus of fiscal year 2019.

For fiscal year 2020, the total excess of revenue over expenditures in the General Fund (budgetary basis) was approximately $604.6 million. It consisted of the difference between actual revenue of approximately $9.3 billion (excluding other financing sources), less of total expenditures of approximately $8.7 billion. This surplus of approximately $604.6 million 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 $970.4 million, which was offset by approximately $632.2 million in other financing uses, principally consisting of transfers to other funds, for a resulting net increase in fund balances of approximately $338.2 million for the fiscal year 2020. 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 216 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.

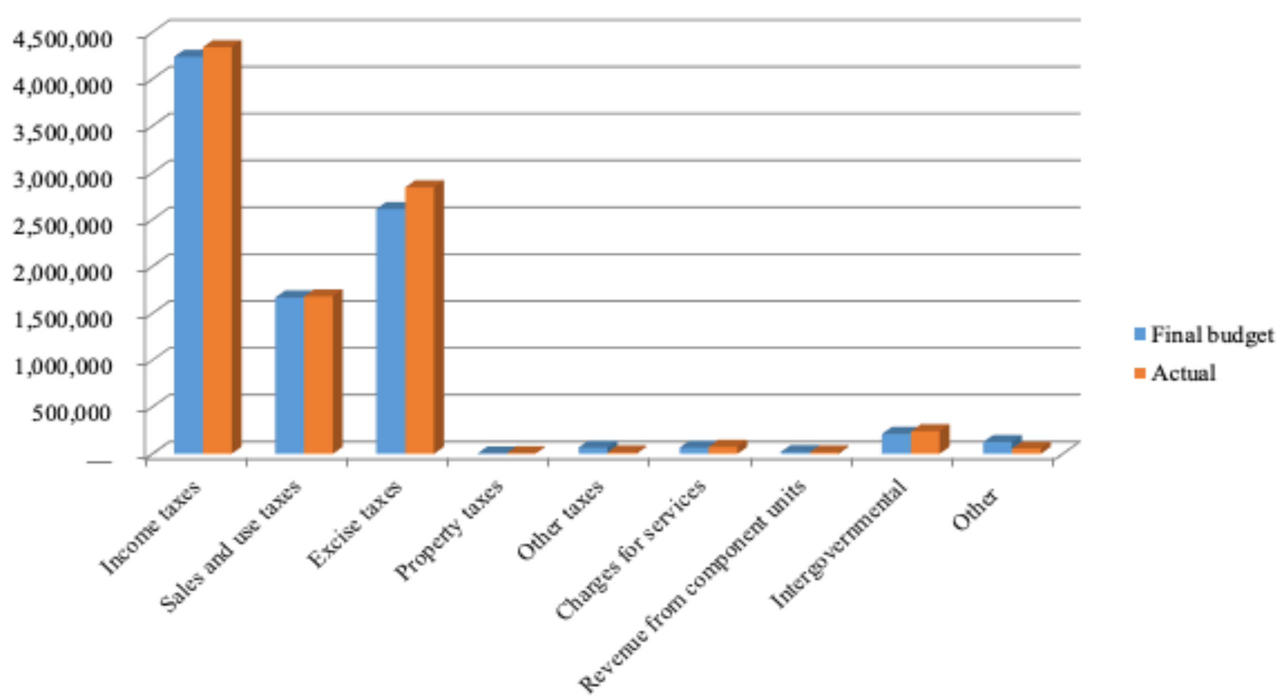
The following information is presented to assist the reader in comparing the final amended budget and the actual results.

Actual Revenue – General Fund

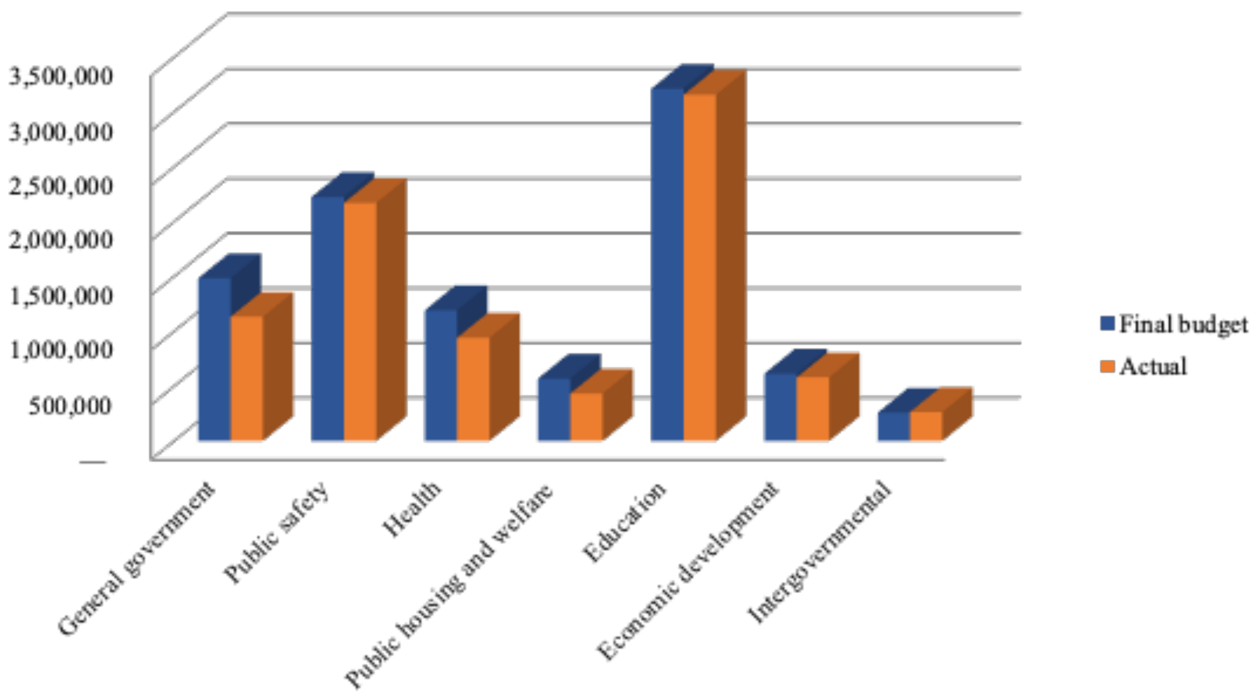
Budgetary Basis

Year ended June 30, 2020

(In thousands)



Actual Expenditures – General Fund
Budgetary Basis
Year ended June 30, 2020
(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	
	2020	2019 (as restated)	2020	2019	2020	2019 (as restated)
Land	$ 946,215	945,617	36,005	36,005	982,220	981,622
Construction in progress	922,978	904,232	—	—	922,978	904,232
Buildings and building improvements, net	5,447,674	5,606,528	37,870	37,614	5,485,544	5,644,142
Equipment, furniture, fixtures, vehicles and software, net	94,248	203,998	15,183	15,864	109,431	219,862
Infrastructure, net	370,615	383,805	—	—	370,615	383,805
Total capital assets	$ 7,781,730	8,044,180	89,058	89,483	7,870,788	8,133,663

The Commonwealth's investment in capital assets for its Governmental Activities and Business-type Activities as of June 30, 2020, amounted to approximately $14.4 billion, less accumulated depreciation and amortization of approximately $6.5 billion, resulting in a book value of approximately $7.9 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 $319.6 million for the year ended June 30, 2020.

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.

As of June 30, 2019, the Primary Government's bonds and notes outstanding amounted to approximately $37 billion, and the discretely presented component units' bonds and notes outstanding amounted to approximately $21.3 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.

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 2, Note 3, and Note 21.

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.

Hurricane Fiona

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

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 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, 2020

(In thousands)

	Primary government			
	Governmental activities	Business-type activities	Totals primary government	Component units
Assets:				
Cash and cash equivalents in commercial banks	$ 9,928,707	618,014	10,546,721	2,134,552
Cash and cash equivalents in governmental banks	—	3	3	541
Investments	56,492	—	56,492	1,262,041
Receivables – net:				
Income and excise taxes	2,094,156	—	2,094,156	—
Sales and use tax receivable	94,248	—	94,248	—
Insurance premium	—	5,233	5,233	79,539
Intergovernmental	855,889	549,798	1,405,687	376,643
Accounts	108,974	92,615	201,589	707,940
Loans	390,898	—	390,898	251,587
Accrued interest	2,888	168	3,056	43,172
Other	201,637	38,863	240,500	119,152
Due from – net :				
Primary government	—	—	—	118,109
Component units	179,656	2,882	182,538	195,337
Other governmental entities	124,840	6,260	131,100	1,257,811
Internal balances	(66,320)	66,320	—	—
Inventories	16,858	—	16,858	363,450
Prepaid expenses	23,551	—	23,551	44,189
Other assets	15,990	4,495	20,485	6,239
Restricted assets:				
Cash and cash equivalents in commercial banks	5,020,686	272,434	5,293,120	1,101,183
Cash and cash equivalents under the custody of U.S. Treasury	—	616,997	616,997	—
Sales and use tax receivable	113,975	—	113,975	—
Insurance premium – net	—	56,943	56,943	—
Intergovernmental receivable	222,944	533,760	756,704	—
Accounts	—	180	180	—
Loans receivable from component units	—	537,997	537,997	—
Investments	375,105	29,830	404,935	861,655
Other	1,435	14,710	16,145	75,971
Real estate held for sale or future development	44,211	—	44,211	208,540
Capital assets:				
Land and other nondepreciable	1,869,193	36,005	1,905,198	4,665,910
Depreciable, net	5,912,537	53,053	5,965,590	22,050,514
Total assets	27,588,550	3,536,560	31,125,110	35,924,075
Deferred outflows of resources:				
Accumulated decrease in fair value of hedging derivatives	—	—	—	53,902
Loss on bonds refunding	256,336	—	256,336	108,477
Asset retirement obligation	—	—	—	66,023
Other postemployment benefits related	92,185	1,446	93,631	68,256
Pension related	3,267,015	47,944	3,314,959	1,865,525
Total deferred outflows of resources	3,615,536	49,390	3,664,926	2,162,183

COMMONWEALTH OF PUERTO RICO

Statement of Net Position

June 30, 2020

(In thousands)

	Primary government			
	Governmental activities	Business-type activities	Totals primary government	Component units
Liabilities:				
Accounts payable and accrued liabilities	2,074,710	654,220	2,728,930	2,566,146
Deposits and escrow liabilities	—	—	—	631,687
Tax refunds payable	686,351	—	686,351	—
Due to:				
Primary government	—	—	—	963,040
Component units	161,888	65,663	227,551	2,801,292
Other governmental entities	115,489	547	116,036	295,526
Interest payable	5,202,917	172,347	5,375,264	3,829,792
Grant advances	3,756,420	—	3,756,420	—
Unearned revenue	21,060	33,730	54,790	290,743
Notes payable to DRA	1,700	—	1,700	—
Tax revenue anticipation notes	400,000	—	400,000	—
Liabilities payable within one year:				
Commonwealth appropriation bonds	139,140	—	139,140	16,303
General obligations and revenue bonds	2,689,367	—	2,689,367	2,439,514
Notes payable to component units	86,182	124,000	210,182	—
Note payable to financial institution	23,764	—	23,764	743,645
Capital leases	10,812	—	10,812	1,982
Compensated absences	223,662	9,011	232,673	70,296
Obligation for unpaid lottery prizes	—	115,081	115,081	—
Voluntary termination benefits	93,256	4,468	97,724	19,994
Net pension liability	—	—	—	311,004
Total pension liability	1,885,119	28,901	1,914,020	295,853
Total other postemployment benefit liability	91,183	1,457	92,640	21,586
Liability for insurance benefits	—	849,688	849,688	786,088
Other long-term liabilities	281,463	1,661	283,124	76,224
Liabilities payable after one year:				
Commonwealth appropriation bonds	437,479	—	437,479	503,325
General obligations and revenue bonds	32,633,929	—	32,633,929	17,051,138
Bond purchase agreement with GDB	225,534	—	225,534	—
Notes payable to component units	765,235	362,458	1,127,693	—
Notes payable to financial institutions	—	—	—	569,395
Liability under guaranteed obligation	—	—	—	—
Capital leases	262,599	—	262,599	21,848
Compensated absences	298,886	6,364	305,250	195,989
Obligation for unpaid lottery prizes	—	53,339	53,339	—
Voluntary termination benefits	551,100	17,422	568,522	109,275
Net pension obligation	—	—	—	29,200
Net pension liability	—	—	—	7,889,715
Total pension liability	33,686,855	528,191	34,215,046	5,791,843
Total other postemployment benefit liability	1,042,564	16,722	1,059,286	805,273
Hedging derivatives instruments – interest rate swaps	—	—	—	53,902
Other long-term liabilities	2,050,459	2,207	2,052,666	858,924
Total liabilities	89,899,123	3,047,477	92,946,600	50,040,542
Deferred inflows of resources:				
Service concession arrangements	—	—	—	1,718,374
Gain on bonds refunding	14,019	—	14,019	—
Other post employment benefits related	7,728	—	7,728	28,696
Pension related	1,591,472	38,386	1,629,858	525,545
Total deferred inflows of resources	1,613,219	38,386	1,651,605	2,272,615
Net position:				
Net investment in capital assets	2,502,990	65,971	2,568,961	4,561,459
Restricted for:				
Capital projects	63,930	—	63,930	196,509
Debt service	167,035	—	167,035	143,271
Emergency services	—	34,084	34,084	—
Lending activities	—	757,853	757,853	—
Payment of insurance benefits	—	116,998	116,998	—
Public housing and welfare	—	—	—	53,676
Student loans and other educational purposes	—	—	—	107,048
Other	243,902	—	243,902	523,210
Unrestricted (deficit)	(63,286,113)	(474,819)	(63,760,932)	(19,812,072)
Total net position	$ (60,308,256)	500,087	(59,808,169)	(14,226,899)

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Statement of Activities

Year ended June 30, 2020

(In thousands)

Functions		Expenses	Program revenue: Charges for services	Program revenue: Operating grants and contributions	Program revenue: Capital grants and contributions	Net (expense) revenue and changes in net position: Primary government: Governmental activities	Net (expense) revenue and changes in net position: Primary government: Business-type activities	Net (expense) revenue and changes in net position: Primary government: Total	Component units
Primary government:									
Governmental activities:									
General government	$	6,088,482	422,720	3,101,101	—	(2,564,661)	—	(2,564,661)	—
Public safety		2,091,131	136,104	167,733	—	(1,787,294)	—	(1,787,294)	—
Health		3,616,359	178,254	2,817,465	—	(620,640)	—	(620,640)	—
Public housing and welfare		3,904,770	38,111	3,564,211	75,693	(226,755)	—	(226,755)	—
Education		2,821,040	561	690,752	—	(2,129,727)	—	(2,129,727)	—
Economic development		919,638	175,610	161,537	—	(582,491)	—	(582,491)	—
Intergovernmental		150,855	—	—	—	(150,855)	—	(150,855)	—
Interest and other		2,071,230	—	—	—	(2,071,230)	—	(2,071,230)	—
Total governmental activities		21,663,505	951,360	10,502,799	75,693	(10,133,653)	—	(10,133,653)	—
Business-type activities:									
Unemployment insurance		3,306,939	200,633	2,532,359	—	—	(573,947)	(573,947)	—
Puerto Rico Health Insurance Administration		2,941,965	274,219	2,469,777	—	—	(197,969)	(197,969)	—
Puerto Rico Medical Services Administration		179,204	105,580	1,987	—	—	(71,637)	(71,637)	—
Nonmajor proprietary funds		481,538	645,557	26,411	—	—	190,430	190,430	—
Total business-type activities		6,909,646	1,225,989	5,030,534	—	—	(653,123)	(653,123)	—
Total primary government	$	28,573,151	2,177,349	15,533,333	75,693	(10,133,653)	(653,123)	(10,786,776)	—

(Continued)

COMMONWEALTH OF PUERTO RICO

Statement of Activities

Year ended June 30, 2020

(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	$ 194,377	29,144	160,899	—	—	—	—	(4,334)
Puerto Rico Highways and Transportation Authority	1,142,780	176,744	24,310	198,290	—	—	—	(743,436)
Puerto Rico Electric Power Authority	4,277,977	3,278,875	40,895	7,538	—	—	—	(950,669)
Puerto Rico Aqueduct and Sewer Authority	1,133,950	1,063,223	—	9,586	—	—	—	(61,141)
University of Puerto Rico	1,578,689	202,267	338,703	—	—	—	—	(1,037,719)
State Insurance Fund Corporation	494,724	608,818	—	—	—	—	—	114,094
Nonmajor component units	2,003,184	757,125	826,708	2,839	—	—	—	(416,512)
Total component units	$ 10,825,681	6,116,196	1,391,515	218,253	—	—	—	(3,099,717)
General revenue:								
Income taxes					4,393,529	—	4,393,529	—
Sales and use tax					2,205,596	—	2,205,596	—
Excise taxes					3,028,065	—	3,028,065	318,098
Other taxes					77,974	—	77,974	—
Revenue from global tobacco settlement agreement					71,669	—	71,669	—
Revenue from State Insurance Fund Corporation					43,384	—	43,384	—
Revenue from Puerto Rico Tourism Company					16,274	—	16,274	—
Revenue from Automobile Accidents Compensation Administration					1,096	—	1,096	—
Grants and contributions not restricted to specific programs					222,950	—	222,950	4,622
Revenue from primary government					—	—	—	847,427
Unrestricted investment earnings – net					114,742	25,234	139,976	102,364
Other					68,230	3,657	71,887	—
Transfers					(343,261)	343,261	—	—
Total general revenue, extraordinary items, and transfers					9,900,248	372,152	10,272,400	1,272,511
Change in net position					(233,405)	(280,971)	(514,376)	(1,827,206)
Net position:								
At beginning of year, as previously reported					(60,156,135)	887,334	(59,268,801)	(12,089,726)
Correction of errors and change in reporting entity (note 4)					81,284	(106,276)	(24,992)	(309,967)
Net position (deficit) – beginning of year, as restated					(60,074,851)	781,058	(59,293,793)	(12,399,693)
Net position (deficit) – end of year					$ (60,308,256)	500,087	(59,808,169)	(14,226,899)

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Balance Sheet – Governmental Funds

June 30, 2020

(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	$	9,467,481	—	80,311	21,720	—	359,195	9,928,707
Investments		—	—	54,168	—	—	2,324	56,492
Receivables – net:								
Income and excise taxes		2,094,156	—	—	—	—	—	2,094,156
Sales and use tax receivable		94,248	—	—	—	—	—	94,248
Intergovernmental		854,215	—	—	—	—	1,674	855,889
Accounts		101,251	—	—	—	—	7,723	108,974
Loans		—	—	242,955	—	—	147,943	390,898
Accrued interest		2,888	—	—	—	—	—	2,888
Other		160,785	—	516	149	—	40,187	201,637
Due from – net:								
Other funds		97,498	—	137,235	—	—	50,511	285,244
Component units		179,656	—	—	—	—	—	179,656
Other governmental entities		73,955	—	—	—	—	49,411	123,366
Other assets		13,746	—	—	—	—	2,244	15,990
Restricted assets:								
Cash and cash equivalents in commercial banks		3,832,525	446,692	479,096	—	1,009	261,364	5,020,686
Sales and use tax receivable		—	—	—	—	113,975	—	113,975
Intergovernmental receivable		—	222,944	—	—	—	—	222,944
Investments		31,336	—	—	—	236,344	107,425	375,105
Due from other funds		—	—	—	—	—	—	—
Due from other governmental entities		—	—	—	—	—	1,474	1,474
Other assets		—	—	—	—	—	1,435	1,435
Real estate held for sale or future development		—	—	—	—	—	1,854	1,854
Total assets	$	17,003,740	669,636	994,281	21,869	351,328	1,034,764	20,075,618
Liabilities, deferred inflow of resources, and fund balances (deficit):								
Liabilities:								
Accounts payable and accrued liabilities	$	1,932,428	—	16,253	918	—	125,111	2,074,710
Tax refunds payable		686,351	—	—	—	—	—	686,351
Due to:								
Other funds		95,856	—	—	8,483	180,470	66,755	351,564
Component units		154,898	—	—	—	—	6,990	161,888
Other governmental entities		91,387	—	—	—	—	24,102	115,489
Interest payable		147,303	2,850,133	326,919	—	—	1,135,724	4,460,079
Grant advances		3,756,420	—	—	—	—	—	3,756,420
Unearned revenue		19,980	—	—	—	—	1,080	21,060
Notes payable to component units		—	—	—	—	—	87,882	87,882
Note payable to financial institution		19,012	—	—	—	—	—	19,012
Tax revenue anticipation notes		400,000	—	—	—	—	—	400,000
Commonwealth appropriation bonds		114,236	—	—	—	—	470	114,706
General obligation and revenue bonds		—	1,585,920	—	—	—	507,213	2,093,133
Other liabilities		70,000	—	—	—	—	4,552	74,552
Total liabilities		7,487,871	4,436,053	343,172	9,401	180,470	1,959,879	14,416,846
Deferred inflows of resources:								
Unavailable income taxes		1,419,141	—	—	—	—	—	1,419,141
Intergovernmental grants and contributions		41,735	222,944	—	—	—	—	264,679
Developer fees		130,509	—	—	—	—	—	130,509
Global tobacco settlement agreement		—	—	—	—	—	36,841	36,841
Total deferred inflows of resources		1,591,385	222,944	—	—	—	36,841	1,851,170
Fund Balances:								
Nonspendable		—	—	—	—	—	1,107	1,107
Spendable:								
Restricted		194,122	—	651,109	—	170,858	545,579	1,561,668
Committed		—	—	—	—	—	12,151	12,151
Assigned		298	—	—	12,468	—	106,991	119,757
Unassigned (deficit)		7,730,064	(3,989,361)	—	—	—	(1,627,784)	2,112,919
Total fund balances (deficit)		7,924,484	(3,989,361)	651,109	12,468	170,858	(961,956)	3,807,602
Total liabilities, deferred inflow of resources, and fund balances	$	17,003,740	669,636	994,281	21,869	351,328	1,034,764	20,075,618

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, 2020

(In thousands)

Total fund balances (deficit) of governmental funds	$	3,807,602
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		40,409
Deferred outflows of resources reported in governmental activities but not in governmental funds		
Loss on bonds refunding		256,336
Other postemployment benefits related		92,185
Pension related		3,267,015
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds		7,781,730
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		1,851,170
Deferred inflows of resources reported in governmental activities but not in governmental funds		
Gain on bonds refunding		(14,019)
Other postemployment benefits related		(7,728)
Pension related		(1,591,472)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Interest payable		(742,838)
Commonwealth appropriation bonds		(461,913)
General obligation and revenue bonds		(33,230,163)
Bond purchase agreement with GDB		(225,534)
Notes payable to component units		(765,235)
Notes payable to financial institutions		(4,752)
Capital leases		(273,411)
Compensated absences		(522,548)
Voluntary termination benefits		(644,356)
Net pension liability		(35,571,974)
Other postemployment benefit obligation		(1,133,747)
Other long-term liabilities		(2,257,370)
Total net position (deficit) of governmental activities	$	(60,308,256)

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, 2020

(In thousands)

	General	Debt service	ERS special revenue	COFINA special revenue	COFINA debt service	Nonmajor governmental	Total governmental
Revenue:							
Taxes:							
Income taxes	$ 3,982,343	—	—	—	—	—	3,982,343
Sales and use tax	1,722,672	—	—	—	482,924	—	2,205,596
Excise taxes	3,028,065	—	—	—	—	—	3,028,065
Property taxes	7,459	—	—	—	—	—	7,459
Other taxes	70,515	—	—	—	—	—	70,515
Charges for services	951,359	—	—	—	—	—	951,359
Revenue from global tobacco settlement agreement	71,727	—	—	—	—	—	71,727
Revenue from component units	60,754	—	—	—	—	—	60,754
Intergovernmental	10,581,571	—	—	—	—	3,710	10,585,281
Interest and investment earnings	92,250	6	2,669	94	2,945	16,778	114,742
Other	29,773	—	—	3	—	31,676	61,452
Total revenue	20,598,488	6	2,669	97	485,869	52,164	21,139,293
Expenditures:							
Current:							
General government	6,442,181	—	40,658	1,406	—	264,997	6,749,242
Public safety	1,990,819	—	—	—	—	608	1,991,427
Health	3,426,793	—	—	—	—	34,456	3,461,249
Public housing and welfare	3,788,417	—	—	—	—	1,862	3,790,279
Education	2,853,967	—	—	—	—	9,544	2,863,511
Economic development	786,942	—	—	—	—	16	786,958
Intergovernmental	150,669	—	—	—	—	186	150,855
Capital outlays	75,709	—	—	—	—	8,537	84,246
Debt service:							
Principal	57,123	391,590	—	—	19,607	149,145	617,465
Interest and other	55,309	692,106	168,397	—	384,330	355,714	1,655,856
Total expenditures	19,627,929	1,083,696	209,055	1,406	403,937	825,065	22,151,088
Excess (deficiency) of revenue over (under) expenditures	970,559	(1,083,690)	(206,386)	(1,309)	81,932	(772,901)	(1,011,795)
Other financing sources (uses):							
Transfers in	159,555	—	6,405	834	—	319,757	486,551
Transfers out	(800,828)	—	—	(8,483)	(834)	(19,667)	(829,812)
Proceeds from long term debt issued	446	—	—	—	96,120	207	96,773
Proceeds from sale of capital assets	8,483	—	—	—	—	—	8,483
Total other financing sources (uses)	(632,344)	—	6,405	(7,649)	95,286	300,297	(238,005)
Net change in fund balances	338,215	(1,083,690)	(199,981)	(8,958)	177,218	(472,604)	(1,249,800)
Fund balances (deficit) – beginning of year, as restated (note 4)	7,586,269	(2,905,671)	851,090	21,426	(6,360)	(489,352)	5,057,402
Fund balances (deficit) – end of year	$ 7,924,484	(3,989,361)	651,109	12,468	170,858	(961,956)	3,807,602

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, 2020

(In thousands)

Net change in fund balances – total governmental funds		$ (1,249,800)
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	$ 84,246	
Less depreciation and amortization expense	(319,591)	
Loss on disposal of assets	(27,108)	
Subtotal		(262,453)
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	617,465	
Proceed from long-term debt issued	(96,773)	
Subtotal		520,692
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.		634,068
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.		124,415
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.		(327)
Change in net position of governmental activities		$ (233,405)

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Statement of Net Position – Proprietary Funds

