PUBLIC BUILDINGS AUTHORITY

(A Blended Component Unit of the Commonwealth of Puerto Rico)

INDEPENDENT AUDITOR'S REPORT

AND

BASIC FINANCIAL STATEMENTS AND

OTHER SUPPLEMENTARY INFORMATION

For the fiscal years ended June 30, 2019, and June 30, 2018

PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
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Aquino, De Córdova, Alfaro & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Jorge Aquino Barreto, CPA, CVA
Jerry De Córdova, CPA, JD
Eduardo González Green, CPA, CFE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Public Buildings Authority
(A Blended Component Unit of the Commonwealth of Puerto Rico)

Report on the Financial Statements

We have audited the accompanying financial statements of the of the *Public Buildings Authority* (the Authority) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority'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 accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

P.O. Box 70262, San Juan, Puerto Rico 00936-8262 • Cecilia's Place Suite C-1, #7 Rosa Street
Isla Verde, P.R. 00979 • Phone (787) 253-9595 • Fax (787) 253-9511

Emphasis of Matter

Uncertainty about Ability to continue as a going concern

The accompanying basic financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 4 to the financial statements, the Authority is a blended component unit of the Commonwealth of Puerto Rico. As of June 30, 2019, the financial condition and liquidity of the Commonwealth has been deteriorated. Considering that the Authority depends significatively on appropriations from the Commonwealth, the financial condition of the Authority has been similarly affected. On March 8, 2021 the Financial Oversight Board, as representative to the Commonwealth and the Authority in their respective Title III cases, filed its Second Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, as discussed in Notes 4 and 23. Management's evaluation of the events and conditions, and plans, regarding these matters are described in Note 4 to the basic financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information Omitted

The Authority has omitted the schedules and ratios required by GASB Statement 73 and 75, information that Accounting Principles Generally Accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements in not affected by the missing information.

Required Supplementary Information

Accounting Principles Generally Accepted in the United States of America requires that the Management's Discussion and Analysis on pages 5 to 17, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Opinions on comparative financial statements

The financial statements of the Authority for the year ended June 30, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 2021.

Restatement

As part of our audit of the 2019 financial statements, we also audited the adjustments described in Note 22 that were applied to restate the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 financial statements of the Authority other than with respect to the adjustments, and accordingly, we do not express an opinion of any other form of assurance on the 2018 financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedules of bond sinking funds accounts and operating rental revenues on pages 83 and 84 respectively, are presented for purposes of additional analysis and are not required part of the basic financial statements.

The schedules of bond sinking funds accounts and operating rental revenues 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, the bond sinking funds accounts and operating rental revenues are fairly stated in all material respects in relation to the basic financial statements as a whole.

Carolina, Puerto Rico
November 10, 2021

Aquino, De Cordova, Alfaro & Co. LLP

Stamp number E475275
of Puerto Rico CPA Society
has been affixed to the
original report

Aquino, De Córdova, Alfaro & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Introduction

The following management's discussion and analysis (MD&A) of the financial performance of the Public Buildings Authority (the Authority) provides an overview of the Authority's activities for the fiscal years ended June 30, 2019, and June 30, 2018. Its purpose is to provide explanations and insights into the information provided in the basic financial statements and required supplementary information. This MD&A is intended to be read in conjunction with the Authority's basic financial statements for fiscal years ended June 30, 2019, and June 30, 2018, taken as a whole.

Financial Highlights

- The Authority's deficit increased by $299.8 million or 19% during the year ended June 30, 2019, as compared to the prior fiscal year. For the fiscal year ended June 30, 2018, the deficit increased by $638.9 million or 66.4% as compared to the prior fiscal year.

- For the year ended June 30, 2019, the Authority reported an increase in net rental income of $305.3 million compared to the prior fiscal year due, in large part, to the application of a more conservative estimate for allowance for uncollectible amounts due from the central government of the Commonwealth of Puerto Rico (the Commonwealth). As set forth herein, all rent receivable other than those amounts subsequently collected after June 30, 2019, are reserved as uncollectible.

- The Authority's operating loss decreased from approximately $438.9 million for the fiscal year ended June 30, 2018, to an operating loss of $136.4 million for the year ended June 30, 2019, primarily due to the increase in the allowance for uncollectible amounts from the Commonwealth, as explained in the preceding paragraph.

- The Authority's non-operating expenses decreased from $253.7 million for the fiscal year ended June 30, 2018, to $228.9 million for the fiscal year ended June 30, 2019.

- The Commonwealth is in a midst of a profound fiscal and economic crisis, the culmination of many years of significant governmental deficits, an economic recession that has persisted since 2006, prior liquidity challenges, a high unemployment rate, population decline, and high levels of debt and pension obligations. On May 5, 2017, the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), at the request of the Governor of the Commonwealth of Puerto Rico, commenced a Title III case for the Commonwealth. Thereafter, on September 27, 2019, the Oversight Board, at the request of the Governor, commenced a Title III case for the Authority. As a part of its normal operating activities, the Authority has significant balances and transactions with the Commonwealth. Due to the Commonwealth's financial condition and pending Title III case, the amounts due from the Commonwealth to the Authority may not be collected in the near future or at all. These amounts due from the Commonwealth are the sole source for the payment of the corresponding rent charges to the Commonwealth and its related entities and costs of certain construction projects that have been suspended or cancelled by the Commonwealth. For these reasons, management believes that there is substantial doubt about the Authority's ability to continue as a going concern.

- On July 30, 2021, the Oversight Board—as representative of the Commonwealth, the Employee Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) and the Authority in their respective Title III cases (as defined below)—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]. The Seventh Amended Plan incorporates the terms of (i) a plan support agreement (the 2021 PSA), dated February 22, 2021, between the Oversight Board, certain Commonwealth general obligation bondholders and Authority bondholders; (ii) a restructuring support agreement with the Official Committee of Retired Employees of the Commonwealth (the Retiree Committee), in which the Retiree Committee agreed to a maximum 8.5% pension cut that would only be applicable to retirees with monthly retirement benefits of more than $1,500, as well as freezes in pension benefits for teachers and judges; (iii) the HTA/CCDA Related Plan Support Agreement, dated May 5, 2021, between the Oversight Board, Assured Guaranty Corp. and National Public Finance Guarantee Corporation (the HTA/CCDA PSA); and (iv) the ERS Stipulation.

- The Government has not yet determined whether it will support the 2021 PSA, the HTA/CCDA PSA or the Seventh Amended Plan given its view that Government pensioners must be protected and must not receive additional cuts to their pension benefits. The Seventh Amended Plan remains subject to future amendments and Title III Court approval. It is not certain that the Title III Court will ultimately confirm the Seventh Amended Plan or any further amended plan.

- On December 21, 2018, the Oversight Board, as representative of the Commonwealth, jointly with the Official Committee of Unsecured Creditors appointed in the Commonwealth's Title III case (the Creditors' Committee), filed a complaint against the Authority (the Complaint), seeking a declaratory judgment that the purported leases entered into by the Authority with departments, agencies, instrumentalities, authorities, public corporations, and municipalities of the Commonwealth are not arm's-length rental transactions, but rather disguised financing transactions, the sole purposes of which are to provide a vehicle for the Commonwealth to repay the more than $4 billion in bonds it issued to finance the acquisition, construction, and/or improvement of office space and other facilities used by various departments, agencies, and instrumentalities of the Commonwealth. Plaintiffs contend the Authority has no right under PROMESA or the United States Bankruptcy Code provisions incorporated into PROMESA to receive post-petition rent payments from, or assert administrative claims against, the Commonwealth. The Complaint seeks declarations that: (1) the leases between the Authority and various governmental agencies are not subject to treatment in accordance with Bankruptcy Code section 365(d)(3), which requires the performance of all obligations of the debtor under any unexpired lease of nonresidential real property until such lease is assumed or rejected, and thus the Debtors have no obligation to make payments to the Authority under the leases, and (2) the Authority is not entitled to a priority administrative expense claim pursuant to Bankruptcy Code sections 503(b)(1) and 507(a)(2). As of the date of these basic financial statements, this litigation is stayed pending the Title III Court's consideration of confirmation of the Seventh Amended Plan (or any further amended version thereof).

Overview of the Basic Financial Statements

The Authority's basic financial statements consist of: MD&A, Basic Financial Statements, Notes to Basic Financial Statements and Other Supplementary Information.

Management's Discussion and Analysis

This MD&A provides an analysis to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. It is intended to serve as an introduction to the Authority's basic financial statements.

Basic Financial Statements

Statement of Net Position - This statement presents financial information on the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets, without a corresponding increase to liabilities, result in a net position increase, which also indicates an improved financial position.

Statement of Revenues, Expenses and Changes in Net Positions - This statement presents information showing how the Authority's net position changed during the reporting period. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. During the year 2019 it was necessary to make an adjustment of previous years that affected the accounts of other expenses and loss from natural disaster for the amount of $90.7 million.

Reclassifications – Certain reclassification to current year account balances were done to conform with prior years financial statements.

Statement of Cash Flows - This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, non-capital financing activities, capital, and related financing activities, investing activities, and non-cash items.

Notes to the Basic Financial Statements - The notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

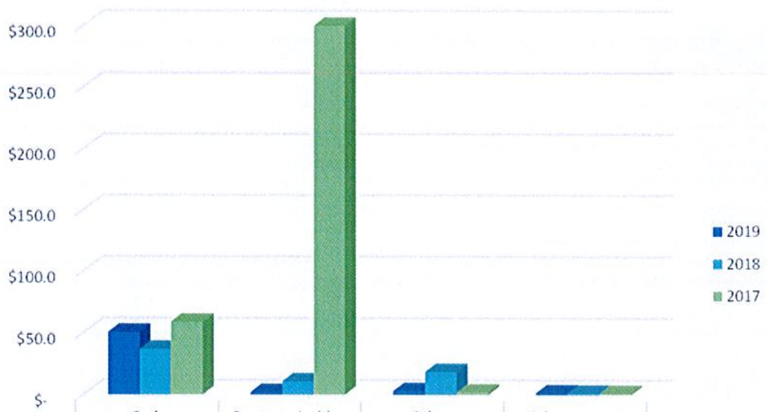
Other Supplementary Information - In addition to the basic financial statements, accompanying notes, and the required supplementary information, various schedules present certain information concerning changes in bond sinking funds accounts and detail of operating rental revenues.

Overall Financial Analysis - As noted above, net position over time may serve as a useful indicator of a government's financial position. In the case of the Authority, its net deficit position as of June 30, 2019, June 30, 2018, and June 30, 2017, amounted to approximately $1,900.3 million, $1,600.6 million and $961.6 million, respectively.

Statement of Net Position

Following is condensed financial information of the Authority's statements of net position:

	June 30,				
	2019	As restated 2018	Change in amount	Change	2017
Assets					
Current assets	$ 56,433,419	$ 67,123,309	$ (10,689,890)	-15.9%	$ 361,483,628
Capital assets	3,181,678,532	3,272,390,545	(90,712,013)	-2.8%	3,414,144,012
Other non-current assets	54,149,987	32,819,959	21,330,028	65.0%	38,234,019
Total assets	3,292,261,938	3,372,333,813	(80,071,875)	-2.4%	3,813,861,659
Deferred outflows of resources	107,643,708	173,357,784	(65,714,076)	-37.9%	206,062,037
Total assets and deferred outflows of resources	3,399,905,646	3,545,691,597	(145,785,951)	-4.1%	4,019,923,695
Liabilities					
Current liabilities	993,689,568	724,781,641	268,907,927	37.1%	462,096,693
Non-current liabilities	4,273,187,582	4,372,631,579	(99,443,997)	-2.3%	4,510,891,976
Total liabilities	5,266,877,150	5,097,413,220	169,463,930	3.3%	4,972,988,669
Deferred Inflows of Resources	33,349,412	48,795,266	(15,445,854)	-31.7%	8,507,891
Total liabilities and deferred inflows of resources	5,300,226,562	5,146,208,486	154,018,076	3.0%	4,981,496,560
Deficit					
Net investment in capital assets	(802,195,091)	(945,832,632)	143,637,541	-15.2%	(611,126,864)
Restricted for debt service	12,930,126	-	12,930,126	n/a	-
Restricted for other purpose	17,653,736	-	17,653,736	n/a	-
Unrestricted (deficit)	(1,128,709,687)	(654,684,257)	(474,025,430)	72.4%	(350,446,001)
Total deficit	$ (1,900,320,916)	$ (1,600,516,889)	$ (299,804,027)	18.7%	$ (961,572,865)



	Cash	Rent receivable, net	Other receivables, net	Other current assets
2019	$50.4	$1.9	$2.8	$1.3
2018	$36.8	$10.7	$18.5	$1.1
2017	$58.7	$299.8	$2.0	$1.0

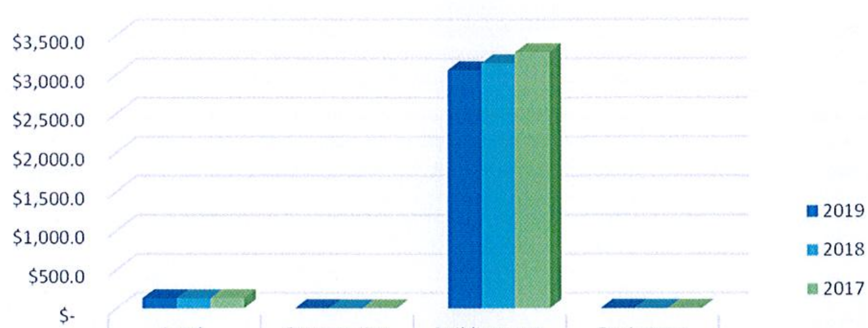
Current assets (in millions)

During the fiscal year ended June 30, 2019, current assets decreased by $10.7 million or 15.9% as compared to the prior fiscal year ended June 30, 2018. This decrease was due, in large part, to a change in estimate in collectability of rent receivable from the Commonwealth. Within current assets, (i) cash as of June 30, 2019, was $50.4 million or 36.9% more than as of June 30, 2018, (ii) net rent receivable was $8.8 million lower than as of June 30, 2018 and (iii) net other receivables were $15.7 lower than as of June 30, 2018.

During the fiscal year ended June 30, 2018, current assets decreased by approximately $294.4 million or 81.4% as compared to the prior fiscal year ended June 30, 2017. This decrease was related, in large part, to the normalization of estimates after reserving substantial amounts of receivables as uncollectible as of June 30, 2018.

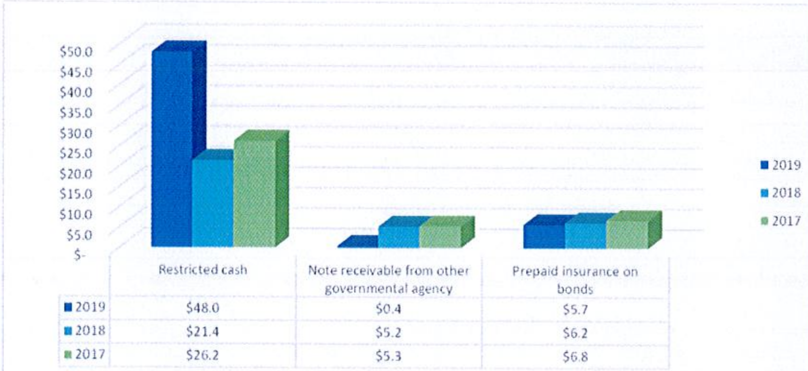
Capital assets (in millions)

Building decreased by approximately $90.7 million as of June 30, 2019, compared to the prior fiscal year, due to depreciation expense.



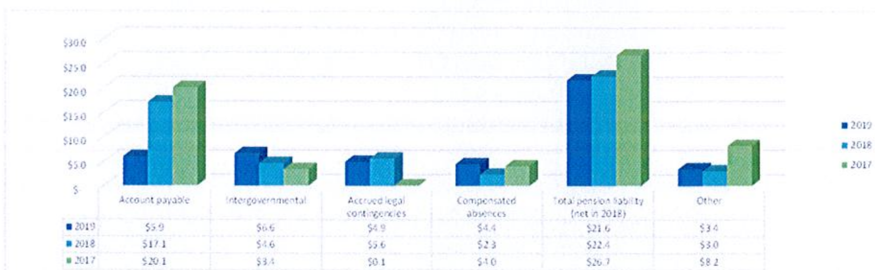
	Land	Construction in progress	Buildings, net	Equipment and vehicles, net
2019	$129.5	$-	$3,049.6	$2.5
2018	$129.6	$-	$3,139.9	$2.9
2017	$129.6	$0.6	$3,281.0	$3.0

Other non-current assets (in millions)



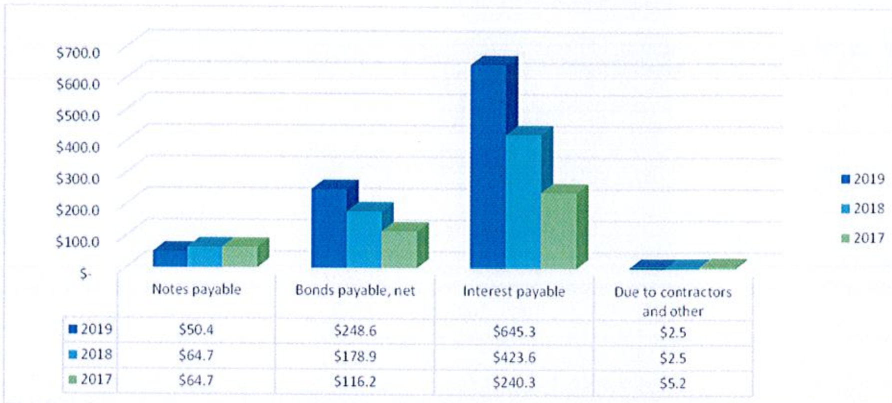
During the fiscal year ended June 30, 2019, non-current assets increased by approximately $21.3 million or 65%, as compared to the prior fiscal year ended June 30, 2018, primarily due to the proceed from insurance company and FEMA program. No contributions were made by the Authority to the Sinking Fund during the reporting period as debt service payments were suspended because of the moratorium declared by the Commonwealth of Puerto Rico and the Commonwealth's and the Authority's subsequent Title III cases, as further discussed in Note 23 to the basic financial statements.

Current liabilities payable from unrestricted assets (in millions)



During the fiscal year ended June 30, 2019, total current liabilities due from unrestricted assets decreased by approximately $8.2 million or 15% as compared to the prior fiscal year.

- Accounts payable as of June 30, 2019, decreased by approximately $11.2 million when compared with June 30, 2018, primarily due to payment of invoices to vendors.
- Intergovernmental payables increased approximately $2 million and June 30, 2019 with respect to prior year.
- Accrued expenses as of June 30, 2019, increased by approximately $0.4 million when compared with June 30, 2018.
- Compensated absences increased by approximately $2.1 million, and voluntary termination benefits decreased by $0.6 million during the year ended June 30, 2019.



	Notes payable	Bonds payable, net	Interest payable	Due to contractors and other
2019	$50.4	$248.6	$645.3	$2.5
2018	$64.7	$178.9	$423.6	$2.5
2017	$64.7	$116.2	$240.3	$5.2

Current liabilities payable from restricted assets (in millions)

Current total liabilities due from restricted assets increased by approximately $277.1 million and $243.4 million in the years ended June 30, 2019, and June 30, 2018, respectively. This increase is primarily due to (i) the inclusion of bond payments and interest payable in arrears; and (ii) the limitation of the subrogation rights of monoline insurers to amounts actually paid for the respective years.

Non-current liabilities (in millions)

No bond payments were made by the Authority during the fiscal years ended June 30, 2019, and June 30, 2018; the payments that would have been made during those fiscal years are reported as current bonds payable.

	Bonds payable, net	Total pension liability (net in 2018)	Notes payable	Other post-employment benefits	Other
2019	$3,742.8	$385.1	$87.0	$19.3	$39.7
2018	$3,814.4	$367.0	$117.4	$26.1	$48.5
2017	$3,907.4	$426.7	$182.2	$15.9	$56.3

Instead, payments were made by bond monoline insurances which retain subrogated rights limited to amounts actually paid on the insured bonds and therefore bond's liabilities did not decrease for such payments.

Total pension liability increased approximately $18.1 million during the year ended June 30, 2019, after experiencing a decrease of approximately $55.1 million in the year ended June 30, 2018. These changes are primarily due to a change in actuarial valuations provided by ERS for which the Authority recognizes its proportionate share.

The Authority had various note payable agreements with the GDB Debt Recovery Authority. Some of the agreements were to provide interim financing for construction of the Authority's facilities while others were to finance operations including the financing of debt service requirements under the bond agreements. As discussed herein, certain of the lines of credit were impacted by the GDB Title VI restructuring (as defined below). For more information on the GDB Qualifying Modification see Note 23.

Other non-current liabilities as of June 30, 2019, decreased by approximately $8.9 million, or 18%, when compared with 2018, and consist mainly of the non-current portion of post-retirement employee benefits, legal claims and voluntary termination benefits.

Other postemployment benefits decreased by $6.8 million during the year ended June 30, 2019, after experiencing an increase of $9 million in the year ended June 30, 2018. These changes are primarily due to change in actuarial valuations provided by ERS for which the Authority recognizes its proportionate share. This change was added to the actuarial valuations made by the Authority for its healthcare benefits for its retirees covered by collective bargaining agreements (CBA). The Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement replaces the requirement of GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployments Benefits Other Than Pensions* (GASB 45) used in prior years. This Statement establishes the standards for the measurement, recognition, and display of Other Postemployment Benefits (OPEB) expense / expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state, and local governmental employers.