June 30, 2020

(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	$ —	332,975	18,848	266,191	618,014
Cash and cash equivalents in governmental banks	—	3	—	—	3
Receivables – net:					
Insurance premiums	—	—	—	5,233	5,233
Intergovernmental	—	549,798	—	—	549,798
Accounts	—	82,079	8,594	1,942	92,615
Accrued interest receivable	—	—	—	168	168
Other	—	—	254	1,159	1,413
Due from other funds	—	—	87,173	4,022	91,195
Due from component units	—	—	2,882	—	2,882
Due from other governmental entities	—	—	6,260	—	6,260
Other assets	—	193	4,292	10	4,495
Restricted assets:					
Cash and cash equivalents in commercial banks	1,473	—	—	231,575	233,048
Cash and cash equivalents under the custody the U.S. Treasury	616,997	—	—	—	616,997
Due from other funds	—	—	—	—	—
Accounts	—	—	—	180	180
Insurance premiums receivable	56,943	—	—	—	56,943
Intergovernmental receivable	533,349	—	—	411	533,760
Other	45	—	—	—	45
Loans from component units	—	—	—	10,000	10,000
Total current assets	1,208,807	965,048	128,303	520,891	2,823,049
Noncurrent assets:					
Cash and cash equivalents in commercial banks – restricted	—	—	39,386	—	39,386
Receivables – net:					
Loans from component units – restricted	—	—	—	527,997	527,997
Due from other funds	—	5,056	—	—	5,056
Other	—	37,450	—	—	37,450
Restricted investments	—	—	—	29,830	29,830
Other restricted assets	—	—	—	14,665	14,665
Land and other nondepreciable	—	—	6,872	29,133	36,005
Depreciable, net	—	546	47,059	5,448	53,053
Total assets	1,208,807	1,008,100	221,620	1,127,964	3,566,491
Deferred outflows of resources:					
Other postemployment benefits related	—	—	1,160	286	1,446
Pension related	—	821	37,788	9,335	47,944
Total deferred outflows of resources	—	821	38,948	9,621	49,390
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	531,199	94,439	16,848	11,734	654,220
Due to other funds	1,576	3,649	6,324	18,382	29,931
Due to component units	—	—	65,663	—	65,663
Due to other governmental entities	—	—	484	63	547
Interest payable	—	63,694	100,299	8,354	172,347
Unearned revenue	14,397	—	8,063	11,270	33,730
Notes payable to component units	—	124,000	—	—	124,000
Compensated absences	—	272	8,039	700	9,011
Obligation for unpaid lottery prizes	—	—	—	115,081	115,081
Voluntary termination benefits payable	—	438	3,729	301	4,468
Liability for insurance benefits	585,250	263,977	—	461	849,688
Total pension liability	—	290	23,485	5,126	28,901
Total other postemployment benefit liability	—	11	1,160	286	1,457
Other long-term liabilities	—	—	1,661	—	1,661
Total current liabilities	1,132,422	550,770	235,755	171,758	2,090,705
Noncurrent liabilities:					
Notes payable to component units	—	59,251	282,445	20,762	362,458
Compensated absences	—	380	4,326	1,658	6,364
Obligation for unpaid lottery prizes	—	—	—	53,339	53,339
Voluntary termination benefits payable	—	2,790	13,143	1,489	17,422
Total pension liability	—	5,403	427,359	95,429	528,191
Total other postemployment benefit liability	—	125	13,319	3,278	16,722
Other long-term liabilities	—	—	2,207	—	2,207
Total liabilities	1,132,422	618,719	978,554	347,713	3,077,408
Deferred inflows of resources:					
Pension related	—	340	30,953	7,093	38,386
Net position:					
Net investment in capital assets	—	546	53,588	11,837	65,971
Restricted for emergency services	—	—	27,815	6,269	34,084
Restricted for lending activities	—	—	—	757,853	757,853
Restricted for payment of insurance benefits	76,385	—	—	40,613	116,998
Unrestricted (deficit)	—	389,316	(830,342)	(33,793)	(474,819)
Total net position (deficit)	$ 76,385	389,862	(748,939)	782,779	500,087

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, 2020

(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	$ —	274,219	—	—	274,219
Insurance premiums	200,633	—	—	21,810	222,443
Lottery ticket sales	—	—	—	540,043	540,043
Patient service, net of provision for bad debts	—	—	105,420	—	105,420
Emergency telephone service charges	—	—	—	20,786	20,786
Interest	—	—	—	399	399
Release of provision for loan losses	—	—	—	62,481	62,481
Other	—	—	160	38	198
Total operating revenue	200,633	274,219	105,580	645,557	1,225,989
Operating expenses:					
Insurance benefits	3,306,939	—	—	2,918	3,309,857
Medical premiums and claims	—	2,887,428	—	—	2,887,428
Lottery prizes	—	—	—	400,283	400,283
Patient services	—	—	130,721	—	130,721
General, administrative, and other operating expenses	—	43,515	31,676	70,877	146,068
Total operating expenses	3,306,939	2,930,943	162,397	474,078	6,874,357
Operating income (loss)	(3,106,306)	(2,656,724)	(56,817)	171,479	(5,648,368)
Nonoperating revenue (expenses):					
U.S. government grants	2,532,359	2,469,777	1,987	26,411	5,030,534
Contributions to component units	—	—	—	(5,970)	(5,970)
Interest and investment earnings	16,194	3,702	—	5,338	25,234
Loss on disposition of capital assets	—	—	(5)	—	(5)
Interest expense	—	(11,022)	(16,802)	(1,490)	(29,314)
Other	876	—	1,939	842	3,657
Total nonoperating revenue (expenses)	2,549,429	2,462,457	(12,881)	25,131	5,024,136
Income (loss) before transfers	(556,877)	(194,267)	(69,698)	196,610	(624,232)
Transfers from other funds	746	382,160	83,364	12,287	478,557
Transfers to other funds	(44,884)	—	(3,891)	(86,521)	(135,296)
Net change in net position	(601,015)	187,893	9,775	122,376	(280,971)
Net position (deficit)– beginning of year, as restated (note 4)	677,400	201,969	(758,714)	660,403	781,058
Net position (deficit)– end of year	$ 76,385	389,862	(748,939)	782,779	500,087

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2020

(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	$ 182,241	231,149	96,737	589,644	1,099,771
Other receipts	—	—	—	437	437
Payments to healthcare organizations and third party administrators	—	(2,799,028)	—	—	(2,799,028)
Payments to suppliers	—	(39,494)	(30,330)	(50,835)	(120,659)
Payments to employees	—	(2,962)	(120,083)	(20,661)	(143,706)
Payments of lottery prizes	—	—	—	(400,223)	(400,223)
Payments of insurance benefits	(2,227,226)	—	—	(3,002)	(2,230,228)
Net cash provided by (used in) operating activities	(2,044,985)	(2,610,335)	(53,676)	115,360	(4,593,636)
Cash flows from noncapital financing activities:					
U.S. government grants	1,999,010	2,267,389	1,987	26,411	4,294,797
Contributions to component units	—	—	—	(5,970)	(5,970)
Interest paid	—	(26)	—	—	(26)
Transfers from other funds	746	388,910	72,152	15,637	477,445
Transfers to other funds	(44,989)	—	(3,891)	(66,808)	(115,688)
Net cash provided by (used in) noncapital and related financing activities	1,954,767	2,656,273	70,248	(30,730)	4,650,558
Cash flows from capital and related financing activities:					
Advances to other funds	—	—	—	—	—
Principal payment	—	—	—	—	—
Capital expenditures	—	(101)	(5,573)	—	(5,674)
Net cash used by capital and related financing activities	—	(101)	(5,573)	—	(5,674)
Cash flows from investing activities:					
Interest collected on deposits, investments, and loans	17,832	3,702	1,952	6,063	29,549
Loans originated	—	—	—	(23,418)	(23,418)
Principal collected on loans	—	—	—	5,972	5,972
Proceeds from sales and maturities of investments	—	—	—	20,195	20,195
Purchases of investments	—	—	—	(21,979)	(21,979)
Net cash provided by investing activities	17,832	3,702	1,952	(13,167)	10,319
Net change in cash and cash equivalents	(72,386)	49,539	12,951	71,463	61,567
Cash and cash equivalents at beginning of year, as restated	690,856	283,439	45,283	426,303	1,445,881
Cash and cash equivalents at end of year	$ 618,470	332,978	58,234	497,766	1,507,448
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (3,106,306)	(2,656,724)	(56,817)	171,479	(5,648,368)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	—	925	5,008	183	6,116
Provision for bad debts	—	92,766	13,441	—	106,207
Release of provision for loan losses	—	—	—	(62,481)	(62,481)
Changes in operating assets and liabilities:					
Decrease (increase) in accounts and loans receivable	(10,775)	(135,717)	(14,989)	3,984	(157,497)
Decrease in due from component units	—	—	(2,882)	—	(2,882)
Decrease in due from other governmental entities	—	—	965	—	965
Decrease (increase) in other assets	—	(119)	304	1,429	1,614
Decrease (increase) in deferred outflow of resources	—	(96)	(14,034)	(3,584)	(17,714)
Increase (decrease) in accounts payable and accrued liabilities	531,199	334	(1,434)	1,190	531,289
Increase (decrease) in due to other funds	—	1,029	1,889	—	2,918
Decrease in due to component units	—	—	4,937	—	4,937
Increase (decrease) in due to other governmental entities	—	—	—	(6)	(6)
Increase (decrease) in unearned revenue	(7,617)	—	8,063	1,608	2,054
Decrease in compensated absences	—	(3,056)	642	120	(2,294)
Increase (decrease) in deferred inflow of resources	—	(10)	(1,865)	(445)	(2,320)
Increase (decrease) in total pension liability	—	144	6,343	2,259	8,746
Decrease in total other postemployment benefits liability	—	136	(122)	(103)	(89)
Increase in obligation for unpaid lottery prizes	—	—	—	60	60
Increase (decrease) in voluntary termination benefits payable	—	2,389	(2,900)	(249)	(760)
Increase (decrease) in liability for unemployment, disability and health insurance	548,514	87,664	—	(84)	636,094
Decrease in other long-term liabilities	—	—	(225)	—	(225)
Total adjustments	1,061,321	46,389	3,141	(56,119)	1,054,732
Net cash provided by (used in) operating activities	$ (2,044,985)	(2,610,335)	(53,676)	115,360	(4,593,636)
Noncash capital and financing activities:					
Loss on disposition of capital assets	$ —	—	138	—	138

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2020

(In thousands)

		Agency
Assets:		
Cash and cash equivalents in commercial banks:		
Unrestricted	$	713,471
Total assets		713,471
Liabilities:		
Accounts payable and accrued liabilities		713,471
Total liabilities		713,471

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Combining Statement of Net Position – Discretely Presented Component Units

June 30, 2020

(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	$ 143,043	11,021	435,603	340,303	213,118	372,224	1,515,312	619,240	2,134,552
Cash and cash equivalents with governmental banks	—	—	—	—	—	—	—	541	541
Investments	90,543	—	—	—	2,535	683,482	776,560	485,481	1,262,041
Collateral from securities lending transactions	—	—	—	—	—	—	—	—	—
Receivables – net:									
Insurance premiums	—	—	—	—	—	79,539	79,539	—	79,539
Intergovernmental	—	49,195	130,940	35,509	40,046	—	255,690	120,953	376,643
Accounts	—	6,623	470,847	95,516	18,101	—	591,087	116,853	707,940
Loans and advances	175,834	—	—	—	7,559	40,000	223,393	28,194	251,587
Accrued interest	2,248	160	—	—	—	5,223	7,631	35,541	43,172
Other	2,714	—	3,415	95,008	—	9,050	110,187	8,965	119,152
Due from – net:									
Primary government	—	12,888	42,287	19,305	7,513	—	81,993	36,116	118,109
Component units	—	—	121,479	9,060	3,019	—	133,558	61,779	195,337
Other governmental entities	—	—	—	—	13,843	—	13,843	1,243,968	1,257,811
Inventories	—	—	310,817	35,639	2,379	1,929	350,764	12,686	363,450
Prepaid expenses	—	4,644	1,049	13,430	4,066	90	23,279	20,910	44,189
Other assets	1,831	—	—	—	—	—	1,831	4,408	6,239
Restricted assets:									
Cash and cash equivalents in commercial banks	13,631	113,573	163,303	541,763	48,765	—	881,035	220,148	1,101,183
Investments	58,711	86,528	21,311	—	265,298	—	431,848	429,807	861,655
Other restricted assets	5,404	—	—	—	—	—	5,404	70,567	75,971
Real estate held for sale or future development	6,954	—	—	—	—	—	6,954	201,586	208,540
Capital assets:									
Land and other nondepreciable	7,753	2,517,563	488,450	474,244	71,894	18,623	3,578,527	1,087,383	4,665,910
Depreciable – net	872	6,578,726	7,428,816	5,307,992	726,768	111,539	20,154,713	1,895,801	22,050,514
Total assets	509,538	9,380,921	9,618,317	6,967,769	1,424,904	1,321,699	29,223,148	6,700,927	35,924,075
Deferred outflows of resources:									
Accumulated decrease in fair value of hedging derivatives	—	—	53,902	—	—	—	53,902	—	53,902
Loss on bonds refunding	1,507	68,604	23,241	12,369	1,174	—	106,895	1,582	108,477
Asset retirement obligation	—	—	66,023	—	—	—	66,023	—	66,023
Other post employment benefits related	254	1,403	21,519	15,891	23,449	2,082	64,598	3,658	68,256
Pension related	24,829	64,249	588,385	146,096	616,196	230,484	1,670,239	195,286	1,865,525
Total deferred outflows of resources	26,590	134,256	753,070	174,356	640,819	232,566	1,961,657	200,526	2,162,183

(Continued)

COMMONWEALTH OF PUERTO RICO

Combining Statement of Net Position – Discretely Presented Component Units

June 30, 2020

(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	40,618	92,335	1,482,030	243,432	78,406	99,700	2,036,521	529,625	2,566,146
Deposits and escrow liabilities	—	—	320,312	91,986	—	—	412,298	219,389	631,687
Due to:									
Primary government	30,306	7,489	28,391	607,943	18,291	25,494	717,914	245,126	963,040
Component units	19,910	1,975,012	3,867	125,865	22,228	3,207	2,150,089	651,203	2,801,292
Other governmental entities	6,456	—	—	—	25,002	4,604	36,062	259,464	295,526
Interest payable	804	1,551,150	1,634,466	285,688	—	—	3,472,108	357,684	3,829,792
Unearned revenue	3,263	83,546	10,443	14,565	45,635	20,646	178,098	112,645	290,743
Liabilities payable within one year:									
Commonwealth appropriation bonds	450	—	—	—	—	—	450	15,853	16,303
Revenue bonds	8,132	497,032	1,666,169	59,005	28,360	—	2,258,698	180,816	2,439,514
Notes payable to financial institutions	—	—	696,652	1,981	229	—	698,862	44,783	743,645
Capital leases	—	—	—	—	—	1,431	1,431	551	1,982
Compensated absences	—	—	19,030	7,813	29,828	—	56,671	13,625	70,296
Voluntary termination benefits	—	—	—	7,885	—	—	7,885	12,109	19,994
Liability for insurance benefits	—	—	—	—	—	733,287	733,287	52,801	786,088
Net pension liability	—	—	311,004	—	—	—	311,004	—	311,004
Total pension liability	9,300	—	—	88,036	—	93,130	190,466	105,387	295,853
Total other postemployment benefits liability	254	—	7,937	7,682	—	2,104	17,977	3,609	21,586
Other long-term liabilities	6,122	779	—	—	678	66,242	73,821	2,403	76,224
Liabilities payable after one year:									
Commonwealth appropriation bonds	2,893	—	—	415,169	—	—	418,062	85,263	503,325
Revenue bonds	27,428	3,786,813	6,664,562	3,367,802	380,782	—	14,227,387	2,823,751	17,051,138
Notes payable to financial institutions	69,014	—	27,069	399,495	196	—	495,774	73,621	569,395
Capital leases	—	—	—	—	—	21,835	21,835	13	21,848
Compensated absences	—	3,170	17,424	34,950	108,993	20,609	185,146	10,843	195,989
Voluntary termination benefits	—	29,669	—	25,213	—	—	54,882	54,393	109,275
Net pension obligation	—	—	—	—	—	—	—	29,200	29,200
Net pension Liability	—	—	4,571,257	—	3,318,458	—	7,889,715	—	7,889,715
Total pension liability	180,496	615,651	—	1,600,905	—	1,681,440	4,078,492	1,713,351	5,791,843
Total other postemployment benefits liability	2,706	18,283	368,248	117,522	235,270	22,983	765,012	40,261	805,273
Hedging derivative instruments – interest rate swaps	—	—	53,902	—	—	—	53,902	—	53,902
Other long-term liabilities	42,013	147,359	437,275	—	94,838	53,786	775,271	83,653	858,924
Total liabilities	450,165	8,808,288	18,320,038	7,502,937	4,387,194	2,850,498	42,319,120	7,721,422	50,040,542
Deferred inflows of resources:									
Service concession arrangements	—	1,062,446	—	—	—	—	1,062,446	655,928	1,718,374
Other post employment benefits related	—	739	12,888	11,169	3,900	—	28,696	—	28,696
Pension related	13,193	36,789	91,666	108,125	37,986	106,041	393,800	131,745	525,545
Total deferred inflows of resources	13,193	1,099,974	104,554	119,294	41,886	106,041	1,484,942	787,673	2,272,615
Net position:									
Net investment in capital assets	8,625	1,759,491	(500,522)	1,258,643	398,847	106,896	3,031,980	1,529,479	4,561,459
Restricted for:									
Capital projects	—	132,437	—	—	7,025	—	139,462	57,047	196,509
Debt service	378	—	—	—	45,796	—	46,174	97,097	143,271
Affordable housing and related loan insurance programs	53,676	—	—	—	—	—	53,676	—	53,676
Student loans and other educational purposes	—	—	—	—	102,986	—	102,986	4,062	107,048
Other	—	—	166,782	173,485	31,580	—	371,847	151,363	523,210
Unrestricted (deficit)	10,091	(2,285,013)	(7,719,465)	(1,912,234)	(2,949,591)	(1,509,170)	(16,365,382)	(3,446,690)	(19,812,072)
Total net position (deficit)	$ 72,770	(393,085)	(8,053,205)	(480,106)	(2,363,357)	(1,402,274)	(12,619,257)	(1,607,642)	(14,226,899)

See accompanying notes to basic financial statements.

COMMONWEALTH OF PUERTO RICO

Combining Statement of Activities – Discretely Presented Component Units

Year ended June 30, 2020

(In thousands)

		Program revenue				General revenue and transfers									
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Net revenue (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 investment earnings	Excise taxes and others	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	$ 194,377	29,144	160,899	—	(4,334)	—	—	—	—	—	(4,334)	68,044	9,060	77,104	72,770
Puerto Rico Highways and Transportation Authority	1,142,780	176,744	24,310	198,290	(743,436)	90,851	—	—	5,213	50	(647,322)	268,367	(14,130)	254,237	(393,085)
Puerto Rico Electric Power Authority	4,277,977	3,278,875	40,895	7,538	(950,669)	—	—	—	13,322	—	(937,347)	(6,804,693)	(311,165)	(7,115,858)	(8,053,205)
Puerto Rico Aqueduct and Sewer Authority	1,133,950	1,063,223	—	9,586	(61,141)	—	—	—	10,939	3,157	(47,045)	(433,061)	—	(433,061)	(480,106)
University of Puerto Rico	1,578,689	202,267	338,703	—	(1,037,719)	541,100	48,823	—	8,587	9,542	(429,667)	(1,933,690)	—	(1,933,690)	(2,363,357)
State Insurance Fund Corporation	494,724	608,818	—	—	114,094	(43,384)	—	—	11,381	—	82,091	(1,484,365)	—	(1,484,365)	(1,402,274)
Nonmajor component units	2,003,184	757,125	826,708	2,839	(416,512)	258,860	(48,823)	4,622	52,922	305,349	156,418	(1,770,328)	6,268	(1,764,060)	(1,607,642)
	$ 10,825,681	6,116,196	1,391,515	218,253	(3,099,717)	847,427	—	4,622	102,364	318,098	(1,827,206)	(12,089,726)	(309,967)	(12,399,693)	(14,226,899)

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 President of the Retirement Board of the Government of Puerto Rico's (the Retirement Board), 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 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 have been 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, 2020, 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 who 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. 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 annually appropriate 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 as of 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, 2020, 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 comprised 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 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 the 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 2020.

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 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 comprised 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 is comprised of 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 comprised 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 comprised 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 comprised 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 comprised 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 comprised 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 has the ability to impose its will on the ITNGPR.

Land Authority of Puerto Rico (LAPR) – LAPR is governed by a five member board comprised 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 comprised 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 comprised 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 comprised 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 PRCCDA'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 the 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 comprised 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 comprised 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 comprised 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 comprised 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, 2020, full transfer of responsibility from PRHTA and the transit agencies to PRITA has not been fully completed due to the lack of available resources, mostly due to the Commonwealth's fiscal deficit. Despite this, there has been some progress in the integration as several bus routes previously managed by PRMBA are now managed by PRITA for management in 2015. 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 comprised 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 comprised 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, 2020, 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, 2020, 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 comprised 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 comprised 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 comprised 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 advice and 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 of 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 comprised 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 comprised 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 comprised 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 Tourism Company (PRTC) – PRTC is governed by a seven member board comprised 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 comprised 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 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, 2020.

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

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 as of June 30, 2020, 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 are 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, 2020, 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, are met, 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 $8.7 million at the Primary Government level related to certain dwelling units identified for demolition during the year ended June 30, 2020. At the discretely presented component units level, nonmajor component units identified impairments of approximately $1 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. As of 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 four 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, (iii) asset retirement obligation and (iv) 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. 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 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 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.

(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, 2019, actuarial measurement data was used for the pension benefits financial reporting recognition as of and for the fiscal year ended June 30, 2020.

(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 2020 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, 2019:

- 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. AS of June 30, 2020 there was no significant impact at the Primary Government level.

- 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.

(cc)Accounting Pronouncements Issued But Not Yet Effective

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

- 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. 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.
- GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.
- GASB Statement No. 100, *Accounting Changes and Error Corrections*-an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023. Earlier application is encouraged.
- GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and

measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged.

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 of Going Concern, Uncertainties and Liquidity Risk – 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 that adversely affected its credit ratings and its ability to obtain financing at reasonable interest rates.

Pursuant to PROMESA and the establishment of the Oversight Board, the United States Congress provided a mechanism to allow for the fiscal and economic discipline that ultimately resulted in the orderly restructuring of the Commonwealth obligations. After years of extensive litigation with creditors, on October 26, 2021, the Commonwealth enacted the Law to End the Bankruptcy of Puerto Rico (Law 53) 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. 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, 2020, 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. For this reason, 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 additional information about GDB's cessation of operations and implementation of the Qualifying Modification, refer to the notes of GDB's 2020 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, 2020, PRHTA incurred a loss before capital grants and transfers of approximately $943.9 million. As of June 30, 2020, PRHTA's current liabilities exceed its current assets by approximately $216.1 million and had an accumulated unrestricted deficit of approximately $2.3 billion.
- Additionally, significant support and funding for PRHTA obligations have 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, 2020. These lines of credit are now an obligation to the GDB Debt Recovery Authority (the DRA). On November 5, 2021, the DRA and the Oversight Board filed a stipulation in which the DRA agreed to a resolution of certain disputes, including a resolution of the GDB lines of credit (the DRA Stipulation). In accordance with the DRA Stipulation, the PRHTA Plan of Adjustment (defined below) provides that the GDB lines of credit shall not receive a distribution pursuant to the PRHTA Plan of Adjustment and the DRA shall be deemed to have accepted the PRHTA Plan of Adjustment. In exchange for supporting the PRHTA Plan of Adjustment, the DRA is entitled to a $15 million restriction fee. The PRHTA Plan of Adjustment remains subject to Title III court approval.

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 Commonwealth Plan of Adjustment. 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.

On May 2, 2022, the Oversight Board filed an initial plan of adjustment for PRHTA in the Title III Court, which was amended several times, including most recently as the *Fifth Amended Title III Plan of Adjustment of the Puerto Rico Highways and Transportation Authority* [Case No. 17-3567-LTS, ECF No. 21867] (the PRHTA Plan of Adjustment). The confirmation hearing for the PRHTA Plan of Adjustment occurred on August 17, 2022 and the Title III Court's decision regarding confirmation of the PRHTA Plan of Adjustment remains pending. For additional information regarding the PRHTA Plan of Adjustment, refer to the current version of the PRHTA Plan of Adjustment, which is available at https://cases.ra.kroll.com/puertorico/Home-DocketInfo.

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 2020 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 $8.1 billion as of June 30, 2020, and during the year ended June 30, 2020, the deficit increased by approximately $937 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, causing substantial island-wide damage to PREPA's Transmission and Distribution System and other assets. In January 2020, Puerto Rico experienced a magnitude 6.4 earthquake located near Puerto Rico's southwestern coast., which caused significant damage to two units at PREPA's Costa Sur power plant and left most of Puerto Rico without electricity 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 PREPA's collections and revenues, further weakening its liquidity position.

Remediation Plan – PREPA

On June 28, 2022, 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 2020 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 $2.4 billion as of June 30, 2020.
- 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 55% of UPR's total revenues were derived from Commonwealth appropriations for the year ended June 30, 2020. 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 University of Puerto Rico University System Refunding Bonds, Series P and Q (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 UPR System Revenue Bonds, certain amounts in respect of revenue pledged for the repayment of the UPR System Revenue Bonds 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 UPR System Revenue Bonds. The Standstill Agreement has been subject to various extensions. The latest extension is through November 30, 2022.

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 2020 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 the DRA 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 non-major discretely presented component units that do not have a deficit position or loans outstanding with GDB as of June 30, 2020, 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 (and subject to a budget certified by the Oversight Board). 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, 2020, the Commonwealth and many of its component units were in 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, GDB, PRIFA, and PRCCDA initiated PROMESA proceedings at the request of the Governor to restructure or adjust their existing debt. On March 15, 2022, the Commonwealth Plan of Adjustment became effective, thereby significantly reducing the Commonwealth's debt levels and ending the Island's fiscal crisis.

(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. In addition, the United States Court of Appeals for the First Circuit has issued certain rulings regarding the interpretation of the Oversight Board’s powers under PROMESA sections 204(a) and 108(a) that apply administrative law principles to statutes passed by the Commonwealth and certified as not significantly inconsistent with a Board-certified fiscal plan.

(c) Title III – In-Court Restructuring Process

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

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

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 certain 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 certain 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."

(ii) Puerto Rico Legislation

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 Commonwealth Plan of Adjustment 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 Commonwealth Plan of Adjustment, Confirmation Order, and Debt Management Policy, which are available at https://cases.ra.kroll.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 proposed pension cuts, as discussed in part (b) below.

(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 118,397 claims were filed against the Commonwealth in the total aggregate asserted amount of approximately $33.3 trillion. Of this amount, approximately 86,598 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 8,932 claims in the total aggregate asserted amount of approximately $139.5 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. Accordingly, the numbers and amounts of claims identified above will change over time as objections are filed and determined by the Title III Court.

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

On October 26, 2021, the Governor signed into law Act 53, which provided legislative approval for the bond transactions contemplated in the Seventh Amended Plan conditioned on the elimination of its monthly pension cut provisions in an amended version of that plan.

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

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

Between January 28, 2022 and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit. On March 8, 2022, the First Circuit entered an order dismissing the appeal by the Judge's Association [Case No. 22-1098] following a motion to voluntarily dismiss. By March 11, 2022, the First Circuit denied all parties' motions for a stay pending appeal, which allowed the Commonwealth Plan of Adjustment to become effective despite the appeals. On April 26, 2022, the First Circuit affirmed the Commonwealth Plan of Adjustment with respect to the appeal filed by the teachers' associations. *See* Case No. 22-1080. Oral argument on the merits of the remaining four appeals [Case Nos. 22-1079, 22-1092, 22-1119, 22-1120] was held on April 28, 2022, but a final determination on those appeals remains pending.