Statement of Revenues, Expenses and Changes in Deficit

Following is condensed financial information of the Authority's statement of revenues, expenses and changes in deficit:

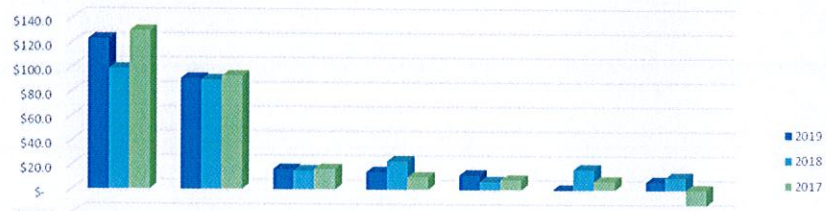
	Years Ended June 30,				
		As restated			
	2019	2018	Change in amount	Change	2017
Revenues:					
Operating	$ 126,493,326	$ (178,757,534)	$ 305,250,860	-171%	$ 363,794,738
Non-operating	65,503,539	53,725,611	11,777,928	22%	30,003,409
Total revenues	191,996,865	(125,031,923)	317,028,788	-254%	393,798,147
Expenses:					
Operating	262,888,695	260,162,772	2,725,923	1%	251,994,173
Non-operating	228,912,197	253,749,329	(24,837,132)	-10%	240,239,117
Total expenses	491,800,892	513,912,101	(22,111,209)	-4%	492,233,290
Change in net deficit	(299,804,027)	(638,944,024)	339,139,997	-53%	(98,435,143)
Deficit:					
Beginning of year	(1,600,516,889)	(961,572,865)	(638,944,024)	66%	(863,137,722)
End of year	$ (1,900,320,916)	$ (1,600,516,889)	$ (299,804,027)	19%	$ (961,572,865)

Operating revenues

Operating revenues principally consist of rent charges to Commonwealth agencies, public corporations and municipalities. Operating revenue increased approximately $305.3 million during the year ended June 30, 2019, resulting from management's adjustment of uncollectible accounts. Operating revenues decreased by approximately $542.6 million during the fiscal year ended June 30, 2018, as compared to the fiscal year ended June 30, 2017, primarily as a result of the uncollectible amounts recognized in 2018 of $593.9 for rent receivables by Commonwealth agencies and public corporations.

Expenses (in millions)

The following chart discloses the major components of operating expenses for the fiscal years ended June 30, 2019, and June 30, 2018:



	Salaries and benefits	Depreciation	Utilities	Repairs	Rent and insurance	Legal claims	Other
2019	$123.0	$90.7	$16.4	$14.3	$11.9	$-	$6.6
2018	$98.7	$89.6	$15.4	$23.2	$6.6	$16.7	$10.0
2017	$129.8	$92.9	$16.6	$10.2	$8.1	$7.0	$(12.6)

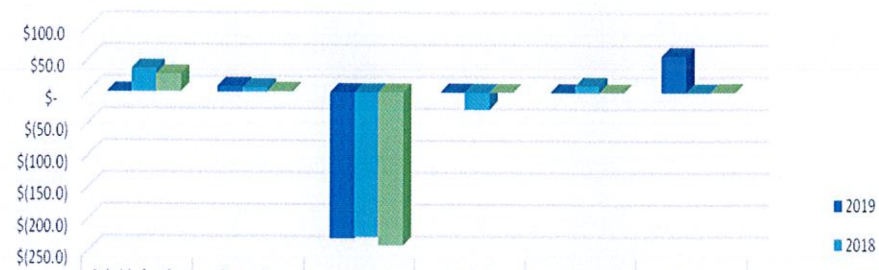
During the fiscal year ended June 30, 2019, operating expenses increased by approximately $2.7 million, or 1% as compared to the prior fiscal year ended June 30, 2018. During the fiscal year ended June 30, 2018, operating expenses increased by $8.2 million or 3% compared to the prior fiscal year ended June 30, 2017.

Notable changes in expenses during the year ended June 30, 2019, include:

- Salaries and benefits increased by approximately $24.3 million, or 25%, due in large part to the implementation of a voluntary termination program and the reduction of pension expense based on actuarial estimates.
- Depreciation expense increased by approximately $1.1 million, or 1%, mostly due to one-time adjustments and corrections to depreciation schedules.
- Utility expenses increased by approximately $1 million, or 7%.
- The repairs and maintenance expenses decreased by approximately $8.9 million, or 39%.

Non-operating Revenues and/or Expenses (in millions)

Non-operating expenses consist of interest paid and accrued on the Authority's bonds and note payable agreements with DRA and net loss from natural disasters. Net non-operating expenses decreased approximately $36.6 million or 18.3% during the fiscal year ended June 30, 2019.



	Subsidy for the payments of bonds	Operating grants from Commonwealth of Puerto Rico	Interest on bonds and notes	Loss from natural disasters net of insurance recoveries	FEMA reimbursement of natural disaster expenditures	Other
2019	$-	$8.6	$(228.9)	$-	$-	$56.9
2018	$36.2	$7.0	$(226.9)	$(26.9)	$10.4	$0.1
2017	$27.7	$1.6	$(240.2)	$-	$-	$0.7

During the years ended June 30, 2019, the Authority received no subsidy from the Internal Revenue Service (IRS). During fiscal year 2018 the Authority received approximately $36.2 million for the payment of interest on series R and T bonds issued during 2012.

During the years ended June 30, 2019, and June 30, 2018, appropriations from the Commonwealth to the Authority for the financing of operating expenses amounted to approximately $8.6 million and $7.0 million, respectively.

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Capital Assets:

	June 30, 2019	June 30, 2018 as restated	Change
Capital assets not being depreciated:			
Land	$ 129,569,461	$ 129,569,461	$ -
Construction in progress	-	-	-
Total	$ 129,569,461	$ 129,569,461	$ -
Capital assets being depreciated:			
Buldings	3,049,639,783	3,139,874,598	(90,234,815)
Equipment and vehicles	2,469,288	2,946,486	(477,198)
Total	3,052,109,071	3,142,821,084	(90,712,013)
Total capital assets	$ 3,181,678,532	$ 3,272,390,545	$ (90,712,013)

	June 30, 2018 as restated	June 30, 2017	Change
Capital assets not being depreciated:			
Land	$ 129,569,461	$ 129,569,461	$ -
Construction in progress	-	553,531	(553,531)
Total	$ 129,569,461	$ 130,122,992	$ (553,531)
Capital assets being depreciated:			
Buldings	3,139,874,598	3,281,040,376	(141,165,778)
Equipment and vehicles	2,946,486	2,980,643	(34,157)
Total	3,142,821,084	3,284,021,019	(141,199,935)
Total capital assets	$ 3,272,390,545	$ 3,414,144,011	$ (141,753,466)

The Authority's investment in capital assets as of June 30, 2019, and June 30, 2018, net of accumulated depreciation, amounted to approximately $3.2 billion for each year. Capital assets include land, construction in progress, building, equipment, furniture, and vehicles. Most of the Authority's buildings are leased to the Commonwealth's agencies and public corporations. For more information, please refer to Note 10 of the basic financial statements.

Debt Administration

The Authority's debt obligations consist principally of bonds payable, net of related unamortized bond discount or bond premiums, and notes payable. The Authority's debt also includes the balance of subrogated rights of the monoline insurers but is limited to amounts actually paid by the monoline insurers for each of the missed payments on the insured bonds. Debt was issued principally to finance capital assets and to finance operating expenses and is summarized as follows:

	June 30,		
	2019	2018	Change
Revenue bonds	$ 33,850,000	$ 33,850,000	$ -
Government facilities	3,907,774,664	3,928,015,644	(20,240,980)
Total	3,941,624,664	3,961,865,644	(20,240,980)
Add (deduct):			
Bond discount	(21,192,934)	(22,544,094)	1,351,160
Bond premiums	21,384,046	24,669,866	(3,285,820)
Total	191,112	2,125,772	(1,934,660)
Bonds payable net	3,941,815,776	3,963,991,416	(22,175,640)
Bond payable to monoline insurer	49,571,066	29,330,086	20,240,980
Note payable to DRA	137,414,149	182,160,106	(44,745,957)
Total debt	$ 4,128,800,991	$ 4,175,481,609	$ (46,680,617)

	June 30,		
	2018	2017	Change
Revenue bonds	$ 33,850,000	$ 37,215,000	$ (3,365,000)
Government facilities	3,928,015,644	3,957,179,866	(29,164,222)
Total	3,961,865,644	3,994,394,866	(32,529,222)
Add (deduct):			
Bond discount	(22,544,094)	(23,895,255)	1,351,161
Bond premiums	24,669,866	28,293,540	(3,623,674)
Total	2,125,772	4,398,285	(2,272,513)
Bonds payable net	3,963,991,416	3,998,893,151	(34,901,735)
Bond payable to monoline insurer	29,330,086	10,086,226	19,243,860
Note payable to DRA	182,160,106	182,160,106	-
Total debt	$ 4,175,481,609	$ 4,191,139,483	$ (15,657,875)

June 30, 2019 and June 30, 2018

During the year ended June 30, 2019, bonds payable did not change, before amortization of bond discount and bond premiums. The payments received for $19.9 million for bonds principal payments were made by monoline insurers. Therefore, bond payable debt remains the same since monoline insurers retain subrogated rights limited to amounts actually paid on the insured bonds, as reflected above.

June 30, 2018, and June 30, 2017

During the fiscal year ended June 30, 2018, bonds payable decreased by approximately $12.8 million before amortization of bond discount and bond premiums due to the schedule of principal payments on bonds. The decrease includes the use of resources in the Bond Sinking Fund as well as payments by monoline insurers, which retain subrogated rights limited to amounts actually paid on the insured bonds, as reflected above.

Currently known facts, decisions and conditions

There are various events that may subsequently have a significant effect on the financial position (and/or the results of operations). The most notable are, two catastrophic events (series of earthquakes affecting the southwest portion of the island starting December 2019 and the corona virus pandemic officially declared on March 2020.

The implementation of the Act 8 of 2017 "Ley para la Administración y Transformación de los Recursos Humanos en el Gobierno de Puerto Rico" and Law 120 of 2018 "Ley para Transformar el Sistema Eléctrico de Puerto Rico", resulted in fiscal year 2021 in the transfers of 541 employees of the Maritime Transport Authority and Puerto Rico Electric Power Authority with a budgetary impact of $70 million per year and at the same time puts PBA's liquidity at risk.

To address this situation, management plans to restructure its policies to open up to the private market, strengthen the collections, contracts and leases Division and conduct a market price analysis to adjust those from PBA to market.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Comptroller's Office, Public Building Authority, PO Box 41029, San Juan, PR 00940-1029.

PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019, and June 30, 2018

ASSETS		2019		As restated 2018
Current assets:				
Cash and cash equivalent	$	50,412,846	$	36,857,916
Rent receivables, net		1,933,189		10,705,551
Other receivables, net		2,798,057		18,480,567
Other assets		1,289,327		1,079,275
Total current assets		56,433,419		67,123,309
Non-current assets:				
Restricted cash and cash equivalents:				
Bond sinking funds		20,294		19,963
Construction funds		35,081,698		16,331,741
Restricted debt funds		12,909,832		5,065,314
Note receivable from other governmental agency		442,928		5,194,038
Prepaid insurance on bonds		5,695,235		6,208,903
Capital assets:				
Non depreciable		129,569,461		129,569,461
Depreciable, net		3,052,109,071		3,142,821,084
Total non-current assets		3,235,828,519		3,305,210,504
Total assets		3,292,261,938		3,372,333,813
Deferred Outflows of Resources:				
Loss on bond refunding		73,036,382		81,633,774
Related to pension plans		33,358,241		90,988,343
Related to post employment benefits		1,249,085		735,667
Total deferred outflows of resources		107,643,708		173,357,784
Total assets and deferred outflows of resources	$	3,399,905,646	$	3,545,691,597

Continues

PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019, and June 30, 2018

Continued

LIABILITIES	2019	As restated 2018
Current liabilities:		
Account payable	$ 5,976,435	$ 17,148,785
Intergovernmental	6,561,725	4,587,730
Accrued expenses	1,069,732	637,550
Rent collected in advance	1,129,148	951,479
Accrued legal contingencies	4,851,826	5,051,826
Compensated absences	4,388,375	2,288,956
Voluntary termination benefits	583,094	1,232,905
Total pension liability (net in 2018)	21,556,334	22,384,815
Total other postemployment benefits liability	713,765	735,667
Current liabilities payable from restricted assets:		
Notes payable	50,435,991	64,718,816
Bonds payable, net	248,593,063	178,948,063
Interest payable	645,324,547	423,588,751
Due to contractors	2,494,262	2,495,027
Due to Puerto Rico Infrastructure Financing Authority	11,271	11,271
Total current liabilities	$ 993,689,568	$ 724,781,641
Non-current liabilities:		
Notes payable	86,978,158	117,441,291
Bonds payable, net	3,742,793,779	3,814,373,439
Due to contractors	7,420,485	7,529,108
Accrued legal contingencies	16,400,926	16,400,926
Compensated absences	2,519,256	9,062,338
Total pension liability (net in 2018)	385,102,764	366,995,724
Total other postemployment benefits liability	18,587,086	25,365,724
Voluntary termination benefits	13,385,128	15,463,029
Total non-current liabilities	4,273,187,582	4,372,631,579
Total Liabilities	5,266,877,150	5,097,413,220
Deferred inflows related to pension plan	25,634,675	48,795,266
Deferred inflows related to other post employment benefits	7,714,737	-
Total liabilities and deferred inflows of resources	5,300,226,562	5,146,208,486
Net position:		
Net investment in capital assets	(802,195,091)	(945,832,632)
Restricted for debt services	12,930,126	-
Restricted for other purpose	17,653,736	-
Unrestricted (deficit)	(1,128,709,687)	(654,684,257)
Net position deficit	$ (1,900,320,916)	$ (1,600,516,889)

The accompanying notes are an integral part of these basic financial statements.

PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF REVENUES EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019, and June 30, 2018

	2019	As restated 2018
Operating revenues:		
Rental revenues from governmental agencies	$ 415,481,720	$ 415,171,210
Less: uncollectible amounts expensed	(288,988,394)	(593,928,744)
Rental revenues from governmental agencies, net	126,493,326	(178,757,534)
Operating expenses:		
Salaries and employees benefits	123,017,634	98,685,866
Depreciation	90,712,013	89,566,161
Utilities	16,417,319	15,402,982
Repairs and maintenance	14,253,062	23,187,402
Voluntary termination benefits	587,382	(154,751)
Security services	1,766,096	1,968,156
Rent and insurance	11,851,311	6,644,774
Legal claims	-	16,676,000
Other expenses	4,283,878	8,186,182
Total operating expenses	262,888,695	260,162,772
Operating (loss)	(136,395,369)	(438,920,306)
Non-operating revenue (expenses):		
Subsidy for the payment of bonds	-	36,193,705
Operating grants from Commonwealth of Puerto Rico	8,550,238	6,967,444
Interest on bonds and notes	(228,912,197)	(226,859,169)
Loss from natural disasters net of insurance recoveries	-	(26,890,160)
FEMA reimbursement or natural desaster expenditures	-	10,436,895
Recovery of custodial credit loss	40,965,182	-
Interest and other income	15,925,165	97,246
Service charges and other	62,954	30,321
Total non-operating expenses, net	(163,408,658)	(200,023,718)
Change in net position	(299,804,027)	(638,944,024)
Net position:		
At beginning of year	(1,600,516,889)	(961,572,865)
At end of year	$ (1,900,320,916)	$ (1,600,516,889)

The accompanying notes are an integral part of these basic financial statements.

PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019, and June 30, 2018

	2019	As restated 2018
Operating activities:		
Receipts from tenants	$ 136,712,779	$ 112,593,219
Payment to employees and related benefits	(76,392,048)	(90,948,102)
Payment for goods and services	(56,508,422)	(66,657,323)
Net cash provided (used in) by operating activities	3,812,309	(45,012,206)
Noncapital related financing activities:		
Operating grant from Commonwealth of Puerto Rico	8,550,237	-
Net change in amount due from Commonwealth of Puerto Rico	-	87,231
Other non-operating receipts	6,742,667	(2,163,913)
Net cash provided (used in) by noncapital financing activities	15,292,904	(2,076,682)
Capital and related financing activities:		
Subsidy from federal government for the payment of bonds	-	36,193,705
Proceeds from insurance for natural disaster claims	21,040,013	25,000,000
Payment of bonds	(19,930,000)	(3,465,000)
Interest paid	(19,546,395)	(37,219,868)
Payment of note payable	(41,916,675)	-
Proceeds from bond insurers	39,476,395	-
Net cash (used) provided in capital assets and related financing	(20,876,662)	20,508,837
Investing activities:		
Cash recovery of custodial credit risk loss	40,965,182	-
Collections from interest earned	956,003	-
Net cash provided by investing activities	41,921,185	-
Net increase (decrease) in cash and cash equivalents	40,149,736	(26,580,051)
Cash and cash equivalents:		
At beginning of year	58,274,934	84,854,985
At end of year	$ 98,424,670	$ 58,274,934

Continues

The accompanying notes are an integral part of these basic financial statements.

PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019, and June 30, 2018

Continued

	2019	As restated 2018
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating (loss)	$ (136,395,369)	$ (438,920,306)
Adjustment to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	90,712,013	89,566,161
Allowance for doubtful accounts	288,988,394	593,444,660
Change in operating assets and liabilities:		
(Increase) in other current assets	(210,052)	(344,340)
(Increase) decrease in other receivables, net	3,584,354	(18,169,783)
(Increase) decrease in prepaid insurance on bonds	-	558,225
(Increase) in rent receivable	(278,946,613)	(304,306,200)
Decrease in deferred outflows related to pension plans	57,630,102	32,704,253
Increase in amount due to contractors	(109,391)	(1,572,978)
Increase (decrease) in accounts payable and accrued expenses	(8,766,173)	11,273,661
Increase (decrease) in accrued legal contingencies	(200,000)	21,594,077
(Decrease) in compensated absences	(4,443,663)	(7,696,880)
Increase (decrease) in accrued expenses from natural disasters	-	(10,162,000)
Increase (decrease) in rent collected in advance	177,672	(72,586)
Increase (decrease) in their post-employment benefits	(7,313,958)	9,810,140
Increase (decrease) in total pension liability	17,278,559	(55,145,009)
(Decrease) in voluntary termination benefits	(2,727,712)	(7,860,676)
Increase (decrease) in deferred inflows related to pension plans	(15,445,854)	40,287,375
Net cash provided (used in) by operating activities	$ 3,812,309	$ (45,012,206)
Supplemental schedule of noncash investing, capital and financing activities		
Offset of impaired investments in deposits with governmental bank against its notes payable	$ 2,829,248	$ -
Payment of bond principal and interest by monoline insurers	$ -	$ 38,722,977
Suplementary cash flow information:		
Interest paid	$ 19,546,395	$ 37,219,868

The accompanying notes are an integral part of these basic financial statements.

1. ORGANIZATION

The Authority is a Blended Component unit of the Commonwealth, created by the Legislative Assembly of the Commonwealth pursuant to Act No. 56 of June 19, 1958, as amended (the Enabling Act). The Authority designs, constructs, administers, and provides maintenance to office buildings, courts, warehouses, schools, health-care facilities, welfare facilities, shops and related facilities, the majority of which are leased to the Commonwealth's departments, agencies, public corporations and instrumentalities and municipalities. The annual rent for each leased building is based on the amounts necessary to cover the Authority's payment of:

i. Principal, interest and other amortization requirements of the notes and bonds issued to finance the applicable buildings;
ii. Operating and maintenance expenses of the buildings, including a reasonable proportional share of administrative expenses, excluding depreciation; and
iii. Cost of equipment replacement and extraordinary repairs.

Components (ii) and (iii) are subject to periodic increases so that the Authority can recover the costs incurred. Amounts due from Commonwealth departments and governmental agencies may be subject to periodic adjustments based on the availability of funds at the Commonwealth level and the pending Commonwealth Title III case.

The Enabling Act provides that the full faith and credit of the Commonwealth is pledged for the payment of rent under any lease agreement executed pursuant to the Enabling Act with any department of the Commonwealth. The Enabling Act also provides that the Department of Treasury of the Commonwealth of Puerto Rico (Treasury Department) will make advances to the Authority for any unpaid portion of rent payable to the Authority by any agency or instrumentality of the Commonwealth that has entered into lease agreements with the Authority. Such advances are recorded as a reduction to account receivables because the reimbursement obligation belongs to the agency in accordance to the Enabling Act. This obligation was suspended pursuant the Puerto Rico Emergency Moratorium and Rehabilitation Act (Act No. 21 of 2016) and the Commonwealth's subsequent Title III case, as described more fully in Note 23.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Basis of Accounting –** The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

   The activities of the Authority are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows, liabilities, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded as incurred.

b. **Use of Estimates** – The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

c. **Fair Value of Financial Instruments** – The carrying amounts reported in the statements of net position for cash and cash equivalents and receivables approximate fair value due to their short-term duration. Amounts deposited in bond sinking funds and construction funds are carried at fair value. The carrying amount of bonds payable approximates fair value since interest rates on such debt approximates the rates currently available in the market for other debt with similar terms and remaining maturities.

d. **Cash and Cash Equivalents** – Cash and cash equivalents include all highly liquid instruments with maturities of three months or less at time of acquisition. If such instruments are included in restricted assets, they are considered cash equivalents for purposes of the statements of cash flows.

e. **Accounts Receivable Allowance for Uncollectible Accounts** – The allowance for uncollectible accounts is an amount that management believes will be adequate to absorb possible losses on existing receivables, including debt service rentals and maintenance charges that may become uncollectible based on evaluations of the collectability of each balance. Because of uncertainties inherent in the estimation process, management's estimate of losses in the receivables outstanding and the related allowance may change in the near term.

f. **Other Assets** – These represent tools, supplies, security deposits and building material on hand.

g. **Restricted Cash and Cash Equivalents** – Restricted assets represent the amounts deposited by the Authority to provide for the principal and interest payment of bonds payable and related interest costs and cash available in the related construction fund. When both restricted and unrestricted resources are available for specific use, it is the authority's policy to use restricted resources first, then unrestricted resources as they are needed.

h. **Capital Assets** – Capital assets are recorded at cost and segregated between non-depreciable, such as land and construction in progress, and depreciable assets, such as building and equipment. The construction cost includes indirect administrative costs and interest costs allocated during the construction period. Capital assets are assets with an individual cost of more than $100 and a useful life of five (5) years or more.