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

As of the Effective Date, the Commonwealth Plan of Adjustment reduced the Commonwealth's total funded debt obligations from approximately $34.3 billion of prepetition debt to 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 Commonwealth Plan of Adjustment provides a path for Puerto Rico to access the credit markets and develop balanced annual budgets.

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

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

The Commonwealth Plan of Adjustment 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 Commonwealth Plan of Adjustment establishes revenue-based performance benchmarks and permits the holders of CVIs to receive payments on account of the CVIs only if the benchmarks are exceeded. The CVIs issued under the Commonwealth Plan of Adjustment 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 pledged its full faith, credit and taxing power under the Puerto Rico Constitution and applicable Puerto Rico law for payment of the CVIs. The CVIs are deemed issued on July 1, 2021.

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

The Commonwealth Plan of Adjustment classifies claims into 69 classes, 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.

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

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

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

(ii) 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 2,293 claims were filed against PRHTA in the total aggregate asserted amount of approximately $83.1 billion. Of this amount, approximately 1,256 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, expunged through the Commonwealth Plan of Adjustment, or resolved through the ACR process. As a result, approximately 853 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. Accordingly, the numbers and amounts of claims identified above will change over time as objections are filed and determined by the Title III Court.

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 Commonwealth Plan of Adjustment. 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 May 2, 2022, the Oversight Board filed an initial plan of adjustment for PRHTA in the Title III Court, which was amended several times, including most recently as the *Fifth Amended Title III Plan of Adjustment of the Puerto Rico Highways and Transportation Authority* [Case No. 17-3567-LTS, ECF No. 21867]. The confirmation hearing for the PRHTA Plan of Adjustment occurred on August 17, 2022 and the Title III Court's decision regarding confirmation of the PRHTA Plan of Adjustment remains pending.

For additional information regarding the PRHTA Plan of Adjustment, refer to the current version of the PRHTA Plan of Adjustment, which is available at https://cases.ra.kroll.com/puertorico/ Home-DocketInfo.

(iii) 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 Commonwealth Plan of Adjustment as described in section (i) above.

On the Effective Date, the ERS Bond Claims (Class 65) were discharged and all related litigation dismissed in exchange for a 16% recovery consisting of cash and interests in the ERS Private Equity Portfolio (defined below). Specifically holders of the ERS Bonds received (i) $373 million in cash distributions, with such cash payments being made available from ERS and the Commonwealth from the purchase of ERS assets, and (ii) interest in a trust holding a portfolio of private equity interests held by ERS as of the Effective Date (the ERS Private Equity Portfolio), which assets continue to be managed by ERS up to the date that such assets are purchased by the Commonwealth or holders of the ERS Bonds Claims, pursuant to an election provided in the Commonwealth Plan of Adjustment (the Bondholder Election). In particular, under the Commonwealth Plan of Adjustment, (i) the Commonwealth is granted an option through April 10, 2023 to purchase the ERS Private Equity Portfolio for $70,750,000, (ii) in the event the Commonwealth declines to exercise such option, pursuant to the Bondholder Election, ERS bondholders have the option to purchase the ERS Private Equity Portfolio for $70,750,000, plus such amount as may be necessary to reimburse the Commonwealth for any funded shortfall amounts in connection with the ERS Private Equity Portfolio, and (iii) in the event that the Bondholder Election is not exercised, the Commonwealth shall purchase the ERS Private Equity Portfolio for $70,750,000.

The Commonwealth Plan of Adjustment 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 Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.ra.kroll.com/ puertorico/Home-DocketInfo.

(iv) 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 4,652 claims have been filed against PREPA in the total aggregate asserted amount of approximately $27.4 billion. Of this amount, approximately 477 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 3,332 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. Accordingly, the numbers and amounts of claims identified above will change over time as objections are filed and determined by the Title III Court.

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, FAFAA exercised its right to terminate the RSA under, and pursuant to, the RSA. FAFAA's termination constitutes a stipulated treatment termination, and the RSA is void and of no further force or effect as to all parties, except for those provisions that expressly survive termination. The Government of Puerto Rico determined that it is not feasible to continue with the transactions contemplated under the RSA.

On March 8, 2022, the Title III Court entered an order requiring (i) the Oversight Board and FAFAA 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 FAFAA 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. On April 8, 2022, the Title III Court entered an order appointing a mediation team and mediation process through July 1, 2022. The mediation team requested further extensions of the mediation process, and the Title III Court granted such extensions. The latest extension is through September 9, 2022. 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 September 29, 2022, the Title III Court entered an Order amending the terms and conditions of mediation and establishing a new deadline until December 31, 2022, to terminate mediation, with an automatic extension until January 31, 2023. On that same date, the Title III court issued an Order directing the Oversight Board to file a proposed plan of adjustment for the Authority by December 1, 2022, that it believes could be confirmable, taking into account the litigation risk and economic issues that are in dispute, it must also include a disclosure statement and proposed confirmation schedule contemplating a June 2023 confirmation hearing.

(v) 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 412 claims have been filed against PBA in the total aggregate asserted amount of approximately $7 billion. Of this amount, approximately 72 claims in the total aggregate asserted amount of approximately $1.1 billion have been withdrawn or expunged by an omnibus objection order entered by the Title III Court. As a result, approximately 224 claims in the total aggregate asserted amount of approximately $5.6 billion remain outstanding (excluding claims pending objection, marked for future objection, or transferred or waiting to be transferred into ACR). 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. Accordingly, the numbers and amounts of claims identified above will change over time as objections are filed and determined by the Title III Court.

All obligations against PBA were resolved through the Commonwealth Plan of Adjustment as described in section (b)(i) above.

On the Effective Date, the Commonwealth Plan of Adjustment 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 Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.ra.kroll.com/ puertorico/Home-DocketInfo.

(vi) 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 Commonwealth Plan of Adjustment, refer to Note 3(c)(i) above and the final versions of the Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.ra.kroll.com/ puertorico/Home-DocketInfo.

(vii) 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 (the PRIFA Qualifying Modification) for the Special Tax Revenue Bonds, Section 2005A, Special Tax Revenue Bonds, Series 2005B, Special Tax Revenue Refunding Bonds, Series 2005C, and Special Tax Revenue Bonds (collectively, the PRIFA Rum Bonds). On March 15, 2022, the Commonwealth Plan of Adjustment 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 made under the Commonwealth Plan of Adjustment 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 Commonwealth Plan of Adjustment 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 Commonwealth Plan of Adjustment.

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

(viii) 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 (the PRCCDA Qualifying Modification) for the Series 2006 PRCCDA Bonds (the PRCCDA Bonds). On March 15, 2022, the Commonwealth Plan of Adjustment 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 Commonwealth Plan of Adjustment (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 Commonwealth Plan of Adjustment.

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

(ix) 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

As a result of the Effective Date of the Commonwealth Plan of Adjustment, the bond obligations of the Commonwealth, PBA, PRIFA, ERS, PA and PRCCDA have been discharged and in certain instances, replaced with new bond debt, as described in Note 3(b) above.

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

		Principal	Interest	Past due Balance
Major component units:				
PRHTA		779,232	1,178,911	1,958,143
PREPA		1,983,194	2,173,125	4,156,319
Total	$	2,762,426	3,352,036	6,114,462

(4) Accounting Changes and Correction of Errors

During 2020, 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. 73 and 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 position (deficit) – July 1, 2019, as previously reported	$	(60,156,135)	887,334
Entities that were excluded in fiscal year 2019, but included in fiscal year 2020 (a)		63,705	—
Application of GASB Statement No. 73 (b):			
Recognition of total pension liability		47,605	(47,605)
Recognition of deferred outflows of resources -pension related		(2,566)	2,566
Recognition of deferred inflows of resources -pension related		3,432	(3,432)
Application of GASB Statement No. 75 (c):			
Recognition of total other postemployment benefits liability		1,891	(1,891)
Recognition of deferred outflows of resources -OPEB related		(153)	153
Overstatement of capital assets (d)		(27,105)	—
Overstatement of cash (e)		—	(56,314)
Various miscellaneous errors (f)		(5,525)	247
Net position (deficit) – July 1, 2019, as restated	$	(60,074,851)	781,058

Correction of Immaterial Errors – Governmental Activities

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

(a) As a result of the enactment of Act 60-2019 several programs previously excluded from the Commonwealth's financial reporting entity are being included.

(b) The impact of applying the guidance in GASB Statement No. 73. The error correction consisted of Disability and Driver's Insurance Fund, nonmajor proprietary funds, recognizing the net effects of their proportionate share of ERS' beginning total pension liability, deferred outflows of resources for pension contributions made after the beginning total pension liability measurement date and deferred inflows of resources due to differences between the projected and the actual pension plan investment earnings in different measurement periods.

(c) The impact of applying the guidance in GASB Statement No. 75 consisted of Disability and Driver's Insurance Fund recognizing their proportionate share of the total other postemployment benefits liability and deferred outflows of resources for benefits payments made after the beginning total other postemployment benefits liability measurement date (July 1, 2018).

(d) An overstatement of capital assets for approximately ($27.1) million corrected by PHA.

(f) Other miscellaneous errors corrected during the current fiscal year.

Correction of Material Errors – Business-type Activities

The correction of errors to beginning net position of the Business-type Activities includes a combination of the following:

(b) The impact of applying the guidance in GASB Statement No. 73. The error correction consisted of Disability and Driver's Insurance Fund, nonmajor proprietary funds, recognizing the net effects of their proportionate share of ERS' beginning total pension liability, deferred outflows of resources for pension contributions made after the beginning total pension liability measurement date and deferred inflows of resources due to differences between the projected and the actual pension plan investment earnings in different measurement periods.

(c) The impact of applying the guidance in GASB Statement No. 75 consisted of Disability and Driver's Insurance Fund recognizing their proportionate share of the total other postemployment benefits liability and deferred outflows of resources for benefits payments made after the beginning total other postemployment benefits liability measurement date (July 1, 2018).

(e) An overstatement of cash and cash equivalents corrected by the Disability and Driver's Insurance Fund.

Correction of Immaterial Errors – Business-type Activities

The correction of immaterial errors in the beginning net position of the Business-type Activities includes the following:

(f) Other miscellaneous errors corrected during the current fiscal year.

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
Fund balances (deficit) – July 1, 2019, as previously reported:	$	7,528,127
Entities that were excluded in fiscal year 2019, but included in fiscal year 2020 (a)		63,705
Correction of errors:		
Understatement of liabilities (b)		(5,563)
Fund balances (deficit) – July 1, 2019, as restated	$	7,586,269

Correction of Immaterial Errors – Governmental Funds

The correction of immaterial errors in the beginning fund balance of the governmental funds includes a combination of the following:

(a) As a result of the enactment of Act 60-2019 several programs previously excluded from the Commonwealth's financial reporting entity are being included.

(b) An unrecorded liability by one of the Commonwealth agencies of approximately $5.6 million.

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):

		Nonmajor Proprietary Funds
Net position (deficit) – July 1, 2019, as previously reported	$	766,679
Application of GASB Statement No. 73 and No. 75: (a)		
Recognition of total pension liability		(47,605)
Recognition of total OPEB liability		(1,891)
Recognition of deferred outflow of resources - pension related		2,566
Recognition of deferred outflow of resources - OPEB related		153
Recognition of deferred inflow of resources - pension related		(3,432)
Overstatement of cash (b)		(56,314)
Overstatement of accounts payable (c)		247
Net position (deficit) – July 1, 2019, as restated	$	660,403

Correction of Material Errors

The correction of material errors in the beginning net position of nonmajor proprietary funds includes a combination of the following:

(a) The impact of applying the guidance in GASB Statements No. 73 and No. 75. The error correction consisted of Disability Insurance Fund and Drivers' Insurance Fund recognizing the net effects of their proportionate share of ERS' beginning total pension liability, total OPEB liability, deferred outflow of resources and deferred inflow of resources due to differences between the projected and the actual pension plan investment earnings in different measurement periods.

(b) An overstatement of cash of approximately $45.7 million and $10.7 million in the Disability Insurance Fund and Driver's Insurance Fund, respectively was corrected.

Correction of Immaterial Errors

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

(c) An overstatement of accounts payable of approximately $247 thousand 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, 2019, as previously reported	$	(12,089,726)
Adoption of GASB Statement No. 83:		
Recognition of asset retirement obligation		(78,649)
Correction of errors:		
Application of GASB Statement No. 73: (a)		
Recognition of total pension liability		13,342
Recognition of deferred outflow of resources		626
Application of GASB Statement No. 75: (b)		
Recognition of total OPEB liability		(16,433)
Overstatement of due from federal government (c)		(232,516)
Various miscellaneous errors (d)		3,663
Net deficit – July 1, 2019, as restated	$	(12,399,693)

Adoption of GASB Statements No. 83

The impact of adopting GASB Statement No. 83 at the discretely presented component units consisted of recognizing an asset retirement obligation associated with the retirement of tangible capital assets when the liability is both incurred and reasonably estimable.

Correction of Errors

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

(a) The impact of applying the guidance in GASB Statement No. 73. The error correction consisted of nonmajor component units recognizing the net effects of their proportionate share of ERS' beginning total pension liability, deferred outflows of resources for pension contributions made after the beginning total pension liability measurement date and deferred inflows of resources due to differences between the projected and the actual pension plan investment earnings in different measurement periods.

(b) The impact of applying the guidance in GASB Statement No. 75 consisted of nonmajor component units recognizing their proportionate share of the total other postemployment benefits liability and deferred outflows of resources for benefits payments made after the beginning total other postemployment benefits liability measurement date (July 1, 2018).

(c) An overstatement of amounts due from federal government for approximately ($232.5) million in PREPA's basic financial statements.

(d) Other miscellaneous errors corrected by GDB for approximately $9.1 million and by various nonmajor component units for approximately ($5.4) million.

The errors listed in the above table might be considered immaterial individually, but are considered material in the aggregate for the opinion unit.

(5) Deposits and Investments

Primary Government

The Primary Government may invest in different types of securities, including among others 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 as of June 30, 2020, consists of the following (in thousands):

		Carrying amount		Bank
	Unrestricted	Restricted	Total	balance
Governmental activities:				
Commercial banks	$ 9,928,707	5,020,686	14,949,393	14,563,968
Total	$ 9,928,707	5,020,686	14,949,393	14,563,968

		Carrying amount		Bank
	Unrestricted	Restricted	Total	balance
Business-type activities:				
Commercial banks	$ 618,014	272,434	890,448	909,793
Governmental banks	3	—	3	3
Under the custody of the U.S. Treasury	—	616,997	616,997	616,997
Total	$ 618,017	889,431	1,507,448	1,526,793

As of June 30, 2020, the total aggregate amount of the Primary Government's bank balance of deposits in commercial banks was approximately $15.5 billion, covered by the FDIC or by collateral held by the Commonwealth's agent in the Commonwealth's name. Deposits of approximately $617 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. Restricted cash in the Governmental Activities includes approximately $3.8 millions of funds received as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) that are unspent.

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.

As of June 30, 2020, 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		23,741	—	—		23,741
Nonparticipating investment contracts:						
UniCredit Bank AG – Guaranteed:						
Investment Contract		—	—	83,684		83,684
Total investments measured at fair value	$	23,741	12,833	83,684		120,258
Investments measured at amortized cost or NAV:						
Dreyfus Government Cash Management						223,511
Money market funds						28,126
Negotiable certificate of deposits						1,689
Limited partnership/private equity						56,492
Other						1,521
Total investments					$	431,597

The following table summarizes the type and maturities of investments held by the Governmental Activities as of June 30, 2020 (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		14,306	13,820	—	28,126
Negotiable certificates of deposits		1,689	—	—	1,689
Other		—	1,521	—	1,521
External investment pools – fixed-income securities:					
Dreyfus Government Cash Management		247,252	—	—	247,252
Nonparticipating investment contracts:					
Unicredit Bank AG-Guaranteed Investment Contract		—	—	83,684	83,684
Total debt securities and fixed-income investment contracts	$	276,080	15,341	83,684	375,105
Equity securities:					
Limited parterships/private equity					56,492
Total					431,597

Investment type	Maturity (in years): Within one year	After one to five years	After ten years	Total
Reconciliation to the government-wide statement of net position:				
Unrestricted investments				56,492
Restricted investments				375,105
Total				$ 431,597

The credit quality ratings (S&P) and fair value by investment type for the investments reported by the Governmental Activities as of June 30, 2020, consisted of the following (in thousands):

Investment type	Rating: AAA	A+ to A-	BBB+ to B-	Not Rated	Total
Money market funds	$ —	—	—	28,126	28,126
Negotiable certificate of deposits	—	—	—	1,689	1,689
Other	—	—	—	1,521	1,521
External investment pools – fixed-income securities:					
Dreyfus Government Cash Management	223,511	—	23,741	—	247,252
Nonparticipating investment contracts:					
UniCredit Bank AG-Guaranteed Investment Contract	—	—	—	83,684	83,684
Total debt securities and fixed-income investment contracts	$ 223,511	—	23,741	115,020	362,272

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

The fair value of investments in limited partnerships as of June 30, 2020, amounted to approximately $56.5 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, 2020, 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	352
Puerto Rico System of Annuities and Pensions for Teachers	25,000	—	1,319	355
Subtotal	50,000	—	2,638	707

	Public sector commitments	Fiscal year contributions	Unfunded commitments	Fair value
Guayacán Private Equity Fund, L.P.:				
Employees' Retirement System of the Government of the Commonwealth of Puerto Rico	5,000	—	355	1,999
Puerto Rico System of Annuities and Pensions for Teachers	5,000	—	355	1,969
Subtotal	10,000	—	710	3,968
Guayacán Private Equity Fund II, L.P.:				
Employees' Retirement System of the Government of the Commonwealth of Puerto Rico	25,000	—	453	14,895
Subtotal	25,000	—	453	14,895
Other Funds:				
Employees' Retirement System of the Government of the Commonwealth of Puerto Rico	73,300	82	2,988	36,922
Subtotal	73,300	82	2,988	36,922
Total	$ 158,300	82	6,789	56,492

Business-type Activities

As of June 30, 2020, 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	$ —	3,228	—	3,228
Mortgage and asset-backed securities:				
GNMA	—	1,101	—	1,101
FNMA	—	3,023	—	3,023
FHLMC	—	851	—	851
Commercial mortgages	—	486	—	486
Asset-backed securities	—	491	—	491
Other		290		290
U.S. corporate bonds and notes	—	10,073	—	10,073
Foreign corporate and government bonds and notes	—	865	—	865
U.S. municipal notes	—	827	—	827
External investment pools – equity securities	—	8,595	—	8,595
Total investments measured at fair value	$ —	29,830	—	29,830

The following table summarizes the type and maturities of investments held by the Business-type Activities as of June 30, 2020 (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		After one to five years	After five to ten years	After ten years		Total
U.S. government and agency securities	$	1,043	294	1,891		3,228
Mortgage and asset-backed securities:						
GNMA		—	—	1,101		1,101
FNMA		102	—	2,921		3,023
FHLMC		1	54	796		851
Commercial mortgages		—	—	486		486
Asset-backed securities		491	—	—		491
Other		—	—	290		290
U.S. corporate bonds and notes		3,413	4,665	1,995		10,073
Foreign corporate and government bonds and notes		334	531	—		865
U.S. municipal notes		26	—	801		827
Total debt securities	$	5,410	5,544	10,281		21,235
External investment pools – equity securities:						
SPDR S&P 500 ETF Trust						4,205
ISHARES TR Russell 2000 EFT						1,422
Vanguard Index Funds S&P 500 EFT						140
Vanguard Developed Markets EFT						2,812
Vanguard Emerging Markets ETF						16
Total					$	29,830
Reconciliation to the government-wide statement of net position:						
Restricted investments					$	29,830
Total					$	29,830

The credit quality ratings (S&P) and fair value by investment type for the investments reported by the Business-type Activities as of June 30, 2020, consist of the following (in thousands):

Investment type		Rating AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	Not rated	Total
Mortgage and asset-backed securities:									
FNMA	$	3,023	—	—	—	—	—	—	3,023
FHLMC		851	—	—	—	—	—	—	851
Commercial mortgages		176	—	—	—	—	—	310	486
Asset-backed securities		171	—	—	—	—	—	320	491
Other		—	—	—	—	—	—	290	290
U.S. corporate bonds and notes		312	1,158	2,825	4,709	612	457	—	10,073
Foreign corporate and government bonds and notes		—	—	—	335	381	149	—	865
U.S bonds and notes		609	102	3	—	—	—	113	827
Total debt securities	$	5,142	1,260	2,828	5,044	993	606	1,033	16,906

Approximately $4.3 million of the total Business-type Activities' investments consist of approximately $1.1 million in U.S. Government National Mortgage Association (GNMA) securities and approximately $3.2 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 as of June 30, 2020, consisted of the following (in thousands):

		Carrying amount Unrestricted	Restricted	Total	Bank balance
Commercial banks	$	713,471	—	713,471	713,471

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 as of June 30, 2020, consisted of (in thousands):

Major Discretely Presented Component Units

		Carrying amount Unrestricted	Restricted	Total	Bank balance
Commercial banks	$	1,515,312	881,035	2,396,347	2,526,579
Total	$	1,515,312	881,035	2,396,347	2,526,579

As of June 30, 2020, the major discretely presented component units had approximately $103.2 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	$	619,240	220,148	839,388	861,348
Governmental banks		541	—	541	4,837
Total	$	619,781	220,148	839,929	866,185

As of June 30, 2020, the nonmajor discretely presented component units had approximately $4.8 million of cash and cash equivalents that were exposed to custodial credit risk as uninsured and uncollateralized.

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 as of June 30, 2020 (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

As of June 30, 2020, 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	$	55,768	—	—	55,768
U.S. government agencies notes:					
FHLB		—	5,252	—	5,252
FNMA		—	16,437	—	16,437
FHLMC		—	8,221	—	8,221
FFCB		—	7,083	—	7,083
Other		—	3,403	—	3,403
Mortgage and asset-backed securities:					
GNMA		—	64,834	—	64,834
FNMA		—	16,484	—	16,484
FHLMC		—	19,457	—	19,457
Commercial mortgages		—	326	—	326
Asset-backed securities		—	7,751	—	7,751
Other		—	22,562	—	22,562
U.S. corporate bonds and notes		—	131,899	—	131,899
Foreign government bonds and notes		—	2,372	—	2,372
U.S. municipal notes		—	48,516	—	48,516
Commonwealth agency bonds and notes		—	3,039	—	3,039
External investment pools – fixed – income securities		1,068	13,270	—	14,338
External investment pools – equity securities		16,979	—	—	16,979
U.S. corporate stocks		43,880	—	216,266	260,146
Other		34,162	1,925	—	36,087
Investments at fair value level	$	151,857	372,831	216,266	740,954
Investments valued at NAV or amortized cost:					
Cash equivalent – money market fund					79,962
Negotiable certificates of deposit					21,469
Limited partnership/private equity					51,089
Guaranteed investments contract					99,522
External investment pools – equity securities					215,412
Total major component units					1,208,408
Total nonmajor component units					915,288
Total investments					$ 2,123,696

The following table summarizes the type and maturities of investments held by major discretely presented component units as of June 30, 2020 (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 securities	$	20,135	10,427	16,041	9,165	55,768
U.S. government sponsored agencies notes:						
FHLB		2,991	1,374	887	—	5,252
FNMA		6,065	8,577	870	925	16,437
FHLMC		2	876	652	6,691	8,221
FFCB		—	550	4,880	1,653	7,083
Other		525	2,149	729	—	3,403
Mortgage and asset-backed securities:						
GNMA		—	7,190	40,858	16,786	64,834
FNMA		8	1,275	5,541	9,660	16,484
FHLMC		—	6,687	5,856	6,914	19,457
Commercial mortgages		—	89	—	237	326
Asset-backed securities		—	6,646	1,105	—	7,751
Other		—	251	385	21,926	22,562
U.S. corporate bonds and notes		18,394	57,180	41,789	14,536	131,899
Foreign government bonds and notes		103	1,841	428	—	2,372
U.S. municipal notes		—	1,674	4,370	42,472	48,516
Commonwealth agency bonds and notes		—	—	—	3,039	3,039
Money market funds		79,962	—	—	—	79,962
Negotiable certificates of deposit		21,469	—	—	—	21,469
External investment pools – fixed-income securities		12	1,040	16	13,270	14,338
Nonparticipating investment contracts		—	67,187	—	24,431	91,618
Other		35,830	—	7,904	257	43,991
Total debt securities and fixed-income investment contracts	$	185,496	175,013	132,311	171,962	664,782
Equity securities:						
U.S. corporate stocks						260,146
External investment pools – equity securities						232,391
Limited partnership/private equity						51,089
Total major component units						1,208,408
Total nonmajor component units						915,288
Total						$ 2,123,696

Custodial Credit Risk – The discretely presented component units had approximately $44.8 million (approximately $.20 million and $44.6 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, 2020, the SIFC had the following investments denominated in foreign currency (in thousands):

Description	Currency		Fair value
Common and preferred stocks and equities	Australian dollar	$	506
	Swiss Franc		2,030
	Danish Krone		2,000
	Euro		12,781
	British Pound		2,932
	Hong Kong Dollar		1,201
	Indonesian Rupiah		461
	Japanese Yen		7,455
	Thai Bath		305
	Swedish Krona		1,992
	Singapore Dollar		644
	South African Rand		518
Total		$	32,825

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 as of June 30, 2020, 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 $327.5 million, all of which are rated D as of June 30, 2020.

(6) Securities Lending Transactions

During the fiscal year ending June 30, 2020, SIFC (a discretely presented component unit) 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 SIFC did not have any outstanding securities lent as of June 30, 2020.

(7) Receivables and Payables

Governmental and Proprietary Funds

Receivables in the governmental funds include approximately $2.3 billion of accrued income, excise, and sales and use taxes. Intergovernmental receivables include approximately $855.9 million from the federal government. In addition, the proprietary funds include $62.2 million of unemployment, disability, and drivers' insurance premium receivables; approximately $8.6 million receivable from private citizens, member institutions, and municipalities for patient services provided by the PRMeSA; and approximately $631.9 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 $2 billion of trade accounts due to suppliers for purchase of merchandise and services rendered, and approximately $108.2 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 $686.4 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 $36.8 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, 2020, 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, 2020, the loans and interest receivable from plan members amounted to approximately $420.3 and $17.1 million, respectively, net of an escrow funds of mortgage loans and guarantee insurance reserve and allowance for adjustments and losses in realization of approximately $46.5 million.

Discretely Presented Component Units – GDB

As of June 30, 2020, loans from GDB to public corporations and agencies of the Commonwealth (excluding municipalities) amounting to approximately $890 million were repayable from the following sources (in thousands):

		Amount
Repayment source:		
General fund and/or legislative appropriations		883,609
Operating revenues		6,159
Total	$	889,768

For the fiscal year ended June 30, 2020, there were no disbursements and collections of principal of public-sector loans amounted to approximately $5.4 million.

As of June 30, 2020, approximately $890 million of the public-sector loans was impaired. The budget certified by the Oversight Board for fiscal years 2020 through 2021 did not include appropriations for the payment of debt service owed to GDB. In addition, as discussed in Note 3, the Commonwealth Plan of Adjustment discharged all appropriation claims, which includes any claim for an appropriation related to the repayment of a GDB loan.