Interest cost is capitalized as part of the historical cost of acquiring certain assets while the assets are readied for their intended use. Interest earned on unspent tax-exempt borrowings restricted for acquisition of qualifying assets is offset against interest costs to determine the net amount to be capitalized.

Expenditures for major renewals and betterments that extend the useful life of the assets are capitalized and normal repairs and maintenance are expensed when incurred. Depreciation is determined using the straight-line method, over the estimated useful lives of the assets, as follows:

Buildings	50 Years
Equipment and automobiles	5-10 years

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The Authority evaluates 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 impairments include evidence of physical damage, enactment or approval of Acts or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of capital asset, and construction stoppage, among others.

Unrecovered damages to structures caused by hurricanes Irma and Maria in September of 2017 were partially recognized as of June 30, 2018, following GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. No impairment allowance was recognized for the year ended June 30, 2019.

i. **Current Liabilities** - These are short-term financial obligations that are due within one year or within a normal operating cycle of one year and typically settled using current assets, which are assets that are used up within one year. Examples of current liabilities include accounts payable, accrued expenses, rent collected in advance, compensated absences, voluntary termination benefits and debt service payments due within the next 12 months. The Authority also included in current liabilities the bond principal and interest payments in default.

j. **Non-current Liabilities** – Non-current liabilities are referred to as the long-term debts or financial obligations that are not due within twelve months. Examples of non-current liabilities include bonds payable, compensated absences, accrued legal contingencies, net pension liability, other post-employment benefits and voluntary termination benefits.

k. **Compensated Absences** – In response to a Fiscal Plan certified by the Oversight Board, Act 8-2017, Act for the Administration and Transformation of Human Resources of the Commonwealth of Puerto Rico, was enacted and extends its application to the employees of public corporations. Under this Act, employees begin to accrue vacation and sick leave at the rate of one-and-a-quarter days and one-and-a-half days per month, respectively, after working for three months, and the Act is retroactive to the start date of employment. Employees may accumulate and carry forward up to a maximum of 60 days vacations and 18 days sick leave. Upon termination of work, the accumulated amount of vacation days up to the maximum permissible by the Act is paid.

l. **Bond Premiums, Discounts, and Loss on Refunding** – Bond premiums and discounts are amortized as a Blended Component of interest expense over the lives of the related issue using the straight-line method in a manner that approximates the interest method.

The deferred loss on bond refunding is presented as deferred outflows in the accompanying statement of net position and the related amortization is presented as a Blended Component of interest expense.

m. **Related Parties or Transactions with Other Government Agency** – The Technical Institute of Puerto Rico, a unit of the Puerto Rico Department of Education, is a related government agency, which received advances from the Authority to complete its facility in the city of Ponce.

n. **Due to Contractors** – The Authority withholds from contractors a retainage until all construction issues have been settled satisfactorily. Such issues may take years to resolve. The Authority lists as non-current liabilities amounts due to contractors where there is uncertainty about when construction issues will be resolved and settled.

o. **Claims and Judgments** – The Authority accrues an estimate amount of the liability for claims and judgments on the accompanying statements of net position based on the Authority's evaluation of the probability of an unfavorable outcome in the litigation of such claims and judgments. The Authority consults with legal counsel upon determining whether an unfavorable outcome is expected. Because of uncertainties inherent in the estimation process, management's estimate of the liability for claims and judgments may change in the future.

p. **Pension Benefits** –On August 23, 2017, the Governor of Puerto Rico signed into law Act No. 106 of 2017, known as the *Law to Guarantee the Payment of Our Pensioners and Establish a New Plan of Defined Contributions for Public Servants* (Act 106-2017), which completely transformed ERS and the Commonwealth's other retirement systems effective as of July 1, 2017, by, among other things, (i) implementing a pay-as-you-go (PayGo) system in which direct payments to pension beneficiaries are made by the Commonwealth and reimbursed by individual government employers (including the Authority) through an applicable PayGo fee, and (ii) mandating the transfer of all of ERS's existing retirement plans and benefits to a new defined contribution plan (the New Defined Contribution Plan) for existing active members and new employees hired after July 1, 2017. The New Defined Contribution Plan and the individual beneficiary accounts established thereunder were officially launched on June 22, 2020.

Funding Policy. The contribution requirements of plan members and Commonwealth direct payment amounts to beneficiaries are established and may be amended by the Commonwealth legislature under the review of the Oversight Board. The required contribution is based on projected pay-as-you-go financing requirements. The PayGo fee to be paid by government employers (including the Authority) to reimburse the Commonwealth for direct beneficiary payments is established and imposed by the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF) under Act 106-2017.

Annual Pension Benefit Cost and Total Pension Liability (net in 2018). The Commonwealth's annual other pension benefit expense and liability are calculated based on the annual required contribution of the participating employers (ARC); an amount actuarially determined in accordance with the parameters of GASB Statement No. 73 (GASB 68 in 2018). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess).

q. Other Post-employment Benefits (OPEB)

Plan Description. The Authority provides healthcare benefits to its retirees under two plans: one covered by the Authority and considered a single-employer plan, and the other through the post-employment benefit plan of the Commonwealth of Puerto Rico for retired participants of ERS, a multi-employer plan. Since July 1, 2017, both plans have operated under the PayGo system established under Act 106-2017.

Prior to the fiscal year ended June 30, 2019, the Authority recognized post-employment benefit liability for the Authority's plan. Beginning with the fiscal year ended June 30, 2019, the Authority began including the prorated estimated liability for the New Defined Contribution Plan established under Act 106-2017, which was treated as a change in estimate of immaterial consequence as permitted by GASB Statement No. 75 and other accounting guidance.

Funding Policy. The contribution requirements of plan members and Commonwealth direct payment amounts to beneficiaries are established and may be amended by the Commonwealth legislature under the review of the Oversight Board. The required contribution is based on projected pay-as-you-go financing requirements. The PayGo fee to be paid by government employers (including the Authority) to reimburse the Commonwealth for direct beneficiary payments is established and imposed by AAFAF under Act 106-2017.

Annual OPEB Cost and Net OPEB Obligation. The Commonwealth's annual other post-employment benefit (OPEB) expense and liability are calculated based on the annual required contribution of the participating employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess).

r. Termination Benefits

The Authority accounts for termination benefits in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. Pursuant to provisions of GASB Statement No. 47, in financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (for example, early retirement incentives) when the offer is accepted, and the amount can be estimated. A liability and expense for involuntary termination benefits (for example, severance benefits) should be recognized in the basic 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.

s. **Deferred Outflows/Inflows of Resources –** In addition to assets and liabilities, the Authority reports in separate sections deferred outflows/inflows of resources. This separate financial statement element—deferred outflows/inflows of resources—represents a consumption of net position that applies to a future period(s) and thus is recognized as an outflow of resources (expense) until then.

t. **Net Position** – The difference between assets and liabilities is presented as "Net Position." Components of net position are the following:

1) *Net investment in capital assets* – Consists of Capital Assets, net of accumulated depreciation reduced by the outstanding balance of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2) *Restricted for debt services* – Net position restricted for debt service consists of restricted net assets, when available, for payment of principal and interest related to bonds payable. This restriction is imposed by the bondholders through debt covenants. Given the Authority's net deficit, no net position was reported as restricted for debt services.

3) *Restricted for other purposes* – This restriction is imposed by the grantors and contributors. Given the Authority's net deficit, no net position was reported as restricted for other purposes.

4) *Unrestricted* – This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets." The Authority reported a net deficit.

u. **Operating Revenues and Expenses** – The Authority distinguishes operating revenues and expenses from non-operating items.

All current existing leases meet the criteria to be treated as operating leases. Accordingly, rent revenue is recognized as operating revenue over the term of the lease. Rent revenue is pledged as collateral for the repayment of the Authority's revenue bonds.

v. **Non-operating Revenues** include Internal Revenue Service grants for bond interest payments and other grants from the Commonwealth of Puerto Rico, which are subject to appropriations contingent on the availability of funds from the Commonwealth and legislative approval.

w. Risk Financing – The Authority carries commercial insurance to cover casualty, theft, claim and other loss. The current insurance policies have not been cancelled or terminated. Coverage is from July 1st to June 30th of each fiscal year. The Authority has not settled any claims in excess of its insurance coverage during the past three years, but it has filed claims for hurricane damages exceeding the policy limits, which have not been settled. The Authority also pays premiums for workers compensation insurance to another component unit of the Commonwealth.

x. Future Adoption of Accounting Standards

The GASB has issued the following accounting standards that have effective dates after June 30, 2019:

GASB Statement No. 98, The Annual Comprehensive Financial Report, 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. 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*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 87, *Leases*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

The Authority is evaluating the impact that these standards may have on its future financial statements.

y. Reclassifications

Certain reclassification to prior year account balances were done to conform with current year financial statements presentation.

3. PROMESA AND OTHER LEGISLATION RELATED TO DEBT RESTRUCTURING

The Commonwealth and many of its component units, including the Authority, are in the midst of an economic and fiscal crisis, which has 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 including the Authority, as well as COFINA, PRHTA, ERS, and PREPA initiated PROMESA proceedings at the request of the Governor to restructure or adjust their existing debt. Following are the most relevant Commonwealth and federal legislation enacted to address the fiscal crisis and to initiate the economic recovery:

(a) Fiscal Measures Before PROMESA

(i) Puerto Rico Emergency Moratorium and Financial Rehabilitation Act, Financial Emergency and Fiscal Responsibility of Puerto Rico Act and Related Executive Orders

On April 6, 2016, the Commonwealth enacted Act No. 21 of 2016, known as the *Puerto Rico Emergency Moratorium and Financial Rehabilitation Act* (the Moratorium Act). Pursuant to the Moratorium Act, the Governor issued a series of executive orders declaring an emergency period, a 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. Such executive orders also placed significant restrictions on the disbursement of funds deposited at GDB and suspended the disbursement of loans by GDB.

The implementation of the Moratorium Act and its related executive orders is the subject of ongoing litigation. Upon the enactment of PROMESA on June 30, 2016, the Title IV Stay (discussed below) applied to stay this litigation until the Title IV Stay expired on May 1, 2017. Since the commencement of the Commonwealth's Title III case on May 3, 2017, the automatic stay under Title III of PROMESA has applied to continue the stay of this litigation and prevent debt service payments to bondholders, including bondholders of the Authority.