Most loans to public corporations and agencies totaling approximately $890 million were classified as nonaccrual. Interest income that would have been recorded under the original term of these loans amounted to approximately $47.1 million in fiscal year 2020.

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 $176 million as of June 30, 2020. Private sector loans classified as nonaccrual amounted to approximately $83.8 million as of June 30, 2020. Interest income that would have been recorded if these loans had been performing in accordance with their original terms was approximately $5.2 million in 2020.

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, 2020:

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	CorporateTax	CorporateTax
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	$ 2,500,000	$ 700,000	$ 8,200,000	$ 2,900,000	$ 13,497,000,000

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 60-2019).	Act 20 - 2012, Export Services & Act 60 - 2019, Subtitle B Chapter 3
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	CorporateTax	CorporateTax	CorporateTax	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 60-2019	Act 20-2012, Act 60-2019
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	$ 315,100,000	$ 29,700,000	$ 30,000,000	$ 220,800,000

(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, 2020, amounted to approximately $814.5 million. For fiscal year 2020, debt service paid by COFINA amounted to approximately to $403.9 million.

(b) PRIFA Allocated Revenue

The following revenue (collectively, the PRIFA Allocated Revenue) was 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, all laws related to the conditional allocation of the PRIFA Allocated Revenue to PRIFA have been deemed preempted by the Commonwealth Plan of Adjustment and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws.

(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. For the year ended June 30, 2020, the $117 million conditionally allocated by Act No. 44-1988 was not appropriated to PRIFA.

As further discussed in Note 3, all laws related to the conditional allocation to PRIFA of the first $117 million of federal excise taxes have been preempted by the Commonwealth Plan of Adjustment and the Commonwealth has no obligation to transfer such amounts to PRIFA pursuant to those laws.

(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 2020, no revenues were allocated.

As further discussed in Note 3, all laws related to the conditional allocation to PRIFA of this revenue stream have been preempted by the Commonwealth Plan of Adjustment 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. 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 Commonwealth Plan of Adjustment for the issuance of Clawback CVIs for Commonwealth clawback creditors and are addressed in the PRHTA Plan of Adjustment ([the confirmation of which remains pending at this time]).

As further discuss in Note 3, all laws related to the conditional allocation of the PRHTA Allocated Revenues to PRHTA have been deemed preempted under the Commonwealth Plan of Adjustment and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws.

(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. Prior to the Effective Date of the Commonwealth Plan of Adjustment, the Commonwealth 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. Prior to the Effective Date of the Commonwealth Plan of Adjustment, Act No. 30-2013 conditionally assigned the remaining twenty-five dollars ($25) of each such annual license fee to PRHTA.

(iii) Petroleum Products Tax

Prior to the Effective Date of the Commonwealth Plan of Adjustment, the Puerto Rico Code also allocated 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

Prior to the Effective Date of the Commonwealth Plan of Adjustment, 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 Commonwealth Plan of Adjustment, all Commonwealth laws that required the transfer the PRCCDA Allocated Revenue to the PRCCDA 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 discuss in Note 3, on the Effective Date of the Commonwealth Plan of Adjustment, all Commonwealth laws that required the transfer the PRCCDA Allocated Revenue to the PRCCDA 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 discuss in Note 3, on the Effective Date of the Commonwealth Plan of Adjustment, all Commonwealth laws that required the transfer of the PRMBA Allocated Revenue to PRMBA 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.

(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 2020 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 as of June 30, 2020, are summarized as follows (in thousands):

Receivable Fund	Payable Fund		
ERS	COFINA Debt Service	$	137,235
PRMeSA	General		83,524
General	Nonmajor governmental		62,733
Nonmajor governmental	COFINA Debt Service		43,235
General	Nonmajor proprietary		18,382
General	COFINA Special Revenue		8,483
Nonmajor governmental	General		7,276
General	PRMeSA		6,324
PRHIA	General		5,056
Nonmajor proprietary	Nonmajor governmental		4,022
PRMeSA	PRHIA		3,649
General	Unemployment insurance		1,576
		$	381,495

Transfers from (to) other funds for the year ended June 30, 2020, are summarized as follows (in thousands):

Transferee fund	Transferor fund		
Nonmajor governmental (a)	General	$	319,757
PRHIA (b)	General		382,160
General (c)	Nonmajor proprietary		86,521
PRMeSA (d)	General		83,364
General (e)	Unemployment Insurance		44,884
General (f)	Nonmajor governmental		19,667
Nonmajor proprietary (g)	General		12,287
General (h)	COFINA Special Revenue		8,483
ERS (i)	General		2,514
ERS (j)	PRMeSA		3,891
COFINA Special Revenue (k)	COFINA Debt Service		834
Unemployment Insurance (l)	General		746
		$	965,108

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 ($111,645); ($71,727) related to the revenues received from the Tobacco Settlement Agreement managed by The Children's Trust, a blended component unit of the Commonwealth; ($9,148) to PRIFA, a blended component unit of the Commonwealth, to provide funds for capital projects; ($11,507) to UPRCCC, ($105,990) to FAFAA, ($8,991) to TRS, ($515) to JRS, ($192) to PA, and ($42) to SCPT blended component units of the Commonwealth, to provide funds to cover operational expenditures.

(b) Transfer of $382,160 from the General Fund to PRHIA, a blended component unit of the Commonwealth, to provide funds to cover operational expenditures.

(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 ($83,810); and to reimburse the General Fund for expenses assistance provided on emergency calls services from 9-1-1 Services, a nonmajor proprietary fund, ($2,711).

(d) Transfer of $83,364 from the General Fund to PRMeSA, a major proprietary fund, to make funds available for debt service payments, capital projects and operational expenditures.

(e) Transfer of $44,884 from the Unemployment Insurance Fund, a major proprietary fund, related to the distribution of surplus cash corresponding to the General Fund for the payment of administrative expenses.

(f) Transfer ($19,554) to TRS, a blended component unit of the Commonwealth, to write-off interfund loans not expected to be repaid to the General Fund; and transfer of ($113) from the Capital Projects Fund, a nonmajor governmental fund, to reimburse the General Fund for capital contributions.

(g) Transfer of $11,333 and $954 from the General Fund to 9-1-1 Services and PPA, nonmajor proprietary funds, to make funds available for operational expenditures.

(h) Transfer of $8,483 from the COFINA Special Revenue Fund, a blended component unit of the Commonwealth, to reimburse the General Fund for excess collections of sales and use tax transferred to COFINA.

(i) Transfer of $2,514 from the General Fund to ERS, a blended component unit of the Commonwealth, to provide funds to cover operational expenditures.

(j) Transfer of $3,891 from PRMeSA to ERS, blended component units of the Commonwealth, for payment of employer contributions owed before the enactment of Act No. 106-2017.

(k) Transfer of $834 from the COFINA Debt Service Fund to the COFINA Special Revenue Fund, a blended component unit of the Commonwealth, to reimburse the General Fund for excess collections of sales and use tax transferred to COFINA and make funds available for operational expenditures.

(l) Transfer of $746 from the General Fund to the Unemployment Insurance Fund, a major proprietary fund, to reimburse the Unemployment Insurance Fund for contributions made in excess during the year to the Work Opportunity Program.

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	PRMeSA	Nonmajor governmental	Nonmajor proprietary	Total due from component units
Major component units:							
PRASA	$	17,266	—	—	—	590,677	607,943
PREPA		28,391	—	—	—	—	28,391
GDB		30,306	—	—	—	—	30,306
PRHTA		7,489	—	—	—	—	7,489
SIFC		25,494	—	—	—	—	25,494
UPR		2,125	—	16,166	—	—	18,291
Nonmajor component units		194,049	18,509	—	32,568	—	245,126
Subtotal due from component units		305,120	18,509	16,166	32,568	590,677	963,040
Allowance for uncollectible balances		(125,464)	(18,509)	(13,284)	(32,568)	(52,680)	(242,505)
	$	179,656	—	2,882	—	537,997	720,535

The amount owed by PRASA of approximately $590.7 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	$ 51,330	—	33,356	84,686	(42,399)	42,287
PRASA	19,305	—	—	19,305		19,305
UPR	23,715	6,990	32,307	63,012	(55,499)	7,513
PRHTA	12,888	—	—	12,888	—	12,888
Nonmajor component units	47,660	—	—	47,660	(11,544)	36,116
Total due to component units	$ 154,898	6,990	65,663	227,551	(109,442)	118,109

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**	**Nonmajor component units**	**Total due to component units**
Major component units:							
GDB	$ —	—	—	—	—	19,910	19,910
PRHTA	—	—	37,391	—	—	1,937,621	1,975,012
UPR	—	—	14,895	—	—	7,333	22,228
PRASA	—	—	68,122	—	—	57,743	125,865
PREPA	—	—	—	3,867	—	—	3,867
SIFC	—	—	3,207	—	—	—	3,207
Nonmajor component units	48,653	30,621	42,136	5,193	3,019	521,581	651,203
Subtotal due from component units	48,653	30,621	165,751	9,060	3,019	2,544,188	2,801,292
Allowance for uncollectible balances	(48,653)	(30,621)	(44,272)	—	—	(2,482,409)	(2,605,955)
Total due from component units (net)	$ —	—	121,479	9,060	3,019	61,779	195,337

The amount due from discretely presented component units presented by GDB of approximately $48.7 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	$ 392,328
Primary government – business-type activities	465,696
Other governmental entities and municipalities	56,783
Private sector, net of allowance for loan losses	175,834
Total loans receivable reported by GDB	1,090,641
Less allowance for public sector loans	(914,807)
	$ 175,834

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, 2020, were as follows (in thousands):

UPR	$	541,100
PRHTA		90,851
Nonmajor components units		276,230
Total contributions made by primary government to component units	$	908,181

(10) Capital Assets

Capital assets activity for the year ended June 30, 2020, was as follows (in thousands):

Primary Government

		Beginning balance (as restated)	Increases	Decreases	Ending balance
Governmental activities:					
Land and other nondepreciable assets:					
Land	$	945,617	1,592	994	946,215
Construction in progress		904,232	38,967	20,221	922,978
Total land and other nondepreciable assets		1,849,849	40,559	21,215	1,869,193
Buildings and building improvements		10,585,748	19,733	18,779	10,586,702
Equipment, furniture, fixtures, vehicles, and software		995,203	30,515	5,969	1,019,749
Infrastructure		615,224	—	—	615,224
Total other capital assets, being depreciated and amortized		12,196,175	50,248	24,748	12,221,675
Less accumulated depreciation and amortization for:					
Buildings and building improvements		4,979,220	168,641	8,833	5,139,028
Equipment, furniture, fixtures, vehicles, and software		791,205	137,760	3,464	925,501
Infrastructure		231,419	13,190	—	244,609
Total accumulated depreciation and amortization		6,001,844	319,591	12,297	6,309,138
Total other capital assets, net of depreciation and amortization		6,194,331	(269,343)	12,451	5,912,537
Governmental activities capital assets, net	$	8,044,180	(228,784)	33,666	7,781,730

		Beginning balance	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		113,126	1,823	—	114,949
Equipment		107,074	3,938	681	110,331
Total other capital assets being depreciated and amortized		220,200	5,761	681	225,280
Less accumulated depreciation and amortization for:					
Building and building improvements		75,512	1,567	—	77,079
Equipment		91,210	4,549	611	95,148
Total accumulated depreciation and amortization		166,722	6,116	611	172,227
Total business-type activities other capital assets, net of depreciation and amortization		53,478	(355)	70	53,053
Total business-type activities capital assets, net	$	89,483	(355)	70	89,058

Depreciation and amortization expense were charged to functions/programs of the Primary Government for the year ended June 30, 2020, as follows (in thousands):

Governmental activities:		
General government	$	108,151
Public safety		32,750
Health		22,037
Public housing and welfare		113,558
Education		25,369
Economic development		17,726
Total depreciation and amortization expense – governmental activities	$	319,591

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(n)).

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, 2020, PRIFA incurred approximately $5.1 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, 2020, is as follows (in thousands):

		Beginning balance (as restated)	Increases	Decreases	Ending balance
Land and other nondepreciable assets:					
Land	$	2,225,921	17,473	—	2,243,394
Construction in progress		1,128,514	503,855	297,236	1,335,133
Total capital assets not being depreciated/amortized		3,354,435	521,328	297,236	3,578,527

	Beginning balance (as restated)	Increases	Decreases	Ending balance
Depreciable assets:				
Buildings and building improvements	1,706,961	73,185	36,239	1,743,907
Equipment, furniture, fixtures, vehicles, and software	2,189,495	43,724	34,010	2,199,209
Infrastructure	42,243,997	271,850	26,586	42,489,261
Total other capital assets, being depreciated/ amortized	46,140,453	388,759	96,835	46,432,377
Less accumulated depreciation/ amortization for:				
Buildings and building improvements	4,506,833	224,024	2,431	4,728,426
Equipment, furniture, fixtures, vehicles, and software	1,139,369	46,770	17,196	1,168,943
Infrastructure	19,545,957	850,511	16,173	20,380,295
Total accumulated depreciation/ amortization	25,192,159	1,121,305	35,800	26,277,664
Total other capital assets, net of depreciation and amortization	20,948,294	(732,546)	61,035	20,154,713
Nonmajor component units	3,031,556	2,657	51,029	2,983,184
Capital assets (net)	$ 27,334,285	(208,561)	409,300	26,716,424

(11) Short-term Obligations

Short-term obligations as of June 30, 2020, and changes for the year then ended were as follows (in thousands):

	Balance at June 30, 2019	Debt issued	Debt paid	Balance at June 30, 2020
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 DRA

The Commonwealth has entered into a short-term line of credit agreements with GDB (all within Governmental Activities), which obligation was then transferred to the DRA pursuant to the GDB Qualifying Modification. During the year ended June 30, 2020, PA has not received the required funds for the debt service of the line of credit and the bond purchase agreements. The balance of the short-term line of credit agreements with DRA consist of the following as of June 30, 2020 (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 as of June 30, 2020, and changes for the year then ended were as follows (in thousands):

	Balance at June 30, 2019 as restated	Debt issued	Debt paid	Other increases	Other (decreases)	Balance at June 30, 2020	Due within one year
Governmental activities:							
Commonwealth appropriation bonds $	576,880	—	—	—	(261)	576,619	139,140
General obligation and revenue bonds	35,012,787	96,120	(63,727)	287,555	(9,439)	35,323,296	2,689,367
Bond purchase agreement with GDB	225,534	—	—	—	—	225,534	—
Notes payable to component units:							
DRA and GDB	749,417	—	—	—	—	749,417	86,182
Other	102,000	—	—	—	—	102,000	—
Note payable to financial institution	23,764	—	—	—	—	23,764	23,764
Liability under guaranteed obligation	304,718	—	—	—	(304,718)	—	—
Capital leases	283,532	446	(10,567)	—	—	273,411	10,812
Compensated absences	454,277	—	—	281,274	(213,003)	522,548	223,662
Voluntary termination benefits payable	624,284	—	—	20,072	—	644,356	93,256
Total pension liability	34,475,319	—	—	2,886,073	(1,789,418)	35,571,974	1,885,119
Total other postemployment benefit liability	1,148,548	—	—	76,452	(91,253)	1,133,747	91,183
Other long-term liabilities	2,201,690	—	(198,836)	333,189	(4,121)	2,331,922	281,463
Total governmental activities	76,182,750	96,566	(273,130)	3,884,615	(2,412,213)	77,478,588	5,523,948

	Balance at June 30, 2019 as restated	Debt issued	Debt paid	Other increases	Other (decreases)	Balance at June 30, 2020	Due within one year
Business-type activities:							
Notes payable to component units	$ 486,458	—	—	—	—	486,458	124,000
Compensated absences	17,668	—	—	8,715	(11,008)	15,375	9,011
Obligation for unpaid lottery prizes	168,360	—	—	324,108	(324,048)	168,420	115,081
Voluntary termination benefits payable	22,650	—	—	5,081	(5,841)	21,890	4,468
Total pension liability	548,346	—	—	35,621	(26,875)	557,092	28,901
Total other postemployment benefit liability	18,268	—	—	1,349	(1,438)	18,179	1,457
Liability for unemployment, disability and health insurance	213,594	—	—	3,495,758	(2,859,664)	849,688	849,688
Other long-term liabilities	4,093	—	—	1,478	(1,703)	3,868	1,661
Total business-type activities	1,479,437	—	—	3,872,110	(3,230,577)	2,120,970	1,134,267
Total primary government	$ 77,662,187	96,566	(273,130)	7,756,725	(5,642,790)	79,599,558	6,658,215

Each of the long-term obligations described in this section do not take into account the impact of the Title III cases and the Commonwealth Plan of Adjustment 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 of the Commonwealth Plan of Adjustment, which, among other things, substantially impacted the carrying amounts, interest rates and the repayment terms. See Note 3 for additional information. For more information about the Commonwealth Plan of Adjustment refer to Note 3 and the final versions of the Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.ra.kroll.com/puertorico/Home-DocketInfo.

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 30,2020, 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 as of June 30, 2020, for debt service payment due on July 1, 2020. Based on the above, approximately $2.9 billion related to interest was accrued as a fund liability as of June 30, 2020, and $1.6 billion principal was accrued as a fund liability as of June 30, 2020.

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 2020 were made to reconcile various obligations with the new estimated balances as of June 30, 2020, 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, 2020, no direct obligations were issued by the Commonwealth.

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, 2020.

(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. For fiscal year 2020, there were no revenues since none of the collections complied with the 180 days period. The total deferred inflow of resources for the current year amounted to approximately $223 million.

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 as of June 30, 2020, 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	5,109,626	13,294,619
Serial bonds payable through 2042; interest payable monthly or semiannually at rates varying from 3.00% to 6.75%		4,236,950	1,526,528	5,763,478
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	3,816,664	3,944,009
Special Tax Revenue Bonds payable through 2045; interest payable or accreted monthly and semiannually at rates varying from 4.00% to 8.25%		—	1,940,318	1,940,318
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%		—	1,506,062	1,506,062
Capital Fund Program Bonds, maturing in various dates payable through 2025; interest payable semiannually at rates varying from 2.00% to 5.00%		—	78,760	78,760
Total		12,549,288	23,132,178	35,681,466
Unamortized premium		22,873	60,939	83,812
Unamortized discount		(222,047)	(39,464)	(261,511)
Subtotal bonds payable		12,350,114	23,153,653	35,503,767
Elimination entry COFINA bonds issued to PRIFA and ERS		—	(180,471)	(180,471)
Total bonds payable	$	12,350,114	22,973,182	35,323,296

(1) Revenue bonds include $3.2 billion capital appreciation bonds fixed interest due from July, 1 2019 to July 1, 2051.

As of June 30, 2020, 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
2021	$	2,689,367		5,305,359	7,994,726
2022		588,386		1,349,729	1,938,115
2023		657,276		1,320,064	1,977,340
2024		705,210		1,287,871	1,993,081
2025		699,755		1,253,152	1,952,907
2026-2030		5,469,183		6,000,766	11,469,949
2031-2035		7,130,874		4,512,896	11,643,770
2036-2040		7,419,250		2,829,237	10,248,487
2041-2045		6,077,457		1,580,744	7,658,201
2046-2050		3,757,749		1,418,814	5,176,563
2051-2055		3,754,080		1,200,356	4,954,436
2056-2060		3,463,870		272,599	3,736,469
2061-2064		8,634,813		—	8,634,813
Total		51,047,270	$	28,331,587	79,378,857
Less unaccreted interest		(15,365,804)			
Plus unamortized premium		83,812			
Less unamortized discount		(261,511)			
Subtotal		35,503,767			
Elimination of COFINA bonds issued to PRIFA and ERS		(180,471)			
Total	$	35,323,296			

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.

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 discussed in Note 3, the PRIFA BANs were discharged under the terms of the Commonwealth Plan of Adjustment and are no longer outstanding.

As of June 30, 2020, 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%		3,132,417
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%		40,116
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		$	12,291,953

Bonds payable activity for the year ended June 30, 2020, is as follows (in thousands):

Description		June 30, 2019	Debt Issued	Debt Retired	June 30, 2020	Due within oe year
Bonds payable	$	9,119,420	-	-	9,119,420	-
Capital appreciation bonds – principal		9,638,251	-	(19,607)	9,618,644	17,480
Discount on capital appreciation bonds		(6,600,659)	154,548	-	(6,446,111)	-
Bonds payable – net	$	12,157,012	154,548	(19,607)	12,291,953	17,480

In February 2019, the consummation of the Plan of Adjustment for COFINA (Case No. 17-3284, ECF No. 439). (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 bonds issued by COFINA (the New COFINA Bonds) worth approximately $12 billion on account of their approximately $18 billion in claims discharged by the Plan. Capitalized terms used but not otherwise defined in this section have the meanings ascribed to them in the COFINA Plan of Adjustment.

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 CIBs and CABs, respectively, are as follows:

(a) The 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 the CIBs 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 the 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 the CABs 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 COFINA, 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, 2020, debt service requirements for bonds outstanding were as follows (in thousands):

Year ending June 30		Principal		Interest	Total
2021	$	17,479		430,056	447,535
2022		35,661		430,056	465,717
2023		54,566		430,056	484,622
2024		74,225		430,056	504,281
2025		94,675		430,056	524,731
2026-2030		809,911		2,150,280	2,960,191
2031-2035		1,478,022		2,131,017	3,609,039
2036-2040		2,629,230		1,780,505	4,409,735
2041-2045		3,543,672		1,410,165	4,953,837
2046-2050		3,543,673		1,410,165	4,953,838
2051-2055		3,754,080		1,200,356	4,954,436
2056-2058		2,702,870		272,600	2,975,470
Total		18,738,064	$	12,505,368	31,243,432
Less unaccreted interest		(6,446,111)			
Total	$	12,291,953			

The scheduled principal payment of approximately $17.5 million for year ending June 30, 2021, is payable on July l, 2021 (fiscal year 2022) from the COFINA Revenue Fund deposited during fiscal year 2021. Therefore, the principal balance of $17.5 million cannot be added to the approximately, $465.7 million in total debt service payments due during fiscal year ending June 30, 2022 when compared to the COFINA Revenues (below) for such ending year.

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, 2020, was $814,525,141. Under Act No. 91, as amended, as of June 30, 2020, 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:

		Amount
Year ending June 30:		
2021	$	454,472
2022		472,651
2023		491,557
2024		511,220
2025		531,669
2026-2030		2,994,876
2031-2035		3,643,724
2036-2040		4,433,147
2041-2045		4,962,625
2046-2050		4,962,625
2051-2055		4,962,625
2056-2058		2,977,575
Total	$	31,398,766

(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 2020, 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.

As of June 30, 2020, 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	$	444,925
PRMSA		131,694
Total Commonwealth appropriation bonds	$	576,619

As discussed in Note 3, all laws enacted prior to June 30, 2016, to the extent they provide for transfers or other appropriations, including transfers from the Commonwealth or one of its instrumentalities to any agency or instrumentality, whether to enable such agency or instrumentality to pay or satisfy indebtedness or for any other purpose, are deemed preempted by the Commonwealth Plan of

Adjustment and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. In addition, the Commonwealth Plan of Adjustment classifies all appropriation claims in class 63 of the Commonwealth Plan of Adjustment and discharges any and all claims related to budgetary appropriations.

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 $444.9 million of the Commonwealth appropriation bonds outstanding as of June 30, 2020, 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:				
2021	$	139,140	122,797	261,937
2022		25,499	16,627	42,126
2023		26,660	15,379	42,039
2024		7,932	14,831	22,763
2025		11,828	14,408	26,236
2026–2030		202,665	45,282	247,947
2031–2032		30,289	833	31,122
Total		444,013	230,157	674,170
Plus unamortized premium		912		
Total	$	444,925		

The above schedule has been presented in accordance with original terms of the bonds payable and do not reflect the effects of the Commonwealth Plan of Adjustment. As discussed in Note 3, all laws enacted prior to June 30, 2016, to the extent they provide for transfers or other appropriations, including transfers from the Commonwealth or one of its instrumentalities to any agency or instrumentality, whether to enable such agency or instrumentality to pay or satisfy indebtedness or for any other purpose, are deemed preempted by the Commonwealth Plan of Adjustment and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. In addition, the Commonwealth Plan of Adjustment classifies all appropriation claims in class 63 of the Commonwealth Plan of Adjustment and discharges any and all claims related to budgetary appropriations.

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:				
2021	$	—	41,023	41,023
2022		—	6,837	6,837
2023		—	6,837	6,837
2024		27,999	5,647	33,646
2025		16,095	4,725	20,820
2026–2030		39,290	14,321	53,611
2031–2032		48,310	3,016	51,326
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 of the Commonwealth Plan of Adjustment. As discussed in Note 3, all laws enacted prior to June 30, 2016, to the extent they provide for transfers or other appropriations, including transfers from the Commonwealth or one of its instrumentalities to any agency or instrumentality, whether to enable such agency or instrumentality to pay or satisfy indebtedness or for any other purpose, are deemed preempted by the Commonwealth Plan of Adjustment and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. In addition, the Commonwealth Plan of Adjustment classifies all appropriation claims in class 63 of the Commonwealth Plan of Adjustment and discharges any and all claims related to budgetary appropriations.

(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, 2020, the principal outstanding on the Bond purchase agreement amounted to approximately $225.5 million.

As discussed in Note 3, the Port of the Americas Authority 2005 Series C Bonds were restructured as part of the Commonwealth Plan of Adjustment and are no longer outstanding. For more information about the Commonwealth Plan of Adjustment refer to Note 3 and the final versions of the Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.ra.kroll.com/puertorico/Home-DocketInfo

(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, 2020, 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, 2020, approximately $646.6 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. During the year ended June 30, 2020, the outstanding balance of the advance refunded bonds was paid in full.

(f) 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 as of June 30, 2020, 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, 2020, 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 2020, 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 were historically 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 as of June 30, 2020, 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 as of June 30, 2020, 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, 2020, 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, 2020, 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, 2020, 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, 2020, 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, 2020, 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, 2020, approximately $88.5 million was outstanding. Both lines of credit for the aggregate outstanding balance of approximately $120.3 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, 2020, 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, 2020, 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, 2020, 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, 2020, approximately $23.8 million was outstanding. Debt service requirements in future years were as follows (in thousands):

		Principal	Interest	Total
Year ending June 30:				
2021		23,764	5,392	29,156
Total	$	23,764	5,392	29,156

As discussed in Note 3, this obligation was restructured under the Commonwealth Plan of Adjustment and is no longer outstanding.

(ii) *Business-type Activities* – As of June 30, 2020, 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, 2020, 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, 2019 or 2020 to cover the principal payments scheduled for March 14, 2016, 2017 and 2018. As of June 30, 2020, 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 2020 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, 2020, the outstanding principal balance was approximately $20.8 million, which is payable from future Commonwealth's legislative appropriations.

(g) Obligations under Capital Lease Arrangements

The Commonwealth's Governmental Activities are obligated under capital leases with third parties that expire through 2045 for land, buildings, and equipment. The present value of future minimum capital lease payments as of June 30, 2020, reported in the accompanying government-wide statement of net position was as follows (in thousands):

Year ending June 30:		
2021	$	32,459
2022		29,994
2023		29,144
2024		28,967
2025		28,676
2026-2030		142,614
2031-2035		102,967
2036-2040		88,048
2041-2045		60,166
		—
Total future minimum lease payments		543,035
Less amount representing interest costs		(269,624)
Present value of minimum lease payments	$	273,411

Leased land, buildings, and equipment under capital leases included in capital assets as of June 30, 2020, include the following (in thousands):

Land	$	7,960
Buildings		398,660
Equipment		4,568
Subtotal		411,188
Less accumulated amortization		(126,102)
Total	$	285,086

Amortization applicable to capital leases and included within depreciation expense of capital assets amounted to approximately $13.4 million in 2020.

(h) Total Pension Liability

The amount reported as total pension liability in the government-wide financial statements of approximately $36.1 billion of which approximately $1.9 billion is due within one year as of June 30, 2020, 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).

(i) 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 as of June 30, 2020, 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).

(j) Compensated Absences

Long-term liabilities include approximately $522.5 million and $15.4 million of accrued compensated absences recorded as Governmental and Business-type Activities, respectively, as of June 30, 2020.

(k) 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 as of June 30, 2020. The minimum annual payments related to unpaid awards of both lotteries were as follows (in thousands):

		Principal	Interest	Total
Year ending June 30:				
2021	$	115,081	7,462	122,543
2022		8,680	6,959	15,639
2023		7,528	6,199	13,727
2024		6,595	5,532	12,127
2025		5,774	4,758	10,532
2026-2030		18,570	13,863	32,433
2031-2035		5,648	4,010	9,658
2036-2040		234	174	408
2041-2045		202	206	408
2046-2048		108	137	245
Total	$	168,420	49,300	217,720

The minimum annual payments related to unpaid awards of Lotto include an unclaimed prizes liability (not lapsed) of approximately $5.8 million as of June 30, 2020, 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.

(l) 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.

As of June 30, 2020, unpaid long-term benefits granted in Act No. 70-2010 and Act. No. 211-2015 were discounted at interest rates that ranged from 0.05% to 3.00% at the Primary Government level and from 0.95% to 2.75% at the component units level.

(m) 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. As of 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, 2020 (in thousands):

		PRHIA	Unemploymen insurance	Nonmajor proprietary funds	Totals
Liability for incurred but unpaid benefits and benefit adjustment expenses at July 1	$	176,313	36,736	545	213,594
Total incurred benefits		718,076	2,775,740	2,918	3,496,734
Total benefit payments		(630,412)	(2,227,226)	(3,002)	(2,860,640)
Liability for incurred but unpaidbenefits and benefit adjustment expenses at June 30	$	263,977	585,250	461	849,688

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, 2020, amounts to approximately $849.7 million.

(n) Other Long-Term Liabilities

The remaining long-term liabilities of Governmental Activities as of June 30, 2020, include (in thousands):

Liability for legal claims and judgments (note 16)	$	1,292,406
Liability to U.S. Army Corps of Engineers (note 10)		195,097
PET Claim		578,000
GDB federal funds to be restored by the Commonwealth of Puerto Rico		126,768
Accrued Employees’ Christmas bonus		54,107
Liability for federal cost disallowances (note 16)		56,925
Other		28,619
Total	$	2,331,922

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 $151.4 million as of June 30, 2020. Debt service requirements on this debt obligation as of June 30, 2020, were as follows (in thousands):

		Principal	Interest	Total
Year(s) ending June 30:				
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		5,100	1,977	7,077
2026–2030		26,672	8,712	35,384
2031–2035		28,733	6,651	35,384
2036–2040		30,953	4,431	35,384
2041–2045		33,345	2,038	35,383
2046–2048		6,972	105	7,077
Total	$	151,433	32,562	183,995

In addition, the Commonwealth has a debt obligation of approximately $24.8 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 $18.9 million, as of June 30, 2020. 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 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.

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.

The Commonwealth recorded a contingent liability for the custodial credit risk loss on deposits held at GDB related to federal funds amounting to approximately $126.8 million as of June 30, 2020.

The remaining other long-term liabilities within Business-type Activities on June 30, 2020, are composed of an accrued capital related liabilities and a self-insurance reserve for approximately $3.9 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 as of June 30, 2020, were as follows (in thousands):

Component unit	Interest rates	Maturity through	Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020	Amounts Due within one year
Major component units:							
PRASA	3.10% – 6.50%	2032	$ 415,483	—	314	415,169	—
GDB	6.00%	2032	3,341	2	—	3,343	450
Sub-total			418,824	2	314	418,512	450
Nonmajor component units	3.10% – 6.50%	2032	101,058	58	—	101,116	15,853
Total			$ 519,882	60	314	519,628	16,303

Debt service requirements on the Commonwealth's appropriation bonds payable with fixed maturities as of June 30, 2020, were as follows (in thousands):

	Principal	Interest	Total
Year(s) ending June 30:			
2021	$ 16,303	32,683	48,986
2022	10,202	26,301	36,503
2023	10,667	25,811	36,478
2024	3,249	25,507	28,756
2025	13,073	25,050	38,123
2026–2030	322,124	89,144	411,268
2031–2035	139,310	139,605	278,915
	514,928	$ 364,101	879,029
Premium	4,754		
Discount	(54)		
Total	$ 519,628		

The above schedule has been presented in accordance with original terms of the bonds payable and do not reflect the effects of the Commonwealth Plan of Adjustment. As discussed in Note 3, all laws enacted prior to June 30, 2016, to the extent they provide for transfers or other appropriations, including transfers from the Commonwealth or one of its instrumentalities to any agency or instrumentality, whether to enable such agency or instrumentality to pay or satisfy indebtedness or for any other purpose, are deemed preempted by the Commonwealth Plan of Adjustment and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. In addition, the Commonwealth Plan of Adjustment classifies all appropriation claims in class 63 of the Commonwealth Plan of Adjustment and discharges any and all claims related to budgetary appropriations.

(b) Revenue Bonds

Revenue bonds outstanding as of June 30, 2020, were as follows (in thousands):

Component unit	Interest rates	Maturity through	Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020	Due within one year
Major component units:							
GDB	2.96%–6.56%	2031	$ 36,719	—	1,159	35,560	8,132
PREPA	3.40%–10.00%	2043	8,338,448	139,165	146,882	8,330,731	1,666,169
PRHTA	2.25%-6.50%	2046	4,303,799	4,682	24,636	4,283,845	497,032
PRASA	2.00%-6.15%	2050	3,871,349	—	444,542	3,426,807	59,005
UPR	5.00%-5.63%	2036	437,694	—	28,552	409,142	28,360
Sub-total			16,988,009	143,847	645,771	16,486,085	2,258,698
Nonmajor component units	3.00%-7.50%, Variable	2041	3,244,705	36,407	276,545	3,004,567	180,816
Total			$ 20,232,714	180,254	922,316	19,490,652	2,439,514

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 as of June 30, 2020, were as follows (in thousands):

		Principal		Interest	Total
Years ending June 30:					
2021	$	2,439,514		1,535,645	3,975,159
2022		639,040		776,781	1,415,821
2023		649,867		742,185	1,392,052
2024		647,105		710,058	1,357,163
2025		554,568		640,131	1,194,699
2026-2030		3,667,485		2,937,301	6,604,786
2031-2035		3,416,136		2,018,388	5,434,524
2036-2040		3,234,120		1,103,774	4,337,894
2041-2045		3,570,360		331,551	3,901,911
2046-2050		393,453		34,006	427,459
Total		19,211,648	$	10,829,821	30,041,469
Unaccreeted interest		(114)			
Premium		305,233			
Discount		(26,115)			
	$	19,490,652			

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 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, 2019	Reductions	Balance at June 30, 2020
Major component units:				
PRHTA	$	75,287	6,683	68,604
PREPA		28,681	5,440	23,241
PRASA		13,403	1,034	12,369
UPR		1,416	242	1,174
GDB		1,718	211	1,507
Nonmajor component units		11,000	9,418	1,582
Total	$	131,505	23,028	108,477

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, 2020. 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 as of June 30, 2020, will remain the same for their term (in thousands).

		Variable-Rate Bonds		Hedging derivative instruments,	
		Principal	Interest	net	Total
Year(s) ending June 30:					
2021	$	—	1,826	8,491	10,317
2022		—	1,826	8,491	10,317
2023		—	1,826	8,491	10,317
2024		—	1,826	8,491	10,317
2025		—	1,826	8,491	10,317
2026-2029		252,875	7,307	33,963	294,145
Total	$	252,875	16,437	76,418	345,730

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, 2020, the following bonds are considered defeased (in thousands):

		Amount outstanding
PRHTA	$	49,550
Nonmajor component units		42,800
Total	$	92,350

(c) Notes Payable to Financial Institutions

The outstanding balance of notes payable to financial institutions as of June 30, 2020, is as follows (in thousands):

Component unit	Interest rates	Maturity through		Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020	Due within one year
Major component units:								
GDB	6.95%-7%	2042	$	70,617	—	1,603	69,014	—
PREPA	2.00-8.32%	2033		722,770	1,611	660	723,721	696,652
UPR	0.00%-5.95%	2023		742	—	317	425	229
PRASA	2.00%	2060		—	403,723	2,247	401,476	1,981
Sub-total				794,129	405,334	4,827	1,194,636	698,862
Nonmajor component units	0.00%-7.50%, Variable	2047		131,536	2,610	15,742	118,404	44,783
Total			$	925,665	407,944	20,569	1,313,040	743,645

Debt service requirements on discretely presented component units' notes payable with fixed maturities as of June 30, 2020, were as follows (in thousands):

		Principal	Interest	Total
Year(s) ending June 30:				
2021		743,645	67,608	811,253
2022		31,583	15,305	46,888
2023		23,574	16,887	40,461
2024		10,398	14,969	25,367
2025		9,475	14,486	23,961
2026-2030		47,409	65,937	113,346
2031-2035		69,914	52,623	122,537
2036-2040		94,636	39,810	134,446
2041-2045		69,095	25,651	94,746
2046-2050		67,312	18,385	85,697
Thereafter		145,999	15,032	161,031
Total	$	1,313,040	346,693	1,659,733

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 for additional information.

(13) Guaranteed and Appropriation Debt

(a) Guaranteed Debt

Each of the guaranteed and appropriation debt described in this section do not take into account the impact of the Commonwealth Plan of Adjustment on the priority or timing of payments that may be owed to any creditors of the Commonwealth, its instrumentalities, or its public corporations, which substantially impacted the guaranteed and appropriation debt. For further information on the Commonwealth Plan of Adjustment, refer to Note 3 and the final versions of the Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.ra.kroll.com/puertorico/Home-DocketInfo.

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, 2020 (in thousands):

		Outstanding balance	Recorded commonwealth guaranteed obligation
Blended component units:			
PBA	$	4,000,894	N/A
PA		225,534	N/A
PRIFA		78,145	N/A
Discretely presented component units:			
PRASA		284,755	—
Total	$	4,589,328	—

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.

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.

As discussed in Note 3, the debt of PBA listed above was restructured under the Commonwealth Plan of Adjustment and is no longer outstanding.

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.

As discussed in Note 3, these bonds were restructured under the Commonwealth Plan of Adjustment and are no longer outstanding.

PRIFA – On March 16, 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.

As discussed in Note 3, the PRIFA BANs were restructured under the Commonwealth Plan of Adjustment and are no longer outstanding.

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.

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, 2020, the USDA Rural Development Program Bonds consisted of twenty-seven (27) separate series, issued from 1983 through 2015 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, 2020, was approximately $401.5 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, 2020, PRASA had outstanding approximately $590.7 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 as of June 30, 2020 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 as of 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 and Restructuring of State Revolving Fund Debt

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.

As a result of the Agreements and the termination of existing Commonwealth guarantees, the previous guaranteed debt recorded in the Commonwealth's financial statements following the provisions of GASB Statement 70 of approximately $304.7 million was eliminated.

(b) Debt Supported by Commonwealth Appropriations

As of June 30, 2020, 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
Sub-total		414,627	—	414,627
Nonmajor Component Units		100,302	176,207	276,509
Total	$	514,929	176,207	691,136

(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, 2020, the mortgage loan insurance program covered loans aggregating to approximately $553 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, 2020, 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	286,200
PRHTA		270,000	99,735
Sub-total		1,317,500	385,935
Nonmajor component units		1,176,858	659,881
Total	$	2,494,358	1,045,816

(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 $64.5 million as of June 30, 2020.

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 $221.7 million as of June 30, 2020. 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) as of June 30, 2020, amounted to approximately $99.7 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 the GDB 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.

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 2020.

(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 2020 were as follows (in thousands):

Claims payable – July 1	$	2,958
Incurred claims		27,153
Claim payments		(27,881)
Claims payable – June 30	$	2,230

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 2020.

(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 2020 were as follows (in thousands):

Claims payable – July 1	$	6,764
Incurred claims and changes in estimates		488
Payments for claims and adjustments expenses		(702)
Claims payable – June 30	$	6,550

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 $785 thousands as of June 30, 2020, 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 2020 (in thousands):

Liability for incurred but unpaid benefits and benefit adjustment expenses at July 1	$	680,304
Total incurred benefits		333,077
Total benefit payments		(280,094)
Liability for incurred but unpaid benefits and benefit adjustment expenses at June 30	$	733,287

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 3.38% in 2020. 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 as of June 30, 2020, 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 $1.3 billion as an amount to cover for awarded and anticipated unfavorable judgments as of June 30, 2020. 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 under the Commonwealth Plan of Adjustment. For further information regarding Title III of PROMESA and the Commonwealth Plan of Adjustment, refer to Note 3.

Of the total liability for legal claims and judgments recognized in the Governmental Activities, approximately $186.6 million is considered payable within one year, based on the payments made subsequent to June 30, 2020.

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, 2020, based on an evaluation of pending federal disallowances, the Commonwealth has recorded approximately $56.9 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.

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 economic distressed caused by the COVID-19 pandemic on March 27, 2020 the CARES Act was signed into law to provide stimulus to individuals, business, and hospitals. As a result of the enactment the Commonwealth received approximately $6.5 billion; $2.2 billion of the Corona Relief Fund (CRF), and $4.3 billion for the Economic Impact Payment (EIP) to be distributed by the Commonwealth to eligible United States citizens residents of Puerto Rico. As of June 30, 2020 the Commonwealth spent approximately $638 million of the CRF and distributed approximately $2.2 billion of EIP among its residents. Amounts received and unspent or undistributed have been presented as grant advances in the Balance Sheet and Statement of Net Position.

(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. As a result of the Effective Date of the Commonwealth Plan of Adjustment (as discussed in Note 3), these cases have been resolved and dismissed.

(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. As a result of the Effective Date of the Commonwealth Plan of Adjustment (as discussed in Note 3), substantially all of those cases have been resolved and dismissed.

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 liftstay 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, 2020, amounted to approximately $71.7 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, 2020, 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 PRMeSA will not be subject to governmental inquires or actions.

As of June 30, 2020, the Primary Government, including one of its blended component unit, maintained various unspent construction and assistance commitments amounting to approximately $100.8 million.

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, 2020, under such operating leases was approximately $75.2 million.

The future minimum lease payments for these leases were as follows (in thousands):

Year(s) ending June 30:		
2021	$	58,213
2022		48,495
2023		40,476
2024		27,098
2025		10,701
2026–2030		19,932
2021–2035		587
Total future minimum lease payments	$	205,502

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 created the Cooperative Development Investment Fund (the Cooperative Fund). The purpose of the Cooperative Fund was to promote the development of cooperative entities. The Cooperative Fund was to be capitalized through contributions to be provided by the Bank up to $25 million, to be matched by cooperative entities. As of June 30, 2019, the Bank had contributed $24.8 million, including interest to the Cooperative Fund (none during the year ended June 30, 2020).

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, 2020, the principal balance of the mortgage loans serviced for others is approximately as follows (in thousands):

Entiy		Amount
Puerto Rico Community Development Fund I	$	16,390
Office for the Administration of the Assets of the Urban Renovation and Housing Corporation or its successor without guaranteed mortgage loan payments		7
Total	$	16,397

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 13, 2022, Plaintiffs filed a notice of appeal, and it was docketed in the First Circuit under Case No. 22-1048. Plaintiffs filed their opening brief on March 24, 2022. Defendants' answering brief was filed on March 24, 2022. Plaintiffs reply brief was filed on July 1, 2022. No decision has been rendered in this case.

(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, 2020, PRHTA, based on legal advice, has recorded a liability of approximately $83.7 million for probable losses on those claims not fully covered by insurance. Outstanding legal liability is composed of $21 million of legal cases related to construction projects and $62.7 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 resolved and dismissed pursuant to the PRHTA Plan of Adjustment if confirmed by the Title III Court and upon its effectiveness, 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 $264 million as of June 30, 2020.

(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 $89.7 million as of June 30, 2020.

(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 as of June 30, 2020, will not be material to the University's financial statements.

Since inception, Servicios Médicos Universitarios, Inc. (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 year ended June 30, 2020 and has recorded an accrual of approximately $1.8 million as of June 30, 2020, 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, PRASA entered into, a comprehensive settlement agreement with PRDOH resolving litigation brought against PRASA seeking enforcement of the administrative orders of PRDOH under the SDWA and the violations by PRASA 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 PRASA in its water treatment plants in accordance with agreed-upon schedules and for the payment of stipulated penalties for non-compliance. It obligates PRASA 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 PRASA to its customers meets all federal and Commonwealth regulatory standards. Additionally, PRASA 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 PRASA may be returned to PRASA under certain circumstances to be used to finance any action directed at achieving or maintaining compliance with PRASA's obligations under the 2006 Drinking Water Settlement Agreement and under local and federal laws applicable to the Water System. PRASA 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, PRASA 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, PRASA 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 PRASA 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, PRASA had been in substantial compliance with the capital improvement project deadlines of the 2006 Drinking Water Settlement Agreement. After these hurricanes, PRASA 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, PRASA 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. PRASA 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, PRASA paid stipulated penalties during fiscal year 2020 of $164,800. Stipulated penalties were paid by PRASA for failing to comply with remedial measures deadlines and parameters exceedances. PRASA deposited $56,300 for fiscal year 2020 in an escrow account for parameters exceedances. The escrow account is to be used for compliance projects with the approval of the PRDOH.

As of the date this financial statement was issued, as mentioned above, PRASA has substantially complied with the capital improvement project deadlines under the 2006 Drinking Water Settlement Agreement. PRASA 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, 2020, the following discretely presented component units maintained various unspent construction agreements as follows (in thousands):

		Amount
Major:		
PREPA	$	823,000
PRHTA		396,500
UPR		28,900
Sub-total		1,248,400
Nonmajor		27,700
	$	1,276,100

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, 2020, 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, 2020, PRHTA did not capitalize improvements made by Metropistas to the Toll Roads.

Toll Roads and Bridge Concessions under the Service Concession Agreements, as of June 30, 2020, consisted of (in thousands):

Toll roads concession	$	310,363
Toll roads concession improvements		51,173
Bridge concession		109,500
Total		471,036
Less accumulated depreciation		(273,139)
Total	$	197,897

(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 pension plans administered by the Retirement System Board.

Membership as of July 1, 2018

	ERS	TRS	JRS	Total
Inactive employees currently receiving benefits payments	123,819	46,466	414	170,699
Inactive employees entitled to but not yet receiving benefits payments	-	1,730	54	1,784
Active employees	102,263	26,283	358	128,904
Total	226,082	74,479	826	301,387

The Commonwealth accounts for the pension liability based on actuarial valuations measured as of the beginning of the year (June 30, 2019). 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 Commonwealth Plan of Adjustment. The Commonwealth Plan of Adjustment preserves all accrued pension benefits for current retirees at ERS, TRS, and JRS. However, upon the Effective Date of the Commonwealth Plan of Adjustment, pension benefits at TRS and JRS were frozen and cost-of-living adjustments eliminated, among other things. For further information on the Commonwealth Plan of Adjustment's impact on pension benefits, refer to the final versions of the Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.ra.kroll.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, municipalities, and 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) are 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. In addition, , Act No. 3-2013 froze all retirement benefits accrued through June 30, 2013 under the defined benefit program and thereafter, all future benefits accrued under the defined contribution formula used for the System 2000 program participants. Pursuant to a settlement incorporated into the Commonwealth Plan of Adjustment, on the Effective Date of the Commonwealth Plan of Adjustment, all participants in the System 2000 Program received a one-time payment in the amount of their contributions (plus accrued interest) as of the Commonwealth's petition date in their defined contribution accounts established under Act No. 106-2017. Upon the payment of these refunds, all claims related to the System 2000 Program were discharged.

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

(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.

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).

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).

Under the Commonwealth Plan of Adjustment, all COLAs have been eliminated from and after the Effective Date (i.e., on or after March 15, 2022). For further information on the Commonwealth Plan of Adjustment's impact on pension benefits, refer to the final version of the Commonwealth Plan of Adjustment, which is available at https://cases.ra.kroll.com/puertorico/Home-DocketInfo.

(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.

(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.

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 a pension trust fund created by the Legislature under Act No 12-1954, as amended, to provide pension and other benefits to retirees judges of the Judiciary Branch of the Commonwealth of Puerto Rico. During this time, the Trust administered a single-employer defined-benefit pension plan and a hybrid defined contribution plan for its participants.

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 Commonwealth Plan of Adjustment freezes pension benefits and eliminate all COLAs from and after of the Effective Date in accordance with the terms and provisions of the Commonwealth Plan of Adjustment. For further information on the Commonwealth Plan of Adjustment's impact on pension benefits, refer to the final version of the Commonwealth Plan of Adjustment, which is available at https://cases.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.

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

(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.

(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.

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. The benefit is payable for the member's lifetime.

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 Commonwealth Plan of Adjustment, these COLAs were eliminated from and after the Effective Date. For further information on the Commonwealth Plan of Adjustment's impact on pension benefits, refer to the final version of the Commonwealth Plan of Adjustment, which is available at https://cases.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 Commonwealth Plan of Adjustment implemented 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 Commonwealth Plan of Adjustment. For further information on the Commonwealth Plan of Adjustment's impact on pension benefits, refer to the final version of the Commonwealth Plan of Adjustment, which is available at https://cases.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, 2020, was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018, that was updated to roll forward the total pension liability to June 30, 2019, assuming no gains or losses.

(i) Actuarial Methods and Assumptions

The total pension liabilities in the June 30, 2019, 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, 2019; 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-2019 from the 2006 base year and projected forward using MP-2019 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-2019 from the 2006 base year, and projected forward using MP-2019 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-2019 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-2019 from the 2006 base year, and projected forward using MP-2019 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-2019 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-2019 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-2019 from the 2006 base year and projected forward using MP-2019 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, 2019, was 3.50%. 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, 2020 (using a June 30, 2019, measurement date) were as follows (in thousands):

		ERS	TRS	JRS	
		Total Pension liability as restated	Total Pension liability	Total Pension liability	Total Pension liability as restated
Balance at July 1, 2018	$	24,463,800	15,939,246	570,504	40,973,550
Changes for the year:					
Service cost		65,158	176,718	17,866	259,742
Interest on total pension liability		920,963	608,212	22,266	1,551,441
Efect of economic/demographics gains or losses		(311,119)	188,311	(13,977)	(136,785)
Changes in assumptions		1,004,434	696,516	24,574	1,725,524
Benefit payments		(1,322,940)	(807,473)	(26,297)	(2,156,710)
Net changes		356,496	862,284	24,432	1,243,212
Balance at June 30, 2019	$	24,820,296	16,801,530	594,936	42,216,762

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

The following presents the liability as of June 30, 2019, calculated using the discount rate of 3.50%, as well as what the total pension liability would be if it was calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than current rate (in thousands):

		At 1% decrease (2.50%)	At current discount rate (3.50%)	At 1% increase (4.50%)
ERS	$	28,224,614	24,820,296	22,054,584
TRS		19,140,018	16,801,530	14,882,446
JRS		679,032	594,936	526,340

(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 experience, which arise from differences in termination and retirement activity and mortality versus expectations.

The discount rate decreased from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

The projected mortality improvement scale was updated from Scale MP-2018 to Scale MP-2019.

(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, 2020, 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	18,175,508	574,648	557,092	17,349	6,087,696	227,103	24,820,296	819,100
TRS	16,801,530	863,651					16,801,530	863,651
JRS	594,936	27,518	-	-	-	-	594,936	27,518
	35,571,974	1,465,817	557,092	17,349	6,087,696	227,103	42,216,762	1,710,269

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, 2020, 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	$	—	616,203	—	18,877	—	206,158
	Changes in assumptions		591,765	469,885	16,442	14,421	199,112	158,893
	Changes in proportion		23,162	128,966	2,938	5,088	138,298	30,842
	Benefits payments made subsequent to the measurement date		990,482	—	28,564	—	323,534	—
	Total ERS		1,605,409	1,215,054	47,944	38,386	660,944	395,893

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
TRS	Differences between expected and actual experience in measuring total pension liability	191,326	—	—	—	—	—
	Changes in assumptions	557,213	335,408	—	—	—	—
	Benefits payments made subsequent to the measurement date	866,615	—	—	—	—	—
	Total TRS	1,615,154	335,408	—	—	—	—
JRS	Differences between expected and actual experience in measuring total pension liability	—	29,616	—	—	—	—
	Changes in assumptions	18,430	11,394	—	—	—	—
	Benefits payments made subsequent to the measurement date	28,022	—	—	—	—	—
	Total JRS	46,452	41,010	—	—	—	—
Total	Differences between expected and actual experience	191,326	645,819	—	18,877	—	206,158
	Changes in assumptions	1,167,408	816,687	16,442	14,421	199,112	158,893
	Changes in proportion and differences between actual contributions and proportionate share	23,162	128,966	2,938	5,088	138,298	30,842
	Benefits payments made subsequent to the measurement date	1,885,119	—	28,564	—	323,534	—
	Total	$ 3,267,015	1,591,472	47,944	38,386	660,944	395,893

Deferred outflows of resources related to pensions resulting from the payment of benefits subsequent to the measurement date were approximately $1.3 billion, $866.6 million, and $28 million as of June 30, 2020, 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, 2021. 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
2021	$ (169,404)	78,722	(12,614)
2022	(169,404)	78,722	(12,614)
2023	(169,404)	78,722	2,648
2024	(169,404)	176,965	-
Total	$ (677,616)	413,131	(22,580)

(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, 2018

	ERS	TRS	JRS	Total
Inactive employees currently receiving benefits payments	97,708	35,651	370	133,729
Inactive employees entitled to but not yet receiving benefits payments	-	-	30	30
Active employees	-	-	358	358
Total	97,708	35,651	758	134,117

(c) Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2020, was determined by the actuarial valuation as of July 1, 2018, which was updated to roll forward the total OPEB liability to June 30, 2019.

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

ERS-OPEB

Measurement Date	June 30, 2019
Actuarial cost method	Entry age normal
Discount rate	3.50%
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-2019 from 2006 base year, and projected forward using MP-2019 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-2019 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, 2019
Actuarial cost method	Entry age normal
Discount rate	3.50%
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-2019 from 2006 base year, and projected forward using MP-2019 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-2019 from the 2006 base year, and projected forward using MP-2019 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-2019 from the 2006 base year, and projected forward using MP-2019 on a generational basis. As generational table, it reflects mortality improvements both before and after the measurement date.