(b) PROMESA and Other Puerto Rico Legislation

(i) PROMESA

In general terms, PROMESA seeks to provide the Commonwealth with fiscal and economic discipline through, among other things: (i) the establishment of the Oversight Board, whose responsibilities include the certification of fiscal plans and budgets for the Commonwealth and its related entities; (ii) a temporary stay of all creditor lawsuits under

Title IV of PROMESA; and (iii) two alternative methods to adjust unsustainable debt: (a) a voluntary debt modification process under Title VI of PROMESA, which establishes a largely out of court debt restructuring process through which modifications to financial debt can be accepted by a supermajority of creditors; and (b) a quasi bankruptcy proceeding under Title III of PROMESA, which establishes an in-court debt restructuring process substantially based upon incorporated provisions of Title 11 of the United States Code (U.S. Bankruptcy Code). Each of these elements are divided among PROMESA's seven titles, as briefly discussed below.

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

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

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

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

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

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

(c) Title III – In-Court Restructuring Process

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

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

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

(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 28, 2019, 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.

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

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

(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 and Other Fiscal Measures

Act No. 2-2017, the *Puerto Rico Fiscal Agency and Financial Advisory Authority Act*, was enacted to expand AAFAF's powers and authority (as initially established under the Moratorium Act) so that AAFAF has the sole responsibility to negotiate, restructure, and reach agreements with creditors on all or part of the public debt or any other debt issued by any Commonwealth entity. AAFAF is also responsible for the collaboration, communication, and cooperation efforts between the Commonwealth and the Oversight Board under PROMESA. In addition, Act No. 2-2017 established AAFAF as the Commonwealth entity responsible for carrying out the roles inherited from the GDB along with additional duties and powers, which include, among other things: (i) oversight of the Commonwealth budget; (ii) an administrative presence on every board or committee where the GDB president is currently a member; (iii) authority to conduct audits and investigations; and (iv) authority to freeze budgetary items, appoint trustees, redistribute human resources, and change procedures.

Act No. 3-2017, the *Fiscal Crisis Management Act*, was enacted to extend most of the fiscal measures that had been adopted under Act No. 66-2014 through July 1, 2021, including a 10-year extension of the excise tax on acquisitions by foreign corporations under Act No. 154-2010.

Act No. 5-2017, the *Puerto Rico Fiscal Responsibility and Financial Emergency Act*, authorized the Commonwealth to segregate funds that would eventually be used to fund the payment of public debt. Act No. 5-2017 states that the Governor may pay debt service as long as the Commonwealth is able to continue to fund essential services, that is, those related to the health, safety, and well-being of the people of Puerto Rico, including providing for their education and assistance to residents. Act No. 5-2017 continued to declare the Commonwealth to be in a state of emergency and increased the Governor's powers to manage the Commonwealth's finances. The emergency period under Act No. 5-2017 was set to expire on May 1, 2017, to coincide with the expiration of the Title IV Stay (as discussed above), unless extended by an additional three months by executive order. On April 30, 2017, the Governor issued executive order OE-2017-031, which extended the Act No. 5-2017 emergency period to August 1, 2017. On July 19, 2017, the Legislature enacted Act No. 46-2017, which further extended the Act No. 5-2017 emergency period through December 31, 2017. Act No. 46-2017 allowed the Governor to sign executive orders to extend the emergency period for successive periods of six months as long as the Oversight Board remains established for Puerto Rico under PROMESA. On June 27, 2019, the Governor issued executive order EO-2019-030 extending the emergency period until December 31, 2019. On December 31, 2019, the Governor issued executive order EO-2019-066 extending the emergency period until June 30, 2020.

Act No. 106-2017, the *Act to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants*, reformed the Commonwealth's pensions by replacing the governing boards of the Retirement Systems with a single Retirement Board of the Commonwealth of Puerto Rico (Retirement Board) and established a separate "Account for the Payment of Accrued Pensions" to implement a PayGo method by which the Commonwealth's General Fund makes direct pension payments to government pensioners and then gets reimbursed for those payments by the applicable employers (including the Authority) through the PayGo fee. Act 106-2017 created the legal framework so that the Commonwealth can make payments to pensioners through the Pay Go system.

(c) PROMESA Title III Cases

(i) Overview of Title III Cases

(a) Oversight Board Commencement of Title III Cases

On May 1, 2017, the Title IV Stay expired, permitting litigation brought by bondholders and other creditors against the Commonwealth and its instrumentalities to resume and new matters to be initiated.

On May 3, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for the Commonwealth by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico (the Title III Court).

On May 5, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for COFINA by filing a similar petition for relief under Title III of PROMESA in the Title III Court.

On May 21, 2017, the Oversight Board, at the request of the Governor, commenced Title III cases for PRHTA and ERS by filing similar petitions for relief under Title III of PROMESA in the Title III Court.

On July 3, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for PREPA by filing a similar petition for relief under Title III of PROMESA in the Title III Court.

On September 27, 2019, the Oversight Board, at the request of the Governor, commenced a Title III case for the Authority by filing a similar petition for relief under Title III of PROMESA in the Title III Court.

All of the foregoing Title III cases have been consolidated for procedural purposes only and are being jointly administered under Case No. 17-3283-LTS in the Title III Court.

The Title III cases were commenced in part due to the May 1, 2017 expiration of the Title IV Stay. Title III of PROMESA incorporates the automatic stay provisions of Bankruptcy Code section 362 and 922, which are made applicable to the Title III cases pursuant to PROMESA section 301(a). Accordingly, upon the filing of the Title III cases, the Title III Stay immediately went into effect to stay creditor litigation. All claims against any Title III debtor that arose prior to the filing of the debtor's Title III case (whether or not discussed herein) may be subject to the laws governing Title III.

4. GOING CONCERN, UNCERTAINTIES, AND LIQUIDITY RISK

The risks and uncertainties facing the Authority, together with other factors, have led management to conclude that there is substantial doubt as to the ability of the Authority to continue as a going concern as of June 30, 2019.

The Act 8 of 2017 "*Ley para la Administración y Transformación de los Recursos Humanos en el Gobierno de Puerto Rico*" and Act 120 of 2018 "*Ley para Transformar el Sistema Eléctrico de Puerto Rico*" enabled the Government of Puerto Rico to develop and put into action a process that transfers the human capital between the different government agencies with the sole purpose of using the best available personnel for the necessities of the state. In the case of the Puerto Rico Public Buildings Authority (PRPBA) as part of those two initiatives of public policy, received personnel from Maritime Transport Authority and Puerto Rico Electric Power Authority. The process of integrating the PRPBA to these policies presented an increment in workforce that went up from 971 to 1,511 employees and consequently increasing the payroll and associated costs to approximately $70M per annum. In addition, the needs for tools and equipment, to attend the increase in workforce have not been appropriately taken care of because of limitations in budgetary availability and cash flow of the agency. It is important to point out that the measures of budget control established by the "*PROMESA Act*" and the Fiscal Oversight Management Board have created other challenges in terms of revenue because it has reduced the capacity to maintain a stable revenue stream from leasing contracts due to the limitations in use of funds to the different agencies that occupy the properties and spaces available from PRPBA. These set of circumstances prevent the PRPBA from exercising the purpose of which it was created under in 1958 "Ley de la Autoridad de Edificios Públicos". The PRPBA have tried to develop a solution for these matters thru different channels, but they have been unsuccessful due to limitations in funding established by FOMB.

The Authority's Remediation Plan

The Authority stopped receiving full rent from the tenant agencies and management stopped making debt service payments as of July 2016.

As part of the corrective measures to meet the operational needs of the PRPBA, several solutions have been considered:

- Restructure the leasing options opening to the private market;
- Develop a more structured Collections Division that specializes in the collection of leasing contracts, also focusing on management and maintenance of leasing contracts;
- Carry out a cost analysis that adjusts leasing pricing to the current market.

Proposed Title III Joint Plan of Adjustment for the Commonwealth, ERS and the Authority

On September 27, 2019, the Oversight Board—as representative of the Commonwealth, ERS and the Authority in their respective Title III Cases—filed a joint Title III plan of adjustment for the Commonwealth, ERS, and the Authority [ECF No. 8765] along with a disclosure statement related thereto [ECF No. 8766]. On February 9, 2020, the Oversight Board announced that it had reached a new agreement with certain GO and PBA bondholders (collectively, the PSA Creditors) on a new framework for a plan of adjustment and, on February 28, 2020, the Oversight Board filed an amended plan of adjustment reflecting such new agreement [ECF No. 11946] along with a revised disclosure statement [ECF No. 11947]. However, in light of the COVID-19 pandemic (discussed above), the Oversight Board requested that the court adjourn court proceedings related to the proposed plan of adjustment so as to allow for the Government and the Oversight Board to prioritize the health and safety of the people of Puerto Rico and to gain a better understanding of the economic and fiscal impact of the pandemic.

After the Oversight Board certified a revised Commonwealth fiscal plan on May 27, 2020, the Oversight Board resumed formal plan of adjustment discussions with creditors on September 9, 2020. Shortly thereafter, the PSA Creditors motioned to impose plan of adjustment confirmation deadlines on the Oversight Board. On October 29, 2020, the Title III Court ordered the Oversight Board to file an informative motion presenting a term sheet disclosing the material economic and structural features of an amended plan of adjustment by February 10, 2021. In light of the Title III Court's order, the Oversight Board, AAFAF, certain creditors and parties-in-interest recommenced mediation with a view to reaching consensus on an amended plan of adjustment for the Commonwealth. The mediation sessions began on December 3, 2020, and continued through September 2021. On February 23, 2021, the Oversight Board disclosed that it had reached a new agreement with certain of the PSA Creditors and disclosed the proposed terms of an amended plan of adjustment. Over the ensuing months further amended disclosure statements and plans of adjustment were filed.

On July 30, 2021, the Oversight Board—as representative to the Commonwealth, ERS, and the Authority 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]. The Seventh

Amended Plan incorporates the terms of (i) a plan support agreement (the 2021 PSA), dated February 22, 2021, between the Oversight Board, certain Commonwealth general obligation bondholders and PBA bondholders; (ii) a restructuring support agreement with the Retiree Committee, in which the Retiree Committee agreed to a maximum 8.5% pension cut that would only be applicable to retirees with monthly retirement benefits of more than $1,500, as well as freezes in pension benefits for teachers and judges; (iii) the HTA/CCDA Related Plan Support Agreement, dated May 5, 2021, between the Oversight Board, Assured Guaranty Corp. and National Public Finance Guarantee Corporation (the HTA/CCDA PSA); and (iv) the ERS Stipulation.

The Government has not yet determined whether it will support the 2021 PSA, the HTA/CCDA PSA or the Seventh Amended Plan given its view that the Government pensioners must be protected and must not receive additional cuts to their pension benefits. The Seventh Amended Plan remains subject to future amendments and Title III Court approval. It is not certain that the Title III Court will ultimately confirm the Seventh Amended Plan or any further amended plan.