The discount rate for June 30, 2019, was 3.50%. 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, 2020 (using a June 30, 2019, 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	Total OPEB liability as restated
Balance at July 1, 2018, as restated	$	840,909	440,834	6,263	704,552	1,992,558
Changes for the year:						
Service cost		—	—	207	8,855	9,062
Interest on total OPEB liability		31,282	16,409	244	20,270	68,205
Efect of economic/demographics gains or losses		4,819	(1,882)	(128)	(3,238)	(429)
Changes in assumptions		23,005	12,794	234	31,382	67,415
Benefit payments		(68,893)	(33,984)	(332)	(54,817)	(158,026)
Net changes		(9,787)	(6,663)	225	2,452	(13,773)
Balance at June 30, 2019	$	831,122	434,171	6,488	707,004	1,978,785

(e) Retiree Healthcare OPEB Liability, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources

As of June 30, 2020, the OPEB liability and expense for the year ended June 30, 2020, amounted to (in thousands):

	Governmental activities		Business-type		Discretely presented component units		Total	
	Liability	Expense	Liability	Expense	Liability	Expense	Liability	Expense
ERS-OPEB	679,833	47,127	18,179	1,224	133,110	10,580	831,122	58,931
TRS-OPEB	434,171	27,321	-	-	-	-	434,171	27,321
JRS-OPEB	6,488	88	-	-	-	-	6,488	88
Other-OPEB	13,255	465	-	-	693,749	16,492	707,004	16,957
	1,133,747	75,001	18,179	1,224	826,859	27,072	1,978,785	103,297

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.

As of June 30, 2020, 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	$ 55,648	—	1,446	—	10,944	—
	Total ERS	55,648	—	1,446	—	10,944	—
TRS	Benefits payments made subsequent to the measurement date	33,405	—	—	—	—	—
	Total TRS	33,405	—	—	—	—	—
JRS	Differences between expected and actual experience in measuring total OPEB liability	—	419	—	—	—	—
	Changes in assumptions	176	278	—	—	—	—
	Benefits payments made subsequent to the measurement date	343	-	—	—	—	—
	Total JRS	519	697	—	—	—	—
Other	Differences between expected and actual experience in measuring total OPEB liability	—	6,355	—	—	5,741	15,719
	Changes in assumptions	2,613	676	—	—	32,253	12,977
	Benefits payments made subsequent to the measurement date	—	—	—	—	19,318	—
	Total JRS	2,613	7,031	—	—	57,312	28,696
Total	Differences between expected and actual experience	—	6,774	—	—	5,741	15,719
	Changes in assumptions	2,789	954	—	—	32,253	12,977
	Benefits payments made subsequent to the measurement date	89,396	-	1,446	—	30,262	—
	Total	$ 92,185	7,728	1,446	—	68,256	28,696

Deferred outflows of resources related to OPEB resulting from the payment of benefits subsequent to the measurement date were approximately $68 million, $33 million, $343 thousand, and $19.3 million, as of June 30, 2020 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, 2021. 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:		
2021	$ (363)	(2,303)
2022	(185)	4,183
2023	27	2,845
2024	-	1,085
2025	-	1,117
Thereafter*	-	(2,047)
Total	$ (521)	4,880

(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 3.50%, as well as what the OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than current rate (in thousands):

		At 1% decrease (2.50%)	At current discount rate (3.50%)	At 1% increase (4.50%)
ERS-OPEB	$	911,581	831,122	762,784
TRS-OPEB		478,209	434,171	396,859
JRS-OPEB		7,288	6,488	5,824

The following presents the Other-OPEB liability as of June 30, 2019, calculated using a discount rate rage of 2.21% to 2.79%, as well as what the Other-OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower (1.21% - 2.79%) or 1-percentage point higher (3.21% - 3.79%) than current rate (in thousands):

		At 1% decrease (1.21% - 1.79%)	At current discount rate (2.21% - 2.79%)	At 1% increase (3.21% - 3.79%)
PBA	$	15,595	13,255	11,343
PREPA		426,560	376,185	355,147
PRASA		90,979	79,948	70,392
PRHTA		2,610	2,346	2,108
UPR		267,111	235,270	208,910

(g) Total Other Postemployment Benefits Liability for Blended and Discretely Presented Component Units Other-OPEB

(i) Plan Description and Membership

Public Buildings Authority

PBA 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

PRASA 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

UPR 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

PRHTA 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

SIFC 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. Effective January 1, 2020, the benefits to future retirees was eliminated and the liability adjusted to reflect this as of June 30, 2020. The effect of this adjustment resulted in a one-time reduction of expense of $29.1 million for the year ended June 30, 2020.

(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	$	13,255	465
Major component units:			
PREPA		376,185	8,500
PRASA		79,948	(4,282)
PRHTA		2,346	110
UPR		235,270	12,164
	$	707,004	16,957

The following consists of the deferred outflows and deferred inflows of resources from other postemployment benefits activities by source reported as of June 30, 2020, 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	$	—	6,355
	Changes in assumptions		2,613	676
	Total GDB		2,613	7,031
PREPA	Benefits payments made subsequent to the measurement date		7,937	—
	Differences between expected and actual experience in measuring the total OPEB liability		—	9,018
	Changes in assumptions		13,582	3,870
	Total PREPA		21,519	12,888
PRASA	Differences between expected and actual experience in measuring the total OPEB liability		5,741	2,062
	Changes in assumptions		6,486	9,107
	Total PRASA		12,227	11,169

Other OPEB plans	Source		Deferred outflows of resources	Deferred inflows of resources
PRHTA	Differences between expected and actual experience in measuring the total OPEB liability	$	—	739
	Changes in assumptions		117	—
	Total PRHTA		117	739
UPR	Benefits payments made subsequent to the measurement date		11,381	—
	Differences between expected and actual experience in measuring the total pension liability		—	3,900
	Changes in assumptions		12,068	—
	Total UPR		23,449	3,900
Total	Benefits payments made subsequent to the measurement date		19,318	—
	Differences between expected and actual experience in measuring the total OPEB liability		5,741	22,074
	Changes in assumptions		34,866	13,653
	Total	$	59,925	35,727

(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 defined in the DSD Agreements) 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 DSD Agreements, 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 $6.6 million and is a component of unearned revenue as of June 30, 2020. During fiscal year 2020, approximately $2.1 million was amortized into other revenue in the Governmental Activities of the accompanying statement of activities

(20) Fund Balance (Deficit)

Below is the detail included in the fund balance (deficit) classifications for the governmental funds as of June 30, 2020 (in thousands):

	General	Debt service	ERS Special Revenue	COFINA Special revenue	COFINA Debt service	Nonmajor governmental	Total governmental
Nonspendable:							
Inventory	$ —	—	—	—	—	1,107	1,107
	—	—	—	—	—	1,107	1,107
Spendable:							
Restricted for:							
General government	5,313	—	651,109	—	—	—	656,422
Public housing and welfare	131,277	—	—	—	—	—	131,277
Education	—	—	—	—	—	300,638	300,638
Economic development	57,532	—	—	—	—	—	57,532
Public safety	—	—	—	—	—	36,110	36,110
Capital projects	—	—	—	—	—	100,959	100,959
Debt service	—	—	—	—	170,858	107,872	278,730
Subtotal	194,122	—	651,109	—	170,858	545,579	1,561,668
Committed to:							
Public housing and welfare	—	—	—	—	—	11,142	11,142
Capital projects	—	—	—	—	—	1,009	1,009
Subtotal	—	—	—	—	—	12,151	12,151
Assigned to:							
General government	—	—	—	—	—	81,890	81,890
Public housing and welfare	298	—	—	—	—	—	298
Capital Project	—	—	—	—	—	25,101	25,101
Debt service	—	—	—	12,468	—	—	12,468
Subtotal	298	—	—	12,468	—	106,991	119,757
Unassigned	7,730,064	(3,989,361)	—	—	—	(1,627,784)	2,112,919
Total fund balance (deficit)	$ 7,924,484	(3,989,361)	651,109	12,468	170,858	(961,956)	3,807,602

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	$	(21,654)	Lotteries	$	(27,590)
PA Special Revenue Fund		(5,906)	Drivers' Insurance		(4,569)
SCPT Special Revenue Fund		(17,769)	Total	$	(32,159)
UPRCCC		(16,399)			
PBA Debt Service Fund		(948,346)			
PRIFA Debt Service Fund		(581,021)			
PRMSA Debt Service Fund		(34,193)			
Total	$	(1,625,288)			

(21) Subsequent Events

Subsequent events were evaluated through September 28, 2022, to determine if any such events should either be recognized or disclosed in the 2020 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) Natural Disasters

(i) *Hurricane Fiona*

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

(ii) 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.

(b) COVID-19 Pandemic

(i) Economic Stabilization Measures

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 Commonwealth Plan of Adjustment. 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 May 2, 2022, the Oversight Board filed an initial plan of adjustment for PRHTA in the Title III Court, which was amended several times, including the *Fifth Amended Title III Plan of Adjustment of the Puerto Rico Highways and Transportation Authority* [Case No. 17-3567-LTS, ECF No. 21867]. The confirmation hearing for the PRHTA Plan of Adjustment occurred on August 17, 2022 and the Title III Court's decision regarding confirmation of the PRHTA Plan of Adjustment remains pending. For additional information regarding the PRHTA Plan of Adjustment, refer to the current version of the PRHTA Plan of Adjustment, which is available at https://cases.ra.kroll.com/puertorico/Home-DocketInfo.

(b) *PREPA*

(i) Fiscal Plan

On June 28, 2022, the Oversight Board approved the Certified 2022 Fiscal Plan for PREPA. On January 27, 2022, Oversight Board certified the Commonwealth Fiscal Plan. Even though PREPA has its own fiscal plan, the Commonwealth Fiscal Plan includes a discussion of energy reform relevant to 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 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 20, 2022, 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) Capital Improvement Program Reactivation

On June 5, 2022, PRASA began a water rationing plan was implemented affecting approximately 20,000 clients served by the Canóvanas, Juncos and El Yunque water treatment plants. The drought had an impact in the municipalities of Canóvanas, Loíza, Rio Grande, Juncos and Las Piedras. As of the issuance of these basic financial statements the water rationing program was canceled for the clients residing in the municipalities of Rio Grande, Juncos and Las Piedras.

(iii) 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 approximately $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.

(iv) *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.

(v) *2021 Drinking Water State Revolving Funds Loan*

Effective as of September 17, 2021, PRASA entered into a Financial Assistance Agreement with the Puerto Rico Department of Health and PRIFA for loans totaling approximately $22.2 million 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.

(vi) *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 approximately $23.8 million 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) ***PFC Restructuring Support Agreement***

On January 20, 2022, FAFAA, on behalf of PFC, entered into a Restructuring Support Agreement (the PFC RSA) with holders of a majority of those certain Series 2011A, Series 2011B, and Series 2012A Commonwealth Appropriation Bonds (the PFC Bonds). The PFC RSA contemplates a restructuring and discharge of the PFC Bonds under Title VI of PROMESA. The PFC RSA further contemplates that those promissory notes that were issued to the order of PFC by certain Commonwealth instrumentalities for the repayment of the PFC Bonds will be cancelled and extinguished and such entities will be discharged from any liability arising from or related to such promissory notes. The restructuring contemplated by the PFC RSA remains subject to the occurrence of various conditions, including obtaining the requisite votes required by Title VI of PROMESA in favor of the Qualifying Modification and court approval of the Qualifying Modification.

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

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 –

(Amounts in thousands)

The Schedule of Changes in the Total Pension Liability for Single-Employer Pension Plans presents the changes in th liability for the System of Annuities and Pensions for Teachers (TRS) at June 30, 2020

	2020*	2019*
Total pension liability:		
Service cost	$ 176,718	240,453
Interest	608,212	581,585
Effect of plan changes	—	(23,125)
Effect of economic/demographic gains(losses)	188,311	67,795
Effect of assumptions changes or inputs	696,516	(559,013)
Benefit payments	(807,473)	(786,093)
Net change in total pension liability	862,284	(478,398)
Total pension liability – beginning	15,939,246	16,417,644
Total pension liability – ending (a)	$ 16,801,530	15,939,246
Covered-employee payroll	771,280	933,331
Employer’s total pension liability as a percentage of covered-employee payroll	2178.40%	1707.78%

Notes:

Schedule is intended to show information for 10 years. However, recalculations of prior years are not required, anc 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 –

(Amounts in thousands)

The Schedule of Changes in the Total Pension Liability for Single-Employer Pension Plans presents the changes in th
liability for the Retirement System for the Judiciary of the Commonwealth of Puerto Rico (JRS) at June 30, 2020

		2020*	2019*
Total pension liability:			
Service cost	$	17,866	20,652
Interest		22,266	22,292
Effect of plan changes		—	(408)
Effect of economic/demographic gains(losses)		(13,977)	(38,268)
Effect of assumptions changes or inputs		24,574	(22,787)
Benefit payments		(26,297)	(26,581)
Net change in total pension liability		24,432	(45,100)
Total pension liability – beginning		570,504	615,604
Total pension liability – ending (a)	$	594,936	570,504
Covered-employee payroll		31,335	33,343
Employer's total pension liability as a percentage of covered-employee payroll		1898.63%	1711.02%

Notes:

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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

		2020*	2019* as restated
Total pension liability:			
Service cost	$	65,158	72,918
Interest		920,963	933,439
Effect of plan changes		—	(1,536,860)
Effect of economic/demographic gains(losses)		(311,119)	(891,099)
Effect of assumptions changes or inputs		1,004,434	(966,138)
Benefit payments		(1,322,940)	(1,320,599)
Net change in total pension liability		356,496	(3,708,339)
Total pension liability – beginning		24,463,800	28,172,139
Total pension liability – ending (a)	$	24,820,296	24,463,800
Covered-employee payroll		2,551,657	2,778,928
Employer’s total pension liability as a percentage of covered-employee payroll		973%	880%

Notes:

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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

(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, 2020

		2020*	2019*	2018*
Total other postemployment benefits liability:				
Service cost	$	—	—	—
Interest		16,409	16,166	14,621
Effect of plan changes		—	—	—
Effect of economic/demographic gains(losses)		(1,882)	3,914	(750)
Effect of assumptions changes or inputs		12,794	(13,242)	(39,718)
Benefit payments		(33,984)	(34,814)	(36,493)
Net change in total other postemployment benefits liability		(6,663)	(27,976)	(62,340)
Total other postemployment benefit liability – beginning		440,834	468,810	531,150
Total other postemployment benefits liability – ending (a)	$	434,171	440,834	468,810
Covered-employee payroll		N/A	N/A	N/A
Employer’s other postemployments benefits liability as a percentage of covered-employee payroll		N/A	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

(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 Retirement System for the Judiciary of the Commonwealth of Puerto Rico (JRS) at June 30, 2020

		2020*	2019*	2018*
Total other postemployment benefits liability:				
Service cost	$	207	238	290
Interest		244	252	217
Effect of plan changes		—	—	—
Effect of economic/demographic gains(losses)		(128)	(622)	(48)
Effect of assumptions changes or inputs		234	(223)	(665)
Benefit payments		(332)	(337)	(336)
Net change in total other postemployment benefits liability		225	(692)	(542)
Total other postemployment benefits liability – beginning		6,263	6,955	7,497
Total other postemployment benefits liability – ending (a)	$	6,488	6,263	6,955
Covered-employee payroll		31,335	33,343	31,829
Employer's other postemployment benefits liability as a percentage of covered-employee payroll		20.71%	18.78%	21.85%

Notes:

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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

(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, 2020

		2020*	2019* as restated	2018* as restated
Total other postemployment benefits liability:				
Service cost	$	—	—	—
Interest		31,282	33,689	31,158
Effect of plan changes		—	—	—
Effect of economic/demographic gains(losses)		4,819	(16,420)	(11,374)
Effect of assumptions changes or inputs		23,005	(26,209)	(197,793)
Benefit payments		(68,893)	(69,577)	(73,482)
Net change in total other postemployment benefits liability		(9,787)	(78,518)	(251,491)
Total other postemployment benefit liability – beginning		840,909	919,427	1,170,918
Total other postemployment benefits liability – ending (a)	$	831,122	840,909	919,427
Covered-employee payroll		N/A	N/A	N/A
Employer’s other postemployments benefits liability as a percentage of covered-employee payroll		N/A	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, 2020

(In thousands)

	Original budget	Amended budget	Actual
Revenue:			
Income taxes	$ 4,926,000	4,238,000	4,340,342
Sales and use taxes	2,187,000	1,669,000	1,681,073
Excise taxes	2,743,000	2,612,000	2,843,861
Property taxes	4,000	4,000	7,446
Other taxes	72,000	67,000	16,346
Charges for services	61,000	66,000	75,908
Revenue from component units	22,000	20,000	17,207
Intergovernmental	213,000	213,000	241,551
Other	122,000	125,000	56,751
Total revenue	10,350,000	9,014,000	9,280,485
Expenditures – current:			
General government	1,134,889	1,483,962	1,132,326
Public safety	2,116,571	2,224,454	2,169,944
Health	1,458,823	1,191,554	941,050
Public housing and welfare	561,566	568,563	432,545
Education	3,122,385	3,211,899	3,156,517
Economic development	525,046	613,485	579,517
Intergovernmental	131,838	257,201	263,997
Total expenditures	9,051,118	9,551,118	8,675,896
Excess (deficiency) of revenue over expenditures	1,298,882	(537,118)	604,589
Other financing sources:			
Transfer in from Lotteries Fund	55,000	43,000	19,500
Total other financing sources	55,000	43,000	19,500
Excess of revenue and other financing sources over expenditures.	$ 1,353,882	(494,118)	624,089

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, 2019, actuarial valuation, there was a decrease relating to the discount rate from 3.87% in 2018 to 3.50% in 2019.

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	$	624,089
Entity differences–excess of revenues and other financing sources over expenditures and other financing uses for:		
Nonbudgeted funds		(2,552,792)
Inclusion of agencies with independent treasuries		(35,443)
Timing differences:		
Adjustment for encumbrances		292,844
Current year expenditures against prior year encumbrances		(179,039)
Basis of accounting differences:		
Revenue accrual adjustment		(541,740)
Expenditures accrual adjustments		2,730,296
Excess of revenue and other financing sources over expenditures and other financing uses – U.S. GAAP basis	$	338,215

See accompanying independent auditors' report.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

COMMONWEALTH OF PUERTO RICO

General Fund

Year ended June 30, 2020

(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).

Supplemental Schedule of Expenditures by Agency – Budget and Actual
Budgetary Basis – General Fund
Year ended June 30, 2020
(In thousands)

	Original budget	Amended budget	Actual
Expenditures – Current:			
General government:			
Senate of Puerto Rico	$ 26,703	27,663	27,663
House of Representatives of Puerto Rico	29,600	31,466	31,466
Comptroller's Office	43,308	43,308	43,308
Governor's Office	23,648	23,648	21,412
Office of Management and Budget (1)	190,420	334,132	42,072
Planning Board	12,480	12,480	12,831
Department of State	15,083	15,206	12,976
Department of the Treasury (1)	591,067	787,734	739,091
Office of the Administration and Transformation of Human Resources	4,018	4,053	3,559
Commonwealth Elections Commission	29,904	36,451	31,032
Federal Affairs Administration	2,857	2,857	2,603
General Services Administration	9,797	9,804	18,780
Offiice of the Commissioner of Insurance of Puerto Rico	—	49	—
Civil Rights Commission	821	821	684
Office of the Citizen's Ombudsman	3,036	3,036	2,902
Government Ethics Board	9,027	9,105	9,105
Legislative Affairs Office	6,967	5,721	5,721
Office of the Superintendent of the Capitol	10,862	10,302	10,117
Comptroller's Special Reports Joint Commission	454	517	454
Legislative Donation Commission	21,317	21,326	21,626
Corporation "Enlace" Caño Martín Peña	10,436	10,452	10,452
Puerto Rico Statistics Institute	1,667	1,674	1,674
Office for the Governmental's Integrity and Efficiency	5,305	5,316	2,145
Public Service Commission	8,703	8,703	8,173
Employees' Retirement System of the Government of the Commonwealth of Puerto Rico	8,681	8,681	8,557
Financial Oversight and Management Board for Puerto Rico	57,625	57,625	57,625
Puerto Rico System of Annuities and Pensions for Teachers	—	71	66
Public Buildings Authority	6,049	6,681	1,661
Office of Elections Comptroller	2,465	2,491	2,368
Appellative Board of the Personnel System Administration	2,589	2,589	2,203
Total general government	1,134,889	1,483,962	1,132,326
Public safety:			
Puerto Rico General Court of Justice	293,352	294,181	294,594
Civil Defense	9,964	10,405	17,230
Commission of Investigation, Processing and Appeals Board	483	483	358
Department of Justice	118,239	118,942	113,290
Puerto Rico Police Bureau	1,118,429	1,152,276	1,123,783
Puerto Rico Firefighters Bureau	84,135	89,228	82,720
Special Investigations Bureau	6,014	6,258	5,524
Puerto Rico National Guard	16,388	16,547	33,176
Public Service Commission	—	—	218
Consumer Affairs Department	11,490	11,590	11,408
Puerto Rico Public Safety Bureau	12	20,016	3,459
Automobile Accidents Compensation Administration	—	193	—
Department of Correction and Rehabilitation	352,393	392,096	393,633
Parole Board	2,305	2,305	2,058
Forensic Sciences Institute	24,508	18,462	11,156
Special Prosecutor Panel	2,197	2,655	2,655
Bureau of Emergency Services 9-1-1	11,333	12,025	539
Correctional Health	43,896	53,325	51,353
Medical Emergencies Service	21,433	23,467	22,790
Total public safety	2,116,571	2,224,454	2,169,944

(Continued)

COMMONWEALTH OF PUERTO RICO

Supplemental Schedule of Expenditures by Agency – Budget and Actual
Budgetary Basis – General Fund

Year ended June 30, 2020

(In thousands)

		Original budget	Amended budget	Actual
Health:				
Department of Health	$	328,528	466,051	352,219
Puerto Rico Medical Services Administration		71,910	115,635	81,204
Mental Health and Drug Addiction Services Administration		121,222	145,118	101,989
Puero Rico Diabetes Center		333	339	339
Cardiovascular Center Corporation of Puerto Rico and the Caribbean		—	5,754	4,548
State Insurance Fund Corporation		—	2,763	451
Puerto Rico Health Insurance Administration		917,293	382,269	382,278
University of Puerto Rico Comprehensive Cancer Center		19,537	73,625	18,022
		1,458,823	1,191,554	941,050
Public housing and welfare:				
Puerto Rico Office for Socioeconomic and Community Development		25,747	25,747	14,606
Department of Labor and Human Resources		42,642	42,642	30,969
Labor Relations Board		1,011	1,011	1,011
Department of Housing		91,616	91,620	26,759
Department of Recreation and Sports		31,856	31,856	32,585
Administration for the Horse Racing Sport and Industry		2,257	2,257	2,679
Women’s Affairs Commission		2,019	2,045	1,828
Public Housing Administration		10,091	10,101	9
Office of the Veteran‘s Ombudsman		2,345	2,345	2,106
Department of Family		41,811	41,834	41,452
Family and Children Administration		181,159	181,171	161,243
Minors Support Administration		10,977	10,977	9,575
Vocational Rehabilitation Administration		23,660	23,696	23,389
Social Economic Development Administration		81,394	88,268	73,510
Office of the Disabled Persons Ombudsman		1,599	1,599	1,491
Office for Elderly Affairs		2,537	2,537	2,370
Company for the Integral Development of the Península de Cantera		495	507	507
Patient Ombudsman		1,577	1,577	1,335
Administration for the Care and Development of the Childhood		6,773	6,773	5,121
		561,566	568,563	432,545
Education:				
Department of Education		2,469,841	2,589,267	2,542,473
Institute of Puerto Rican Culture		19,952	20,410	23,695
Puerto Rico School of Plastics Arts		2,426	2,426	2,426
State Office for Historic Preservation		1,407	1,407	1,374
University of Puerto Rico		605,954	575,584	566,144
Musical Arts Corporation		5,339	5,339	5,339
Fine Arts Center Corporation		5,704	5,704	3,304
Puerto Rico Public Broadcasting Corporation		6,780	6,780	6,780
Puerto Rico Conservatory of Music Corporation		4,982	4,982	4,982
		3,122,385	3,211,899	3,156,517

(Continued)

COMMONWEALTH OF PUERTO RICO

Supplemental Schedule of Expenditures by Agency – Budget and Actual
Budgetary Basis – General Fund

Year ended June 30, 2020

(In thousands)

		Original budget	Amended budget	Actual
Economic development:				
Department of Transportation and Public Works	$	68,458	68,458	55,354
Department of Natural and Environmental Resources		73,570	74,677	70,350
Department of Agriculture		32,884	32,891	33,999
Cooperative Enterprises Development Administration		1,625	1,642	1,168
Department of Economic Development and Commerce		1,354	61,448	61,258
Agricultural Enterprises Development Administration		65,366	65,366	60,366
Economic Development Bank for Puerto Rico		—	55	—
Environmental Quality Board		20,425	20,441	12,784
Energy Affairs Administration		669	669	669
Farm Insurance		—	18	—
Information and Technology Communication Office		—	3,100	290
Puerto Rico Trade and Export Company		580	647	647
Ponce Ports Authority		954	954	954
Puerto Rico Acueduct and Sewer Authority		—	6,388	24,469
Puerto Rico Electric Power Authority		15,151	16,978	17,769
Puerto Rico Infrastructure Financing Authority		3,153	3,525	3,485
Puero Rico Highway and Transportation Authority		—	600	—
Puerto Rico Industrial Development Company		—	94	94
Puerto Rico Industrial Comission		—	124	4
Puerto Rico Housing Finance Authority		8,229	33,130	33,130
Puerto Rico Integrated Transportation Authority		67,198	67,250	52,936
Puerto Rico Land Administration		—	38	—
Puerto Rico Land Authority		—	109	70
Permits Management Office		8,412	8,412	8,765
Puerto Rico Ports Authority		9,089	9,509	420
Puerto Rico Fiscal Agency and Financial Advisory Authority		103,536	92,129	105,990
Puerto Rico Metropolitan Bus Authority		—	—	—
Puerto Rico Public Partnership Authority		25,499	25,555	15,555
Puerto Rico Tourism Company		4,500	4,740	4,500
Culebra Conservation and Development Authority		250	250	250
Ports of Americas Authority		191	191	191
Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads		953	1,043	1,043
Puerto Rico Convention Center District Authority		13,000	13,007	13,007
Office of the Commissioner of Financial Institutions of Puerto Rico		—	47	—
Total economic development		525,046	613,485	579,517
Intergovernmental – Municipal Services Administration		131,838	257,201	263,997
Total expenditures	$	9,051,118	9,551,118	8,675,896
Operating Transfer-out to Other Funds:				
Department of the Treasury – transfer to Debt Service Fund and other funds	$	—	—	—

(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, 2020

(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	$ 58,444	108,646	12,977	462	155,211	48	—	11,417	11,990
Cash and cash equivalents in governmental banks	—	—	—	—	—	—	—	—	—
Investments	—	—	—	—	2,324	—	—	—	—
Receivables – net:									
Intergovernmental	—	—	—	—	—	—	—	—	1,674
Accounts	—	—	1,066	—	—	—	—	—	5,947
Loans	—	—	—	—	147,856	87	—	—	—
Accrued interest	—	—	—	—	—	—	—	—	—
Other	466	—	23	—	2,801	—	—	—	56
Due from:									
Other funds	—	—	43,957	242	—	—	—	—	—
Component units	—	—	—	—	—	—	—	—	—
Other governmental entities	—	2,008	—	63	—	—	—	—	—
Other assets	1,137	—	—	—	—	—	—	—	1,107
Restricted assets:									
Cash and cash equivalents in commercial banks	—	—	19,901	—	—	36,042	1,848	—	8,766
Cash and cash equivalents in governmental banks	—	—	—	—	—	—	—	—	—
Cash equivalents in PRGITF	—	—	—	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—	—	—	—
Due from other governmental entities	—	—	—	—	—	—	1,474	—	—
Other	—	—	984	—	—	—	4	—	—
Real estate held for sale or future development	—	—	—	—	—	—	—	—	—
Total assets	$ 60,047	110,654	78,908	767	308,192	36,177	3,326	11,417	29,540
Liabilities, deferred outflow of resources, and fund balances (deficit):									
Accounts payable and accrued liabilities	$ 6,304	28,764	2,762	923	7,554	67	20,848	655	5,038
Due to:									
Other funds	1,921	—	—	4,022	—	—	232	—	—
Component units	—	—	—	—	—	—	—	—	2,434
Other governmental entities	5,472	—	—	28	—	—	15	—	1,894
Interest payable	13,551	—	13,684	—	—	—	—	—	36,573
Unearned revenue	1,080	—	—	—	—	—	—	—	—
Notes payable to GDB	48,821	—	37,361	1,700	—	—	—	—	—
Commonwealth appropriation bonds	—	—	—	—	—	—	—	—	—
General obligation and revenue bonds	—	—	—	—	—	—	—	—	—
Compensated absences	—	—	—	—	—	—	—	—	—
Other liabilities	4,552	—	—	—	—	—	—	—	—
Total liabilities	81,701	28,764	53,807	6,673	7,554	67	21,095	655	45,939
Deferred inflow of resources:									
Global tobacco settlement agreement	—	—	—	—	—	—	—	—	—
Total deferred inflow of resources	—	—	—	—	—	—	—	—	—
Fund balances:									
Nonspendable	—	—	—	—	—	—	—	—	1,107
Restricted for:									
Education	—	—	—	—	300,638	—	—	—	—
Public Safety	—	—	—	—	—	36,110	—	—	—
Debt service	—	—	—	—	—	—	—	—	—
Capital projects	—	—	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—
Committed to:									
Public housing and welfare	—	—	—	—	—	—	—	11,142	—
Capital projects	—	—	—	—	—	—	—	—	1,009
Assigned to:									
Public housing and welfare	—	—	—	—	—	—	—	—	—
Capital projects	—	—	25,101	—	—	—	—	—	—
General Government	—	81,890	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—
Unassigned (deficit)	(21,654)	—	—	(5,906)	—	—	(17,769)	(380)	(18,515)
Total fund balances (deficit)	(21,654)	81,890	25,101	(5,906)	300,638	36,110	(17,769)	10,762	(16,399)
Total liabilities, deferred inflow of resources, and fund balances (deficit)	$ 60,047	110,654	78,908	767	308,192	36,177	3,326	11,417	29,540

See accompanying independent auditors' report.