For further information, please refer to the publicly available Amended Plan and Amended Disclosure Statement, available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

(continues on next page)

5. CASH AND CASH EQUIVALENTS

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. Cash and cash equivalents on June 30, 2019, and June 30, 2018, consisted of the following:

		2019		As restated 2018
Unrestricted cash and equivalents deposited in two comercial banks:				
Cash in banks	$	48,931,289	$	35,392,577
Cerificates of deposits		1,481,557		1,465,339
Total unrestricted cash and equivalents deposited in comercial banks		50,412,846		36,857,916
Restricted cash and equivalent deposited in one comercial banks:				
Bond sinking funds		20,294		19,963
Construction funds		35,081,698		16,331,741
Restricted other		12,909,832		5,065,314
Total restricted cash and equivalents deposited in comercial banks		48,011,824		21,417,018
Total cash and cash equivalents		98,424,670		58,274,934
Less: Custodial credi risk loss		750,000		750,000
Total cash and equivalents in excess of federal depository insurance	$	97,674,670	$	57,524,934

Unrestricted cash and cash equivalents are deposited in two local banks.

Restricted cash and cash equivalents are deposited with US Bank and consist of:

a. **Bond sinking funds** - Bond sinking funds consist of monies deposited under Resolution No. 468 and consist of two separate accounts: "Bond Service Account" and a "Redemption Account." Revenues are deposited in fiscal agent accounts in the following order:

   1) To the Bond Service Account, in such amount as may be required to make the amount equal to the amount of interest then due and payable and the interest, which will become due and payable within the next ensuing six month, of all bonds of each series then outstanding and the principal of all serial bonds, if any, which will become payable within the next ensuing twelve months; and

   2) To the Redemption Account, in such amount as may be required to make the amount so deposited in the current fiscal year equal to the amortization requirements, if any, for such fiscal year for the term bonds of each series then outstanding, plus the premium, if any, which would be payable on a like principal amount of bonds if such principal amounts of bonds should be redeemed on the next redemption date from monies in their Bond Sinking Fund.

   Bond Resolution No. 468 also requires funds to be invested and reinvested in government obligation, bankers' acceptances, certificates or time deposits of any Commonwealth approved bank or national banking association, repurchase or reverse repurchase agreements or any other investment that is rated in one of the three highest rating categories.

In July 2017, the Authority defaulted on its bond service payments, and the insurer began covering the deficiencies. During the years ended June 30, 2019, and June 30, 2018, the Authority's monoline insurers covered bond service payments in the aggregate amount of approximately $39.9 and $38.7 million, respectively.

b. Construction Funds – These funds are used for the payment of all or any part of the remaining cost of the initial facilities, or for payment of all or any part of the cost to the Authority of any additional facilities or improvements, in accordance with the Bonds resolutions, insurances proceeds and state or federal grants.

c. Custodial Credit Risk - For deposits, custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. Under applicable Commonwealth law public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. The Authority maintains bank balances in the amounts of approximately $99.6 million and $58.3 million as of June 30, 2019, and June 30, 2018, respectively.

6. RENT RECEIVABLE

This balance represents the amount due primarily from Commonwealth agencies, instrumentalities and public corporations in accordance with the corresponding lease agreements and adjusted for the estimate of uncollectible amounts due to the current financial condition of the Commonwealth. Notwithstanding, minimum lease rentals are approximately as follows:

Fiscal Year Ending June 30,	Amount
2020	$ 415,481,580
2021	421,434,110
2022	404,281,333
2023	398,711,948
2024	387,394,354
2025-2029	2,457,674,915
2030-2034	1,394,745,780
2035-2039	1,195,982,830
2040-2043	855,487,014

Lease rental agreements provide for rate revisions each July 1st based on, among other things, debt service requirements for the upcoming fiscal year.

The total amount of rent receivable includes approximately $1.9 million collected on or after June 30, 2019. All other receivables have been reserved as uncollectible.

Act No. 97, Article 15, of May 15, 2006, establishes that any rent to be paid to the Authority during any fiscal year by any Commonwealth department, agency or public corporation under the conditions of a rental contract in accordance of the dispositions of Act No. 56 of June 19, 1958, as amended, the Commonwealth will advance to the Authority the amount not paid. This Act requires the Secretary of Treasury Department to make an advance of any available funds committed by the full faith and credit of the Commonwealth. In case of the rent to be paid to the Authority by any municipality, this Act requires the Municipal Revenue Collection Center to make payments to the Authority from any property tax collection. There were no advances from the Commonwealth and the Revenue Collection Center during the years ended June 30, 2019, and June 30, 2018. The financial requirements of the above Acts are superseded by the protections afforded under Title III of PROMESA (refer to Notes 3 and 23). Management estimates that all but the rent receivable collected after June 30, 2019, are uncollectible and has reserved them accordingly.

7. OTHER RECEIVABLES

Other receivables consist of billings for miscellaneous services performed by the Authority and claims against property insurance carriers and FEMA recovered after June 30, 2019. The amounts presented in the accompanying statement of net position are approximately $2.8 and $18.5 million for the years ended June 30, 2019, and June 30, 2018, respectively.

8. NOTE RECEIVABLE FROM OTHER GOVERNMENTAL AGENCY

The Authority entered into a note receivable agreement with the Institute of Technology in Ponce Puerto Rico for the payment of construction cost aggregating to approximately $7.7 million. This amount will be collected in varying principal installments plus interest at 2.8% through fiscal year 2021.

Future estimated principal and interest collection during future years are as follows:

Year Ending June 30,	Principal	Interest
2020	$ 4,751,109	$ 1,230,568
2021	442,928	5,347
Total	$ 5,194,037	$ 1,235,915

The authority recognized an allowance for doubtful accounts over the delinquent balance of $4,751,109.

9. TRANSACTIONS WITH COMMONWEALTH OF PUERTO RICO

a. **Rental Revenue and Receivable** – All rental revenues are from charges to the Commonwealth related entities and related rental receivable that are due by such entities.

b. **Contributions** – The Commonwealth, from time to time, makes non-operating contributions to the Authority. Capital grants are restricted to finance investment in capital assets.

10. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2019, and June 30, 2018, was as follows:

	Balance June 30, 2018 As restated	Reclassifications	Additions	Deductions or Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	$ 129,569,461	$ -	$ -	$ -	$ 129,569,461
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	129,569,461	-	-	-	129,569,461
Capital assets being depreciated:					
Buildings	4,698,644,459	51,728,160	-	-	4,750,372,619
Equipment and vehicles	13,368,657	-	-	-	13,368,657
Total capital assets being depreciated	4,712,013,116	51,728,160	-	-	4,763,741,276
Less accumulated depreciation:					
Buildings	(1,558,769,861)	(51,728,160)	(90,234,815)	-	(1,700,732,836)
Equipment and vehicles	(10,422,171)	-	(477,198)	-	(10,899,369)
Total accumulated depreciation	(1,569,192,032)	(51,728,160)	(90,712,013)	-	(1,711,632,205)
Capital assets being depreciated, net	3,142,821,084	-	(90,712,013)	-	3,052,109,071
Capital assets, net	$ 3,272,390,545	-	$ (90,712,013)	$ -	$ 3,181,678,532

	Year ended June 30, 2018						
	Balance June 30, 2017	Adjustments	Additions	Deductions or Transfers	June 30, as Previously Reported	Prior Period Adjustment	Balance June 30, 2018 As restated
Capital assets not being depreciated:							
Land	$ 129,569,461	$ -	$ -	$ -	$ 129,569,461	$ -	$ 129,569,461
Construction in progress	553,531	(553,531)	-	-	-	-	-
Total capital assets not being depreciated	130,122,992	(553,531)	-	-	129,569,461	-	129,569,461
Capital assets being depreciated:							
Buildings	4,750,447,759	(75,140)	-	(132,407,000)	4,617,965,619	80,678,840	4,698,644,459
Equipment and vehicles	13,852,178	(483,521)	-	-	13,368,657	-	13,368,657
Total capital assets being depreciated	4,764,299,937	(558,661)	-	(132,407,000)	4,631,334,276	80,678,840	4,712,013,116
Less accumulated depreciation:							
Buildings	(1,469,332,242)	-	(89,437,619)	-	(1,558,769,861)	-	(1,558,769,861)
Equipment and vehicles	(10,946,676)	193,310	(128,542)	459,737	(10,422,171)	-	(10,422,171)
Total accumulated depreciation	(1,480,278,918)	193,310	(89,566,161)	459,737	(1,569,192,032)	-	(1,569,192,032)
Capital assets being depreciated, net	3,284,021,019	(365,351)	(89,566,161)	(131,947,263)	3,062,142,244	80,678,840	3,142,821,084
Capital assets, net	$ 3,414,144,011	$ (918,882)	$ (89,566,161)	$ (131,947,263)	$ 3,191,711,705	$ 80,678,840	$ 3,272,390,545

Impairment – The Authority recognized impairment of buildings due to damages from hurricanes Irma and Maria for approximately $132.4 million during the year 2018. As a consequence, capital assets have been understated for an overstatement of $80.7 million, in the impairment calculation. The error has been corrected by restating each of the affected financial statements line items for prior period, refer to note 22.

11. INTERGOVERNMENTAL PAYABLES

Intergovernmental payables as of June 30, 2019, and June 30, 2018, consist of the following:

	2019	2018
Amount payable from unrestricted assets:		
Puerto Rico Electric Power Authority	$ 1,182,995	$ 1,451,897
Puerto Rico Aqueduct and Sewer Authority	191,164	481,738
Employees's Retirement System	4,094,612	1,995,815
Retention to Projects with Governmental Agencies	650,101	-
General Services Administration	388,252	281,729
Other	54,601	376,551
Total payable from unrestricted assets	$ 6,561,725	$ 4,587,730
Amount payable from restricted assets:		
Puerto Rico Infraestructure Financing Authority	$ 11,271	$ 11,271

12. BORROWING NOTES PAYABLE

The activity under notes payable agreements during the fiscal years ended June 30, 2019 is as follows:

	Fiscal Year Ended June 30, 2019				
	Balance June 30, 2018	Proceeds from Borrowings	Payments/ Decreases	Balance June 30, 2019	Current Portion
Notes payable used for:					
Operational activities	$ 64,718,816	$ -	$ (15,897,583)	$ 48,821,233	$ 48,821,233
Construction activities	117,441,291	-	(28,848,375)	88,592,916	1,614,758
Total	$ 182,160,107	$ -	$ (44,745,958)	$ 137,414,149	$ 50,435,991

	Fiscal Year Ended June 30, 2018				
	Balance June 30, 2017	Proceeds from Borrowings	Payments/ Decreases	Balance June 30, 2018	Current Portion
Notes payable used for:					
Operational activities	$ 64,718,816	$ -	$ -	$ 64,718,816	$ 64,718,816
Construction activities	117,441,291	-	-	117,441,291	-
Total	$ 182,160,107	$ -	$ -	$ 182,160,107	$ 64,718,816

On November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA (the Qualifying Modification). In accordance with Act No. 109 of August 24, 2017 (the GDB Restructuring Act)—the legislation enacted to facilitate the Qualifying Modification—the balance of liabilities owed between the Commonwealth and its agents, instrumentalities and affiliates, including the Authority (each a Non-Municipal Government Entity) and GDB were determined by applying the outstanding balance of any deposits held at the GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-Municipal Government Entity held by GDB as of such date, maintaining the same condition.

As a result of this adjustment, the foregoing loans, note payable, and other obligations owed by the Authority to GDB Debt Recovery Authority (DRA), the outstanding debt were reduced by the amount the Authority had deposited at GDB, which totaled approximately $44.7 million.