(Continued)

COMMONWEALTH OF PUERTO RICO

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2020

(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	$ —	—	—	—	—	—	—	—	359,195
Cash and cash equivalents in governmental banks	—	—	—	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—	—	2,324
Receivables – net:									
Intergovernmental	—	—	—	—	—	—	—	—	1,674
Accounts	—	—	—	—	710	—	—	—	7,723
Loans	—	—	—	—	—	—	—	—	147,943
Accrued interest	—	—	—	—	—	—	—	—	—
Other	36,841	—	—	—	—	—	—	—	40,187
Due from:									
Other funds	—	—	3,073	—	—	—	3,239	—	50,511
Component units	—	—	—	—	—	—	—	—	—
Other governmental entities	—	—	—	—	—	—	47,340	—	49,411
Other assets	—	—	—	—	—	—	—	—	2,244
Restricted assets:									
Cash and cash equivalents in commercial banks	—	12,930	53	—	48,500	33,638	99,686	—	261,364
Cash and cash equivalents in governmental banks	—	—	—	—	—	—	—	—	—
Cash equivalents in PRGITF	—	—	—	—	—	—	—	—	—
Investments	107,425	—	—	—	—	—	—	—	107,425
Due from other funds	—	—	—	—	—	—	—	—	—
Due from other governmental entities	—	—	—	—	—	—	—	—	1,474
Other	447	—	—	—	—	—	—	—	1,435
Real estate held for sale or future development	—	—	—	—	1,854	—	—	—	1,854
Total assets	$ 144,713	12,930	3,126	—	51,064	33,638	150,265	—	1,034,764
Liabilities, deferred outflow of resources, and fund balances (deficit):									
Accounts payable and accrued liabilities	$ —	—	10	7	460	9,729	41,990	—	125,111
Due to:									
Other funds	—	—	—	—	—	—	60,580	—	66,755
Component units	—	—	—	—	—	—	4,556	—	6,990
Other governmental entities	—	—	—	—	—	—	16,693	—	24,102
Interest payable	—	712,683	325,047	34,186	—	—	—	—	1,135,724
Unearned revenue	—	—	—	—	—	—	—	—	1,080
Notes payable to GDB	—	—	—	—	—	—	—	—	87,882
Commonwealth appropriation bonds	—	—	470	—	—	—	—	—	470
General obligation and revenue bonds	—	248,593	258,620	—	—	—	—	—	507,213
Compensated absences	—	—	—	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	—	—	—	4,552
Total liabilities	—	961,276	584,147	34,193	460	9,729	123,819	—	1,959,879
Deferred inflow of resources:									
Global tobacco settlement agreement	36,841	—	—	—	—	—	—	—	36,841
Total deferred inflow of resources	36,841	—	—	—	—	—	—	—	36,841
Fund balances:									
Nonspendable	—	—	—	—	—	—	—	—	1,107
Restricted for:									
Education	—	—	—	—	—	—	—	—	300,638
Public safety	—	—	—	—	—	—	—	—	36,110
Debt service	107,872	—	—	—	—	—	—	—	107,872
Capital projects	—	—	—	—	50,604	23,909	26,446	—	100,959
Health	—	—	—	—	—	—	—	—	—
Committed to:									
Public housing and welfare	—	—	—	—	—	—	—	—	11,142
Capital projects	—	—	—	—	—	—	—	—	1,009
Assigned to:									
Capital projects	—	—	—	—	—	—	—	—	25,101
General Government	—	—	—	—	—	—	—	—	81,890
Health	—	—	—	—	—	—	—	—	—
Unassigned (deficit)	—	(948,346)	(581,021)	(34,193)	—	—	—	—	(1,627,784)
Total fund balances (deficit)	107,872	(948,346)	(581,021)	(34,193)	50,604	23,909	26,446	—	(961,956)
Total liabilities, deferred inflow of resources, and fund balances (deficit)	$ 144,713	12,930	3,126	—	51,064	33,638	150,265	—	1,034,764

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, 2020

(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	$ —	—	—	—	—	—	—	—	3,710
Interest and investment earnings	4,238	452	7,277	2	—	—	9	90	163
Other	3,123	1,342	6,458	—	282	—	2,330	—	17,992
Total revenue	7,361	1,794	13,735	2	282	—	2,339	90	21,865
Expenditures:									
Current:									
General government	104,376	65,959	88,955	—	—	—	—	—	—
Public safety	—	—	—	—	—	608	—	—	—
Health	—	—	—	—	—	—	—	133	34,323
Public housing and welfare	—	—	—	—	—	—	1,022	—	—
Education	—	—	—	—	9,535	—	—	—	—
Economic development	—	—	—	14	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—	—
Capital outlays	—	158	370	—	10	—	—	—	2,882
Debt service:									
Principal	—	—	—	—	—	—	—	—	—
Interest and other	2,441	—	2,276	—	—	—	—	—	7,628
Total expenditures	106,817	66,117	91,601	14	9,545	608	1,022	133	44,833
Excess (deficiency) of revenue over (under) expenditures	(99,456)	(64,323)	(77,866)	(12)	(9,263)	(608)	1,317	(43)	(22,968)
Other financing sources (uses):									
Transfers in	111,645	105,990	2,867	192	8,991	515	42	52	11,507
Transfers out	(8,812)	—	—	—	(19,554)	—	—	—	—
Proceeds from long term debt issued	—	—	—	—	—	—	—	—	207
Total other financing sources	102,833	105,990	2,867	192	(10,563)	515	42	52	11,714
Net change in fund balances	3,377	41,667	(74,999)	180	(19,826)	(93)	1,359	9	(11,254)
Fund balances (deficit) – beginning of year as restated (note 4 to financial statements)	(25,031)	40,223	100,100	(6,086)	320,464	36,203	(19,128)	10,753	(5,145)
Fund balances (deficit) – end of year	$ (21,654)	81,890	25,101	(5,906)	300,638	36,110	(17,769)	10,762	(16,399)

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, 2020

(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	$ —	—	—	—	—	—	—	—	3,710
Interest and investment earnings	3,625	—	1	3	—	—	918	—	16,778
Other	—	—	—	—	—	—	149	—	31,676
Total revenue	3,625	—	1	3	—	—	1,067	—	52,164
Expenditures:									
Current:									
General government	—	—	—	—	1,503	—	4,204	—	264,997
Public safety	—	—	—	—	—	—	—	—	608
Health	—	—	—	—	—	—	—	—	34,456
Public housing and welfare	—	—	—	—	—	—	840	—	1,862
Education	—	—	—	—	—	—	9	—	9,544
Economic development	—	—	—	(7)	9	—	—	—	16
Intergovernmental	—	—	—	—	186	—	—	—	186
Capital outlays	—	—	—	—	—	1,929	3,188	—	8,537
Debt service:									
Principal	30,510	69,645	48,990	—	—	—	—	—	149,145
Interest and other	44,505	225,994	66,033	6,837	—	—	—	—	355,714
Total expenditures	75,015	295,639	115,023	6,830	1,698	1,929	8,241	—	825,065
Excess (deficiency) of revenue over (under) expenditures	(71,390)	(295,639)	(115,022)	(6,827)	(1,698)	(1,929)	(7,174)	—	(772,901)
Other financing sources (uses):									
Transfers in	71,727	8,141	—	—	—	671	6,476	(9,059)	319,757
Transfers out	(52)	—	(23)	—	(113)	—	(172)	9,059	(19,667)
Proceeds from long term debt issued	—	—	—	—	—	—	—	—	207
Total other financing sources	71,675	8,141	(23)	—	(113)	671	6,304	—	300,297
Net change in fund balances	285	(287,498)	(115,045)	(6,827)	(1,811)	(1,258)	(870)	—	(472,604)
Fund balances (deficit) – beginning of year as restated (note 4 to financial statements)	107,587	(660,848)	(465,976)	(27,366)	52,415	25,167	27,316	—	(489,352)
Fund balances (deficit) – end of year	$ 107,872	(948,346)	(581,021)	(34,193)	50,604	23,909	26,446	—	(961,956)

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, 2020

(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	$ 38,555	20,879	1,095	205,546	116	—	—	266,191
Receivables - net:								
Insurance premiums	—	4,277	956	—	—	—	—	5,233
Accounts	1,572	—	—	370	—	—	—	1,942
Accrued interest	—	168	—	—	—	—	—	168
Other	58	147	—	—	954	—	—	1,159
Due from other funds	—	—	—	—	4,022	—	—	4,022
Other assets	10	—	—	—	—	—	—	10
Restricted assets:								
Cash and cash equivalents in commercial banks	—	1,811	9,434	—	63	59,052	161,215	231,575
Other assets	—	—	—	—	—	—	—	—
Receivables - net:								
Accounts	—	—	—	—	—	—	180	180
Accrued interest	—	—	—	—	—	5	406	411
Loans from component units	—	—	—	—	—	3,300	6,700	10,000
Total current assets	40,195	27,282	11,485	205,916	5,155	62,357	168,501	520,891
Noncurrent assets:								
Receivables - net:								
Loans from component units – restricted	—	—	—	—	—	163,779	364,218	527,997
Due from other funds	—	—	—	—	—	—	—	—
Restricted investments	—	29,830	—	—	—	—	—	29,830
Other restricted assets	—	—	—	14,592	—	—	73	14,665
Land and other nondepreciable assets	490	—	—	—	28,643	—	—	29,133
Depreciable assets	5,165	—	—	283	—	—	—	5,448
Total assets	45,850	57,112	11,485	220,791	33,798	226,136	532,792	1,127,964
Deferred outflows of resources:								
Other postemployment benefits related	—	100	47	139	—	—	—	286
Pension related	140	2,821	1,320	5,054	—	—	—	9,335
Total deferred outflows of resources	140	2,921	1,367	5,193	—	—	—	9,621
Liabilities and net position:								
Current liabilities:								
Accounts payable and accrued liabilities	3,129	222	159	6,914	235	334	741	11,734
Due to other funds	8,078	—	—	10,304	—	—	—	18,382
Due to other governmental entities	—	—	—	—	63	—	—	63
Interest payable	—	—	—	—	8,354	—	—	8,354
Unearned revenue	—	1,246	23	10,001	—	—	—	11,270
Compensated absences	—	529	83	88	—	—	—	700
Obligation for unpaid lottery prizes	—	—	—	115,081	—	—	—	115,081
Voluntary termination benefits payable	11	—	—	290	—	—	—	301
Liability for insurance benefits	—	377	84	—	—	—	—	461
Total pension liability	—	1,757	822	2,547	—	—	—	5,126
Total other postemployment benefits liability	—	100	47	139	—	—	—	286
Total current liabilities	11,218	4,231	1,218	145,364	8,652	334	741	171,758
Noncurrent liabilities:								
Notes payable to component units	—	—	—	—	20,762	—	—	20,762
Compensated absences	679	—	125	854	—	—	—	1,658
Obligation for unpaid lottery prizes	—	—	—	53,339	—	—	—	53,339
Voluntary termination benefits payable	—	—	—	1,489	—	—	—	1,489
Total pension liability	2,673	31,004	14,511	47,241	—	—	—	95,429
Total other postemployment benefits liability	—	1,154	540	1,584	—	—	—	3,278
Total liabilities	14,570	36,389	16,394	249,871	29,414	334	741	347,713
Deferred inflows of resources:								
Pension related	169	2,194	1,027	3,703	—	—	—	7,093
Net position:								
Net investment in capital assets	5,655	—	—	283	5,899	—	—	11,837
Restricted for emergency services	6,269	—	—	—	—	—	—	6,269
Restricted for lending activities	—	—	—	—	—	225,802	532,051	757,853
Restricted for payment of insurance benefits	—	31,263	9,350	—	—	—	—	40,613
Unrestricted	19,327	(9,813)	(13,919)	(27,873)	(1,515)	—	—	(33,793)
Total net position	$ 31,251	21,450	(4,569)	(27,590)	4,384	225,802	532,051	782,779

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, 2020

(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	$ —	17,562	4,248	—	—	—	—	21,810
Emergency telephone service charges	20,786	—	—	—	—	—	—	20,786
Lottery ticket sales	—	—	—	540,043	—	—	—	540,043
Interest	—	—	—	—	—	—	399	399
Release of provision for loan losses	—	—	—	—	—	19,359	43,122	62,481
Other	—	—	—	38	—	—	—	38
Total operating revenue	20,786	17,562	4,248	540,081	—	19,359	43,521	645,557
Operating expenses:								
Insurance benefits	—	1,126	1,792	—	—	—	—	2,918
Lottery ticket sales	—	—	—	400,283	—	—	—	400,283
General, administrative, and other operating expenses	12,436	4,167	2,091	50,884	265	530	504	70,877
Total operating expenses	12,436	5,293	3,883	451,167	265	530	504	474,078
Operating income (loss)	8,350	12,269	365	88,914	(265)	18,829	43,017	171,479
Nonoperating revenue (expenses):								
U.S. government grants	219	—	—	—	—	3,627	22,565	26,411
Contributions to component units	—	—	—	—	—	(3,616)	(2,354)	(5,970)
Interest and investment earnings	150	1,854	163	751	—	666	1,754	5,338
Interest expense	—	—	—	—	(1,490)	—	—	(1,490)
Other	842	—	—	—	—	—	—	842
Total nonoperating revenue (expenses)	1,211	1,854	163	751	(1,490)	677	21,965	25,131
Income (loss) before transfers	9,561	14,123	528	89,665	(1,755)	19,506	64,982	196,610
Transfers from other funds	11,333	—	—	—	954	—	—	12,287
Transfers to other funds	(2,711)	—	—	(83,810)	—	—	—	(86,521)
Net change in net position	18,183	14,123	528	5,855	(801)	19,506	64,982	122,376
Net position (deficit) – beginning of year, as restated (see note 4 to financial statement)	13,068	7,327	(5,097)	(33,445)	5,185	206,296	467,069	660,403
Net position (deficit) – end of year	$ 31,251	21,450	(4,569)	(27,590)	4,384	225,802	532,051	782,779

See accompanying independent auditors' report.

COMMONWEALTH OF PUERTO RICO

Combining Statement of Cash Flows – Nonmajor Proprietary Funds

Year ended June 30, 2020

(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 Func	Total
Cash flows from operating activities:								
Receipts from customers and users	$ 20,784	16,218	4,207	548,435	—	—	—	589,644
Other receipts		—	—	38	—	—	399	437
Payments to suppliers	(4,060)	(1,242)	(478)	(44,636)	(20)	(249)	(150)	(50,835)
Payments to employees	(8,481)	(4,501)	(2,084)	(5,563)	(32)	—	—	(20,661)
Payments of lottery prizes	—	—	—	(400,223)	—	—	—	(400,223)
Payments of insurance benefits	—	(1,180)	(1,822)	—	—	—	—	(3,002)
Net cash provided by (used in) operating activities	8,243	9,295	(177)	98,051	(52)	(249)	249	115,360
Cash flows from noncapital financing activities:								
U.S. government grants	219	—	—	—	—	3,627	22,565	26,411
Contributions to component units	—	—	—	—	—	(3,616)	(2,354)	(5,970)
Transfers from other funds	11,333	—	4,304	—	—	—	—	15,637
Transfers to other funds	(4,611)	—	—	(62,197)	—	—	—	(66,808)
Net cash provided by (used in) noncapital financing activities	6,941	—	4,304	(62,197)	—	11	20,211	(30,730)
Cash flows from capital and related financing activities:								
Recovery of cash impairment loss	—	—	—	—	—	—	—	—
Principal Payment	—	—	—	—	—	—	—	—
Capital expenditures	—	—	—	—	—	—	—	—
Net cash provided by (used in) by capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Interest collected on deposits, investments, and loans	970	1,854	163	751	—	759	1,566	6,063
Loans originated	—	—	—	—	—	(3,396)	(20,022)	(23,418)
Principal collected on loans	—	—	—	—	—	1,928	4,044	5,972
Proceeds from sales and maturities of investments	—	20,195	—	—	—	—	—	20,195
Purchases of investments	—	(21,979)	—	—	—	—	—	(21,979)
Net cash provided by (used in) investing activities	970	70	163	751	—	(709)	(14,412)	(13,167)
Net increase (decrease) in cash and cash equivalents	16,154	9,365	4,290	36,605	(52)	(947)	6,048	71,463
Cash and cash equivalents – beginning of year, as restated	22,401	13,325	6,239	168,941	231	59,999	155,167	426,303
Cash and cash equivalents – end of year	$ 38,555	22,690	10,529	205,546	179	59,052	161,215	497,766
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ 8,350	12,269	365	88,914	(265)	18,829	43,017	171,479
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation	17	—	—	166	—	—	—	183
Provision for bad debt expense	—	—	—	—	—	—	—	—
Impairment (recovery) loss on loans receivable	—	—	—	—	—	(19,359)	(43,122)	(62,481)
Changes in operating assets and liabilities:								
Decrease (increase) in accounts receivable	(2)	(1,027)	(47)	5,060	—	—	—	3,984
Decrease (increase) in other assets	16	—	—	1,413	—	—	—	1,429
Decrease (increase) in deferred outflow of resources	231	(1,069)	(500)	(2,246)	—	—	—	(3,584)
Increase (decrease) in accounts payable and accrued liabilities	(86)	(764)	(105)	1,297	213	281	354	1,190
Increase (decrease) in due to other governmental entities	—	(1)	(5)	—	—	—	—	(6)
Increase (decrease) in unearned revenue	—	(317)	6	1,919	—	—	—	1,608
Increase (decrease) in compensated absences	(187)	103	66	138	—	—	—	120
Decrease in deferred inflow of resources	—	(144)	(67)	(234)	—	—	—	(445)
Decrease in total pension liability	—	333	156	1,770	—	—	—	2,259
Increase (decrease) in otherpostemployment benefits liability	(43)	(34)	(16)	(10)	—	—	—	(103)
Increase in obligation for unpaid lottery prizes	—	—	—	60	—	—	—	60
Decrease in voluntary termination benefits payable	(53)	—	—	(196)	—	—	—	(249)
Increase (decrease) in liability for disability benefits payable	—	(54)	(30)	—	—	—	—	(84)
Total adjustments	(107)	(2,974)	(542)	9,137	213	(19,078)	(42,768)	(56,119)
Net cash provided by (used in) operating activities	$ 8,243	9,295	(177)	98,051	(52)	(249)	249	115,360

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, 2020

(In thousands)

Assets		Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Cash and cash equivalents in commercial banks	$	1,146,679	4,632,795	5,066,003	713,471
Cash and cash equivalents with governmental banks		—	—	—	—
Total assets	$	1,146,679	4,632,795	5,066,003	713,471
Liabilities					
Accounts payable and accrued liabilities	$	1,146,679	4,632,795	5,066,003	713,471
Total liabilities	$	1,146,679	4,632,795	5,066,003	713,471

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, 2020

(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	$ 103,082	34,174	29,547	469	1,380	11,727
Cash and cash equivalents in governmental banks	—	—	—	—	—	—
Investments	—	105,091	—	—	—	—
Receivables – net:						
Insurance premiums	—	—	—	—	—	—
Intergovernmental	—	—	—	—	245	—
Accounts	89	16,034	6,551	14	—	—
Loans and advances	155	—	—	—	5,523	—
Accrued interest	—	422	—	—	—	—
Other	1,729	38	856	75	1	—
Due from – net:						
Primary government	13,406	—	—	—	—	—
Component units	4,683	—	—	—	—	—
Other governmental entities	22	913	538	—	—	158
Inventories	2,714	—	1,943	1	—	—
Prepaid expenses	420	—	600	—	9	—
Other assets	—	121	—	—	—	—
Restricted assets:						
Cash and cash equivalents in commercial banks	—	728	4,483	—	—	—
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	2,112
Depreciable, net	17,982	3,436	12,774	376	1,905	141
Total assets	148,021	161,858	57,395	935	10,701	14,138
Deferred outflows of resources:						
Loss on bonds refunding	—	—	—	—	—	—
Other postemployment benefits related	516	404	60	—	—	—
Pension related	14,515	27,928	3,727	—	—	—
Total deferred outflows of resources	15,031	28,332	3,787	—	—	—
Liabilities:						
Accounts payable and accrued liabilities	34,674	3,891	29,305	87	1,395	736
Deposits and escrow liabilities	—	—	—	—	—	—
Due to:						
Primary government	2,892	4,242	32,568	—	—	—
Component units	1,738	—	8,857	—	37,791	—
Other governmental entities	488	10,357	8,751	218	—	—
Interest payable	—	—	—	—	15,298	—
Unearned revenue	—	33,309	12,870	—	—	38
Liabilities payable within one year:						
Commonwealth appropriation bonds	—	—	—	—	—	—
Revenue bonds	—	—	—	—	—	—
Notes payable to financial institutions	—	—	—	—	—	—
Capital leases	—	—	—	—	—	—
Compensated absences	677	1,615	1,921	39	—	36
Voluntary termination benefits payable	2,210	1,809	—	—	—	—
Liability for insurance benefit	—	52,801	—	—	—	—
Total pension liability	9,380	12,522	3,727	—	—	—
Total other postemployment benefits liability	493	389	60	—	—	—
Other long-term liabilities	—	—	250	—	—	—
Liabilities payable after one year:						
Commonwealth appropriation bonds	—	—	—	—	—	—
Revenue bonds	—	—	—	—	—	—
Notes payable to financial institutions	—	—	—	—	—	—
Capital leases	—	—	—	—	—	—
Compensated absences	898	—	—	37	—	191
Voluntary termination benefits payable	10,408	7,157	—	—	—	—
Net pension obligation	—	—	—	—	—	—
Total pension liability	151,710	222,411	22,346	—	—	—
Total other postemployment benefits liability	5,821	4,335	640	—	—	—
Other long-term liabilities	278	839	5,876	—	—	—
Total liabilities	221,667	355,677	127,171	381	54,484	1,001
Deferred inflows of resources:						
Service concession arrangements	—	—	—	—	—	—
Pension related	11,994	14,039	1,558	—	—	—
Total deferred inflows of resources	11,994	14,039	1,558	—	—	—
Net position:						
Net investment in capital assets	21,721	4,337	12,877	376	1,986	2,252
Restricted for:						
Capital projects	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Student loans and other educational purpose	—	—	—	—	—	—
Other specified purposes	—	—	—	—	497	—
Unrestricted (deficit)	(92,330)	(183,863)	(80,424)	178	(46,266)	10,885
Total net position (deficit)	$ (70,609)	(179,526)	(67,547)	554	(43,783)	13,137

(Continued)

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2020

(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	$ 699	104,100	8,472	1,953	—	11,787
Cash and cash equivalents in governmental banks	—	—	—	—	—	—
Investments	—	30,263	—	—	—	—
Receivables – net:						
Intergovernmental	—	—	—	—	—	239
Accounts	—	—	—	13	—	289
Loans and advances	—	12,377	—	—	—	—
Accrued interest	—	568	—	—	31,606	—
Other	—	—	207	—	—	—
Due from – net:						
Primary government	—	—	—	—	—	—
Component units	—	—	1,738	—	45,256	—
Other governmental entities	—	—	1,104	—	1,210,389	—
Inventories	—	—	—	—	—	2,110
Prepaid expenses	—	—	—	504	—	—
Other assets	—	610	—	—	39	—
Restricted assets:						
Cash and cash equivalents in commercial banks	—	—	—	2,089	5,649	667
Cash and cash equivalents in governmental banks	—	—	—	—	—	—
Investments	—	—	—	—	—	—
Other restricted assets	—	—	—	—	—	—
Real estate held for sale or future development	—	2,435	—	—	8,129	—
Capital assets:						
Land and other nondepreciable	640	2,735	—	3,164	—	55
Depreciable, net	136	5,041	142	8,421	—	35,294
Total assets	1,475	158,129	11,663	16,144	1,301,068	50,441
Deferred outflows of resources:						
Loss on bonds refunding	—	—	—	—	—	—
Other postemplyment benefits related	—	37	5	9	—	173
Pension related	5	5,439	297	1,101	—	5,688
Total deferred outflows of resources	5	5,476	302	1,110	—	5,861
Liabilities:						
Accounts payable and accrued liabilities	100	1,223	3,289	276	2,752	2,022
Deposits and escrow liabilities	—	144,622	—	250	—	—
Due to:						
Primary government	—	—	—	—	—	—
Component units	—	5,611	4,683	—	—	2,261
Other governmental entities	—	—	4,692	—	—	—
Interest payable	—	66	—	—	57,670	—
Unearned revenue	—	—	4,171	—	—	1,925
Liabilities payable within one year:						
Commonwealth appropriation bonds	—	—	—	—	—	—
Revenue bonds	—	—	—	—	27,668	—
Notes payable to financial institutions	—	—	—	—	—	—
Capital leases	—	—	—	—	—	—
Compensated absences	37	—	456	120	—	21
Voluntary termination benefits payable	11	—	—	146	—	286
Liability for insurance benefits	—	—	—	—	—	—
Total pension liability	—	1,443	108	298	—	3,091
Total other postemployment benefits liability	—	36	5	9	—	173
Other long-term liabilities	—	—	44	—	—	—
Liabilities payable after one year:						
Commonwealth appropriation bonds	—	—	—	—	—	—
Revenue bonds	—	—	—	—	2,085,432	—
Notes payable to financial institutions	—	—	—	—	—	—
Capital leases	—	—	—	—	—	—
Compensated absences	—	620	—	139	—	412
Voluntary termination benefits payable	34	2,159	—	1,012	—	1,441
Net pension obligation	—	—	—	—	—	—
Total pension liability	118	21,896	2,003	6,385	—	55,526
Total other postemployment benefits liability	14	395	60	127	—	1,976
Other long-term liabilities	—	416	—	—	—	—
Total liabilities	314	178,487	19,511	8,762	2,173,522	69,134
Deferred inflows of resources:						
Service concession arrangements	—	—	—	—	—	—
Pension related	12	1,395	186	399	—	4,386
Total deferred inflows of resources	12	1,395	186	399	—	4,386
Net position:						
Net investment in capital assets	776	2,543	142	11,582	—	35,350
Restricted for:						
Capital projects	—	—	—	—	—	667
Debt service	—	—	—	—	—	—
Student loans and other educational purpose	—	—	—	—	—	—
Other specified purposes	—	8,520	—	2,089	—	—
Unrestricted (deficit)	378	(27,340)	(7,874)	(5,578)	(872,454)	(53,235)
Total net position (deficit)	$ 1,154	(16,277)	(7,732)	8,093	(872,454)	(17,218)

(Continued)

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2020

(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	$ 11,008	16,895	1,846	5,446	6,534
Cash and cash equivalents in governmental banks	—	—	—	—	—
Investments	—	—	—	—	335,774
Receivables – net:					
Intergovernmental	—	1,025	420	—	—
Accounts	1,592	29,339	597	23	—
Loans and advances	—	—	—	—	3,731
Accrued interest	163	—	—	—	2,772
Other	—	—	—	—	294
Due from – net:					
Primary government	—	—	—	—	—
Component units	—	—	—	—	—
Other governmental entities	—	949	—	91	—
Inventories	—	—	—	—	—
Prepaid expenses	194	—	315	—	—
Other assets	—	3,046	—	—	—
Restricted assets:					
Cash and cash equivalents in commercial banks	—	15,592	51	200	—
Cash and cash equivalents in governmental banks	—	—	—	—	—
Investments	32,475	—	—	—	—
Other restricted assets	—	—	—	—	—
Real estate held for sale or future development	—	—	—	—	—
Capital assets:					
Land and other nondepreciable	8,887	88,135	12,678	568	35
Depreciable, net	6,600	6,636	3,708	453	1,152
Total assets	60,919	161,617	19,615	6,781	350,292
Deferred outflows of resources:					
Loss on bonds refunding	—	—	—	—	—
Other postemplyment benefits related	—	134	—	18	—
Pension related	95	11,753	—	738	1,293
Total deferred outflows of resources	95	11,887	—	756	1,293
Liabilities:					
Accounts payable and accrued liabilities	1,885	6,075	1,199	169	230,664
Deposits and escrow liabilities	—	2,700	401	—	—
Due to:					
Primary government	—	3,351	—	—	—
Component units	—	7,821	—	—	—
Other governmental entities	—	36,392	17,408	765	—
Interest payable	—	451	22	—	—
Unearned revenue	—	23,578	—	203	—
Liabilities payable within one year:					
Commonwealth appropriation bonds	—	8,822	—	—	—
Revenue bonds	—	—	—	—	—
Notes payable to financial institutions	—	—	—	—	3,029
Capital leases	—	—	—	—	—
Compensated absences	46	99	60	633	—
Voluntary termination benefits payable	—	765	—	48	—
Liability for insurance benefits	—	—	—	—	—
Total pension liability	—	3,103	—	1,319	455
Total other postemplyment benefits liability	—	134	—	18	—
Other long-term liabilities	—	1,304	—	—	—
Liabilities payable after one year:					
Commonwealth appropriation bonds	—	46,996	—	—	—
Revenue bonds	—	—	—	—	—
Notes payable to financial institutions	—	—	—	—	3,029
Capital leases	—	—	—	—	—
Compensated absences	—	1,548	101	—	1,445
Voluntary termination benefits payable	—	2,316	—	315	—
Net pension obligation	—	—	—	29,200	—
Total pension liability	862	56,402	—	5,814	8,781
Total other postemplyment benefits liability	—	1,477	—	208	—
Other long-term liabilities	—	36,723	—	—	—
Total liabilities	2,793	240,057	19,191	38,692	247,403
Deferred inflows of resources:					
Service concession arrangements	—	—	—	—	—
Pension related	51	4,322	—	426	717
Total deferred inflows of resources	51	4,322	—	426	717
Net position:					
Net investment in capital assets	15,486	94,771	(499)	1,021	1,187
Restricted for:					
Capital projects	—	—	—	—	—
Debt service	—	—	51	—	—
Student loans and other educational purpose	—	—	—	—	—
Other specified purposes	37,720	—	—	200	95,518
Unrestricted (deficit)	4,964	(165,646)	872	(32,802)	6,760
Total net position (deficit)	$ 58,170	(70,875)	424	(31,581)	103,465

(Continued)

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2020

(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	$ 2,264	12,828	7,926	50,042
Cash and cash equivalents in governmental banks	—	—	—	—
Investments	—	7,898	220	—
Receivables – net:				
Intergovernmental	—	—	—	—
Accounts	—	8,898	40	11,425
Loans and advances	—	1,797	—	—
Accrued interest	—	—	10	—
Other	406	—	78	—
Due from – net:				
Primary government	—	5,006	—	6,940
Component units	—	3,444	5,300	1,358
Other governmental entities	—	—	—	—
Inventories	—	—	—	—
Prepaid expenses	7	6,956	581	3,998
Other assets	—	309	—	—
Restricted assets:				
Cash and cash equivalents in commercial banks	4,180	3,312	—	2,043
Cash and cash equivalents in governmental banks	—	—	—	—
Investments	—	667	—	1,800
Other restricted assets	—	—	—	—
Real estate held for sale or future development	—	—	—	—
Capital assets:				
Land and other nondepreciable	5,157	268,054	—	232,252
Depreciable, net	63,954	350,911	324	355,014
Total assets	75,968	670,080	14,479	664,872
Deferred outflows of resources:				
Loss on bonds refunding	—	—	—	410
Other postemployment benefits related	—	—	—	443
Pension related	3,405	—	—	33,351
Total deferred outflows of resources	3,405	—	—	34,204
Liabilities:				
Accounts payable and accrued liabilities	636	11,266	2,128	8,425
Deposits and escrow liabilities	—	3,583	—	7,249
Due to:				
Primary government	—	—	—	26,724
Component units	—	138,416	—	52,860
Other governmental entities	—	—	—	—
Interest payable	—	109,811	—	42,395
Unearned revenue	1,176	6,174	10	8,772
Liabilities payable within one year:				
Commonwealth appropriation bonds	—	—	—	—
Revenue bonds	—	50,770	—	38,728
Notes payable to financial institutions	—	164	—	9,493
Capital leases	—	—	4	344
Compensated absences	105	—	—	511
Voluntary termination benefits payable	—	—	—	1,593
Liability for insurance benefits	—	—	—	—
Total pension liability	—	—	—	14,416
Total other postemployment benefits liability	—	—	—	443
Other long-term liabilities	—	—	694	—
Liabilities payable after one year:				
Commonwealth appropriation bonds	—	—	—	—
Revenue bonds	—	337,800	—	111,109
Notes payable to financial institutions	—	136	—	45,917
Capital leases	—	—	—	2
Compensated absences	49	—	—	699
Voluntary termination benefits payable	—	—	—	6,406
Net pension obligation	—	—	—	—
Total pension liability	19,829	—	—	261,738
Total other postemployment benefits liability	229	—	—	5,031
Other long-term liabilities	—	—	2,795	27,301
Total liabilities	22,024	658,120	5,631	670,156
Deferred inflows of resources:				
Service concession arrangements	—	—	—	—
Pension related	2,485	—	—	17,765
Total deferred inflows of resources	2,485	—	—	17,765
Net position:				
Net investment in capital assets	69,109	(17,832)	320	381,673
Restricted for:				
Capital projects	—	667	—	—
Debt service	—	—	—	3,843
Student loans and other educational purpose	1,601	—	—	—
Other specified purposes	2,579	—	547	—
Unrestricted (deficit)	(18,425)	29,125	7,981	(374,361)
Total net position (deficit)	$ 54,864	11,960	8,848	11,155

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2020

(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	$ 268	22,680	19,251	366	197	—
Cash and cash equivalents in governmental banks	—	—	—	—	—	—
Investments	—	—	—	—	—	—
Receivables – net:						
Intergovernmental	—	—	—	—	—	—
Accounts	—	—	—	166	4,207	—
Loans and advances	—	—	—	—	—	—
Accrued interest	—	—	—	—	—	—
Other	—	—	704	624	—	—
Due from – net:						
Primary government	—	6,188	—	—	—	—
Component units	—	—	—	—	—	—
Other governmental entities	—	—	593	18,621	7,021	—
Inventories	—	—	—	48	5,870	—
Prepaid expenses	—	—	175	—	—	1,181
Other assets	—	—	—	53	—	—
Restricted assets:						
Cash and cash equivalents in commercial banks	—	—	—	—	—	38,442
Cash and cash equivalents in governmental banks	—	—	—	—	—	—
Investments	—	—	—	—	—	392,404
Other restricted assets	—	—	—	—	—	9,110
Real estate held for sale or future development	—	—	187,333	—	—	28
Capital assets:						
Land and other nondepreciable	—	—	14,509	93	5,385	—
Depreciable, net	—	203	8,913	48,747	15,211	—
Total assets	268	29,071	231,478	68,718	37,891	441,165
Deferred outflows of resources:						
Loss on bonds refunding	—	—	—	—	—	195
Other postemployment benefits related	1	—	79	17	670	—
Pension related	94	—	5,323	2,703	20,809	—
Total deferred outflows of resources	95	—	5,402	2,720	21,479	195
Liabilities:						
Accounts payable and accrued liabilities	14	147	1,748	7,745	18,069	1,291
Deposits and escrow liabilities	—	—	32,706	—	—	23,969
Due to:						
Primary government	—	—	3,584	2,019	92,221	—
Component units	—	—	—	69,127	7,959	—
Other governmental entities	147	19,566	312	7,489	9,447	—
Interest payable	—	—	—	—	—	7,158
Unearned revenue	—	—	1,338	—	—	—
Liabilities payable within one year:						
Commonwealth appropriation bonds	—	—	—	—	—	—
Revenue bonds	—	—	—	—	—	50,185
Notes payable to financial institutions	—	—	—	—	28,255	—
Capital leases	—	—	—	—	—	—
Compensated absences	—	52	337	548	1,949	—
Voluntary termination benefits payable	—	—	383	880	1,507	—
Liability for insurance benefits	—	—	—	—	—	—
Total pension liability	26	—	2,411	767	20,809	—
Total other postemployment benefits liability	1	—	79	17	670	—
Other long-term liabilities	—	—	—	84	—	—
Liabilities payable after one year:						
Commonwealth appropriation bonds	—	—	—	—	—	—
evenue bonds	—	—	—	—	—	289,410
Notes payable to financial institutions	—	—	—	—	—	—
Capital leases	—	—	—	—	—	—
Compensated absences	—	35	—	479	457	—
Voluntary termination benefits payable	—	—	1,300	3,104	6,278	—
Net pension obligation	—	—	—	—	—	—
Total pension liability	732	—	38,056	12,040	224,262	—
Total other postemployment benefits liability	22	—	937	183	7,490	—
Other long-term liabilities	—	—	—	667	4,966	—
Total liabilities	942	19,800	83,191	105,149	424,339	372,013
Deferred inflows of resources:						
Service concession arrangements	—	—	—	—	—	—
Pension related	45	—	2,418	1,329	22,963	—
Total deferred inflows of resources	45	—	2,418	1,329	22,963	—
Net position:						
Net investment in capital assets	—	203	3,772	48,840	20,596	—
Restricted for:						
Capital projects	—	—	—	—	—	—
Debt service	—	—	—	—	—	93,203
Student loans and other educational purpose	—	—	—	—	—	—
Other specified purposes	—	—	—	—	—	—
Unrestricted (deficit)	(624)	9,068	147,499	(83,880)	(408,528)	(23,856)
Total net position (deficit)	$ (624)	9,271	151,271	(35,040)	(387,932)	69,347

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2020

(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	$ 28,684	22,619	8	24,740	1,285
Cash and cash equivalents in governmental banks	—	541	—	—	—
Investments	—	—	—	—	—
Receivables – net:					
Intergovernmental	18,732	—	—	100,292	—
Accounts	908	19,501	449	4	1,011
Loans and advances	—	—	—	—	—
Accrued interest	—	—	—	—	—
Other	—	—	574	429	—
Due from – net:					
Primary government	—	700	—	—	—
Component units	—	—	—	—	—
Other governmental entities	—	307	2,133	—	—
Inventories	—	—	—	—	—
Prepaid expenses	—	5,370	—	417	—
Other assets	—	—	25	—	—
Restricted assets:					
Cash and cash equivalents in commercial banks	—	30,362	3,218	—	—
Cash and cash equivalents in governmental banks	—	—	—	—	—
Investments	—	—	—	—	2,461
Other restricted assets	—	25,351	—	—	—
Real estate held for sale or future development	—	—	—	—	—
Capital assets:					
Land and other nondepreciable	—	354,338	83	—	—
Depreciable, net	—	877,136	5,427	1,073	7,975
Total assets	48,324	1,336,225	11,917	126,955	12,732
Deferred outflows of resources:					
Loss on bonds refunding	—	—	—	—	—
Other postemployment benefits related	—	747	40	—	10
Pension related	—	40,382	2,488	—	358
Total deferred outflows of resources	—	41,129	2,528	—	368
Liabilities:					
Accounts payable and accrued liabilities	133	42,587	4,269	88,272	276
Deposits and escrow liabilities	—	1,306	—	—	—
Due to:					
Primary government	—	65,036	—	—	—
Component units	—	294,758	—	6,159	—
Other governmental entities	14,097	12,857	—	4,754	—
Interest payable	—	111,485	—	—	—
Unearned revenue	—	—	—	19,081	—
Liabilities payable within one year:					
Commonwealth appropriation bonds	—	—	—	—	—
Revenue bonds	—	13,465	—	—	—
Notes payable to financial institutions	—	3,114	—	—	—
Capital leases	—	—	—	—	—
Compensated absences	—	2,310	786	210	57
Voluntary termination benefits payable	—	1,009	237	—	—
Liability for insurance benefits	—	—	—	—	—
Total pension liability	—	22,379	1,042	—	—
Total other postemployment benefits liability	—	747	40	—	—
Other long-term liabilities	—	16	—	—	—
Liabilities payable after one year:	—	—	—	—	—
Commonwealth appropriation bonds	—	—	—	—	—
revenue bonds	—	—	—	—	—
Notes payable to financial institutions	—	14,217	—	—	—
Capital leases	—	—	—	—	—
Compensated absences	—	—	1,375	652	55
Voluntary termination benefits payable	—	6,431	1,628	—	—
Net pension obligation	—	—	—	—	—
Total pension liability	—	433,126	19,472	—	4,306
Total other postemployment benefits liability	—	7,515	454	—	137
Other long-term liabilities	—	—	1,680	—	—
Total liabilities	14,230	1,032,358	30,983	119,128	4,831
Deferred inflows of resources:					
Service concession arrangements	—	655,928	—	—	—
Pension related	—	32,943	2,202	—	271
Total deferred inflows of resources	—	688,871	2,202	—	271
Net position:					
Net investment in capital assets	—	673,202	5,510	1,073	7,974
Restricted for:					
Capital projects	—	55,713	—	—	—
Debt service	—	—	—	—	—
Student loans and other educational purpose	—	—	—	—	2,461
Other specified purposes	—	—	3,112	—	—
Unrestricted (deficit)	34,094	(1,072,790)	(27,362)	6,754	(2,437)
Total net position (deficit)	$ 34,094	(343,875)	(18,740)	7,827	7,998

(Continued)

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2020

(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	$ 33,040	—	36,148	7,775	619,240
Cash and cash equivalents in governmental banks	—	—	—	—	541
Investments	6,235	—	—	—	485,481
Receivables – net:					
Intergovernmental	—	—	—	—	120,953
Accounts	—	—	14,035	1,668	116,853
Loans and advances	—	—	4,611	—	28,194
Accrued interest	—	—	—	—	35,541
Other	1,263	—	1,538	149	8,965
Due from – net:					
Primary government	—	—	3,876	—	36,116
Component units	—	—	—	—	61,779
Other governmental entities	1,129	—	—	—	1,243,968
Inventories	—	—	—	—	12,686
Prepaid expenses	—	—	5	178	20,910
Other assets	205	—	—	—	4,408
Restricted assets:					
Cash and cash equivalents in commercial banks	—	—	103,308	5,824	220,148
Cash and cash equivalents in governmental banks	—	—	—	—	—
Investments	—	—	—	—	429,807
Other restricted assets	35,609	—	—	—	70,567
Real estate held for sale or future development	—	—	2,600	—	201,586
Capital assets:					
Land and other nondepreciable	38,579	—	5,053	40,048	1,087,383
Depreciable, net	6,797	—	15,389	34,530	1,895,801
Total assets	122,857	—	186,563	90,172	6,700,927
Deferred outflows of resources:					
Loss on bonds refunding	—	—	977	—	1,582
Other postemployment benefits related	—	—	195	100	3,658
Pension related	—	—	9,234	4,560	195,286
Total deferred outflows of resources	—	—	10,406	4,660	200,526
Liabilities:					
Accounts payable and accrued liabilities	4,055	—	17,676	1,146	529,625
Deposits and escrow liabilities	—	—	—	2,603	219,389
Due to:					
Primary government	—	—	4,196	8,293	245,126
Component units	—	—	11,763	1,399	651,203
Other governmental entities	1,786	—	105,879	4,059	259,464
Interest payable	—	—	13,328	—	357,684
Unearned revenue	—	—	—	—	112,645
Liabilities payable within one year:					
Commonwealth appropriation bonds	—	—	7,031	—	15,853
Revenue bonds	—	—	—	—	180,816
Notes payable to financial institutions	—	—	—	728	44,783
Capital leases	—	—	142	61	551
Compensated absences	—	—	797	203	13,625
Voluntary termination benefits payable	—	—	722	503	12,109
Liability for insurance benefits	—	—	—	—	52,801
Total pension liability	—	—	5,675	2,416	105,387
Total other postemployment benefits liability	—	—	195	100	3,609
Other long-term liabilities	11	—	—	—	2,403
Liabilities payable after one year:					
Commonwealth appropriation bonds	—	—	38,267	—	85,263
Revenue bonds	—	—	—	—	2,823,751
Notes payable to financial institutions	—	—	—	10,322	73,621
Capital leases	—	—	—	11	13
Compensated absences	—	—	1,373	278	10,843
Voluntary termination benefits payable	—	—	2,592	1,812	54,393
Net pension obligation	—	—	—	—	29,200
Total pension liability	—	—	100,881	44,655	1,713,351
Total other postemployment benefits liability	—	—	2,040	1,170	40,261
Other long-term liabilities	—	—	1,050	1,062	83,653
Total liabilities	5,852	—	313,607	80,821	7,721,422
Deferred inflows of resources:					
Service concession arrangements	—	—	—	—	655,928
Pension related	—	—	6,664	3,175	131,745
Total deferred inflows of resources	—	—	6,664	3,175	787,673
Net position:					
Net investment in capital assets	45,375	—	20,300	63,456	1,529,479
Restricted for:					
Capital projects	—	—	—	—	57,047
Debt service	—	—	—	—	97,097
Student loans and other educational purpose	—	—	—	—	4,062
Other specified purposes	—	—	—	581	151,363
Unrestricted (deficit)	71,630	—	(143,602)	(53,201)	(3,446,690)
Total net position (deficit)	$ 117,005	—	(123,302)	10,836	(1,607,642)

COMMONWEALTH OF PUERTO RICO

Nonmajor Discretely Presented Component Units

Combining Statement of Activities

Year ended June 30, 2020

(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	$ 136,773	91,451	—	—	(45,322)	63,650	—	—	360	696	19,384	(89,993)	—	(89,993)	(70,609)
Automobile Accidents Compensation Administration	62,350	83,680	—	—	21,330	(1,096)	—	—	2,596	—	22,830	(202,356)	—	(202,356)	(179,526)
Cardiovascular Center Corporation of Puerto Rico and the Caribbean	77,529	77,859	—	—	330	1,508	—	717	—	—	2,555	(70,102)	—	(70,102)	(67,547)
Center of Diabetes for Puerto Rico	845	200	—	—	(645)	339	—	—	3	6	(297)	851	—	851	554
Company for the Integral Development of the "Península de Cantera"	4,386	—	1,231	—	(3,155)	—	—	7	29	—	(3,119)	(40,664)	—	(40,664)	(43,783)
Corporation for the "Caño Martin Peña" Enlace Project	5,607	—	10,634	2,736	7,763	—	—	—	37	—	7,800	5,103	234	5,337	13,137
Culebra Conservation and Development Authority	394	424	—	—	30	232	—	—	—	—	262	892	—	892	1,154
Economic Development Bank for Puerto Rico	12,419	2,615	—	—	(9,804)	—	—	—	—	5,782	(4,022)	(12,255)	—	(12,255)	(16,277)
Farm Insurance Corporation of Puerto Rico	1,354	560	—	—	(794)	—	—	—	41	—	(753)	(7,532)	553	(6,979)	(7,732)
Fine Arts Center Corporation	5,687	1,884	—	60	(3,743)	3,313	—	—	19	—	(411)	8,504	—	8,504	8,093
Government Development Bank Debt Restructuring Authority	174,042	71,267	—	—	(102,775)	—	—	—	489	7,437	(94,849)	(777,605)	—	(777,605)	(872,454)
Institute of Puerto Rican Culture	15,396	—	2,716	—	(12,680)	14,612	—	—	—	—	1,932	(19,167)	17	(19,150)	(17,218)
Institutional Trust of the National Guard of Puerto Rico	6,670	6,442	—	—	(228)	—	—	—	758	1,980	2,510	55,660	—	55,660	58,170
Land Authority of Puerto Rico	10,580	9,594	351	—	(635)	—	—	—	—	76	(559)	(70,430)	114	(70,316)	(70,875)
Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads	2,837	1,096	712	—	(1,029)	1,042	—	—	—	—	13	411	—	411	424
Musical Arts Corporation	14,331	277	—	—	(14,054)	5,865	—	—	73	77	(8,039)	(23,542)	—	(23,542)	(31,581)
Public Corporation for the Supervision and Deposit Insurance of Puerto Rico Cooperatives	51,797	24,267	405	—	(27,125)	—	—	—	24,362	—	(2,763)	106,228	—	106,228	103,465
Puerto Rico Conservatory of Music Corporation	10,725	2,907	—	43	(7,775)	5,616	—	474	3	37	(1,645)	57,499	(990)	56,509	54,864
Puerto Rico Convention Center District Authority	70,014	23,620	—	—	(46,394)	13,008	3,762	—	56	5,846	(23,722)	35,682	—	35,682	11,960
Puerto Rico Destination Marketing Corporation	21,899	530	—	—	(21,369)	25,004	—	—	(99)	—	3,536	5,312	—	5,312	8,848
Puerto Rico Industrial Development Company	67,455	56,947	558	—	(9,950)	3,850	—	—	456	3,679	(1,965)	13,120	—	13,120	11,155
Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority	54	—	—	—	(54)	—	—	—	—	—	(54)	(570)	—	(570)	(624)
Puerto Rico Integrated Transit Authority	1,890	—	6,091	—	4,201	—	—	—	61	—	4,262	5,009	—	5,009	9,271
Puerto Rico Land Administration	8,477	12,681	—	—	4,204	—	—	—	103	—	4,307	146,964	—	146,964	151,271
Puerto Rico and Municipal Islands Maritime Transport Authority	46,905	3,789	286	—	(42,830)	45,401	—	—	—	—	2,571	(37,611)	—	(37,611)	(35,040)
Puerto Rico Metropolitan Bus Authority	52,193	2,129	22,513	—	(27,551)	33,483	—	—	—	—	5,932	(393,864)	—	(393,864)	(387,932)
Puerto Rico Municipal Finance Agency	17,252	—	—	—	(17,252)	—	—	—	16,377	96	(779)	70,126	—	70,126	69,347
Puerto Rico Municipal Finance Corporation	137,912	—	137,087	—	(825)	—	—	—	1,406	32	613	33,481	—	33,481	34,094
Puerto Rico Ports Authority	140,879	112,002	6,997	—	(21,880)	7,768	—	—	231	222,411	208,530	(552,405)	—	(552,405)	(343,875)
Puerto Rico Public Broadcasting Corporation	11,203	4,004	—	—	(7,199)	6,465	—	3,424	1,497	—	4,187	(22,927)	—	(22,927)	(18,740)
Puerto Rico Public Private Partnerships Authority	655,446	16,409	606,185	—	(32,852)	43,535	—	—	129	202	11,014	(3,186)	—	(3,186)	7,828
Puerto Rico School of Plastic Arts	5,470	1,229	3,057	—	(1,184)	1,539	—	—	56	—	411	1,256	6,331	7,587	7,998
Puerto Rico Science, Technology and Research Trust	27,951	65	26,952	—	(934)	—	—	—	2,903	450	2,419	114,585	—	114,585	117,004
Puerto Rico Telephone Authority	—	—	—	—	—	—	—	—	—	—	—	(9)	9	—	—
Puerto Rico Tourism Company	124,880	134,690	—	—	9,810	(16,274)	(52,585)	—	902	56,074	(2,073)	(121,229)	—	(121,229)	(123,302)
Puerto Rico Trade and Export Company	19,582	14,507	933	—	(4,142)	—	—	—	74	468	(3,600)	14,436	—	14,436	10,836
Total nonmajor component units	$ 2,003,184	757,125	826,708	2,839	(416,512)	258,860	(48,823)	4,622	52,922	305,349	156,418	(1,770,328)	6,268	(1,764,060)	(1,607,642)

See accompanying independent auditors' report.