The authority maintained a note payable with DRA for the interim financing of its capital improvement program in an amount not to exceed $226 million, bearing interest at a variable rate of 1.50% over prime rate or at such other variable notes as determined by DRA but not less than 6.0%. The notes are due on June 30, 2044, and will be payable from the proceeds of the future revenue refunding bonds issuance of the Authority. Balance outstanding under these note payable amounted to approximately $50.1 million and $66.4 as of June 30, 2019, and June 30, 2018, respectively. The outstanding balances are considered in default and past due.

The Authority maintained an operating note payable with DRA bearing interest at 150 basis points over the three-month LIBOR but not less than 5% at any time (5% at June 30, 2019, and June 30, 2018). The proceeds from this note payable were used to finance the Authority's operational expenses for the year ended June 30, 2006. This note payable was due as of June 30, 2018. Payments of principal and interest were made from annual appropriations from the Commonwealth of Puerto Rico's general budget pursuant to the provisions of Resolution No. 387 of December 21, 2005. No payments were made for principal and interest amount during the years ended June 30, 2019, and June 30, 2018. Balance outstanding under this note payable amounted to approximately $48.8 and $64.7 million at June 30, 2019, and June 30, 2018, respectively. The outstanding balance is considered in default and past due.

Also, the Authority maintain an executed note payable agreements with DRA for the interim financing of its Capital Improvement Program in an amount not to exceed $93.6 million, bearing interest at a variable rate of 1.50% over prime rate or at such other variable rate as determined by DRA but not less than 6% at any time (6% at June 30, 2019, and June 30, 2018). The note payable is due on June 30, 2044, and will be payable from the proceeds of the future Revenue Refunding Bonds issuance of the Authority. Balance outstanding under these lines of credit amounted to approximately $ 38.5 and $51.0 million as of June 30, 2019 and June 30, 2018, respectively. The outstanding balance is considered in default and past due.

Aggregate maturities of amortization requirements on notes payable with DRA, principal and related interest payment in future years are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 50,435,991	$ 60,074,123	$ 110,510,114
2021	1,711,644	5,260,774	6,972,418
2022	1,814,342	5,115,991	6,930,333
2023	1,923,203	5,007,130	6,930,333
2024	2,038,595	4,891,738	6,930,333
2025-2029	12,181,254	22,470,411	34,651,665
2030-2034	16,301,266	18,350,399	34,651,665
2035-2039	21,814,770	12,836,895	34,651,665
2040-2044	29,193,084	5,458,581	34,651,665
Total	$ 137,414,149	$ 139,466,042	$ 276,880,191

The amounts reflected for the year ended June 30, 2019, include amounts in arrears.

13. BONDS PAYABLE

Bonds payable as of June 30, 2019, and June 30, 2018, consisted of:

	2019	2018
Office Buildings Bond:		
Term bonds maturing through 2021 with interest rates ranging from 5.5% to 6.0%	$ 33,850,000	$ 33,850,000
Government Facilities Revenue Bonds:		
Serial bonds maturing through 2027, with interest rates ranging from 3.0% to 6.75%	1,529,207,997	1,549,448,977
Term bonds maturing through 2042, with interest rates ranging from 3.0% to 7.0%	2,365,655,000	2,365,655,000
Capital Appreciation bonds, maturing through 2031, with interest rate a 5.45%	12,911,667	12,911,667
Total government facilities revenue bonds	3,907,774,664	3,928,015,644
Subrogated principal paid by monoline insurers	49,571,066	29,330,086
Total bonds outstanding	3,991,195,730	3,991,195,730
Add (Deduct):		
Bond discount	(21,192,934)	(22,544,094)
Bond premium	21,384,046	24,669,866
Bonds payable, net	3,991,386,842	3,993,321,502
Less current portion	248,593,063	178,948,063
Bonds payable long term portion	$ 3,742,793,779	$ 3,814,373,439

The aggregate maturities of the Sinking Funds' amortization requirements (excluding discounts and premiums), accreted value of the bonds, and related interest payment in future years are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 248,593,063	$ 587,869,879	$ 836,462,942
2021	74,140,000	208,956,853	283,096,853
2022	99,560,000	200,557,124	300,117,124
2023	101,515,000	197,877,154	299,392,154
2024	95,930,000	191,655,597	287,585,597
2025-2029	1,255,044,000	870,068,230	2,125,112,230
2030-2034	739,903,667	963,904,376	1,703,808,043
2035-2039	756,775,000	307,200,676	1,063,975,676
2040-2044	619,735,000	103,730,512	723,465,512
Total	$ 3,991,195,730	$ 3,631,820,401	$ 7,623,016,131

The full faith and credit of the Commonwealth was pledged for the payment or advance of such rentals. The payment of principal and interest on the bonds was further supported by the guaranty of the Commonwealth under which the Commonwealth pledged to draw from any funds available in the Department of Treasury of Puerto Rico such sums as may have been necessary to cover any deficiency in the amount required for the payment of principal and interest on the bonds, in an aggregate principal amount not exceeding $4,721 million.

The Authority bonds payable are subject to the arbitrage rebate regulations issued by the Internal Revenue Services of the United States of America that require rebate to the federal government of excess investment earnings on tax-exempt debt proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt debt issued. Excess earnings must be rebated every five years or upon maturity of the debt, whichever is earlier. Arbitrage calculations resulted in no liability as of June 30, 2019, and June 30, 2018.

The Authority's bonds payable include certain restrictive covenants. As of June 30, 2019, and 2018, the Authority was not in compliance with such covenants.

During the year ended June 30, 2019, monoline insurers of the Authority's bonds made principal and interest payments of approximately $19.3 and $19.5 million, respectively. As of June 30, 2018, the monoline insurers made principal and interest payments of approximately $18.9 and $18.3 million, respectively.

The monoline insurance policies include express subrogation rights that are limited to the amount actually paid for each of the missed payments of the insured bonds. Although a monoline insurance policy does not contain express subrogation rights and another states subrogation rights broadly, applicable non-bankruptcy legislation would limit these monoline insurers' rights to reimbursements of the actual amount paid to holders of insured bonds. In addition, for any insured bonds issued by a debtor under Title III of PROMESA, the monoline insurers' claims for repayment will be treated the same as any other insured bond claim under any confirmed Title III plan of adjustment, such that the monoline insurers may not recover the full amount paid.

The activity of bonds payable during the fiscal years ended June 30, 2019, and June 30, 2018, are as follows:

	Fiscal Year Ended June 30, 2019					
	Balance June 30, 2018	Adjustments/ Corrections	Increase	Payments/ Decreases	Balance June 30, 2019	Current Portion
Office Building Bonds						
Terms bonds	$ 33,850,000	$ -	$ -	$ -	$ 33,850,000	$ 24,945,000
Government Facilities:						
Revenue bonds	-	-	-	-	-	-
Serial bonds	1,549,448,977	(310,980)	-	(19,930,000)	1,529,207,997	174,076,997
Term bonds	2,365,655,000	-	-	-	2,365,655,000	-
Capital apreciation bonds	12,911,667	-	-	-	12,911,667	-
Subrogated principal paid by monoline insurer	29,330,086	310,980	19,930,000	-	49,571,066	49,571,066
Total	$ 3,991,195,730	$ -	$ 19,930,000	$ (19,930,000)	$ 3,991,195,730	$ 248,593,063
Total bonds outstanding	$ 3,991,195,730	$ -	$ 19,930,000	$ (19,930,000)	$ 3,991,195,730	$ 248,593,063
Add (deduct):						
Bond discounts	(22,544,094)	-	-	1,351,160	(21,192,934)	-
Bond premiums	24,669,866	-	-	(3,285,820)	21,384,046	-
Bonds payable, net	$ 3,993,321,502	$ -	$ 19,930,000	$ (21,864,660)	$ 3,991,386,842	$ 248,593,063

	Fiscal Year Ended June 30, 2018					
	Balance June 30, 2017	Adjustments	Increase	Payments/ Decreases	Balance June 30, 2018	Current Portion
Office Building Bonds						
Terms bonds	$ 37,315,000	$ -	$ -	$ (3,465,000)	$ 33,850,000	$ 14,960,000
Government Facilities:						
Serial bonds	1,579,048,977	(10,710,000)	-	(18,890,000)	1,549,448,977	134,657,977
Term bonds	2,354,945,000	10,710,000	-	-	2,365,655,000	-
Capital apreciation bonds	22,610,000	(9,698,333)	-	-	12,911,667	-
Subrogated principal paid by monoline insurer	10,086,227	353,859	18,890,000	-	29,330,086	29,330,086
Total	$ 4,004,005,204	$ (9,344,474)	$ 18,890,000	$ (22,355,000)	$ 3,991,195,730	$ 178,948,063
Total bonds outstanding	$ 4,004,005,204	$ (9,344,474)	$ 18,890,000	$ (22,355,000)	$ 3,991,195,730	$ 178,948,063
Add (deduct):						
Bond discounts	(23,895,256)	-	-	1,351,162	(22,544,094)	-
Bond premiums	28,293,541	-	-	(3,623,675)	24,669,866	-
Bonds payable, net	$ 4,008,403,489	$ (9,344,474)	$ 18,890,000	$ (24,627,513)	$ 3,993,321,502	$ 178,948,063

The following table discloses the composition of the amounts included in the respective category as of June 30, 2019, and June 30, 2018, respectively.

Bonds principal payable current portion as of June 30	2019	2018
Due and payable	$ 129,376,997	$ 83,382,977
Payable to monoline insurers	49,571,066	29,330,086
Payable July 1	69,645,000	66,235,000
Total current portion as of June 30,	$ 248,593,063	$ 178,948,063

Interest payable as of June 30	2019	2018
Due and payable	$ 446,802,522	$ 304,022,042
Payable to monoline insurers	48,027,050	28,480,655
Accrued for payment July 1	95,736,426	46,588,426
Total interest payable on bonds as of June 30	590,565,998	379,091,123
Payable on notes payable	54,758,549	44,497,628
Total interest payable as of June 30	$ 645,324,547	$ 423,588,751

The Authority has defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on its debts. Defeased debt, in-substance, and the related assets placed in trust to repay the debt are no longer reported on the face of the financial statements, in accordance with GASB Statement No. 7, *Certain Debt Extinguishment Issues*. As June 30, 2019, and June 30, 2018, the outstanding balance of defeased bonds was approximately $659.9 and $660 million, respectively.

14. OTHER LONG-TERM LIABILITIES

Other long-term liabilities as of June 30, 2019, and June 30, 2018, consist of:

	Fiscal Year Ended June 30, 2019				
	Balance 06/30/2018	Increase	Decreases	Balance 6/30/2019	Current Portion
Compensated absences	$ 11,351,294	$ -	$ (4,443,663)	$ 6,907,631	$ 4,388,375
Accrued legal contingencies	21,452,752	-	(200,000)	21,252,752	4,851,826
Other post-employment benefits	26,101,391	-	(6,800,540)	19,300,851	713,765
Voluntary termination benefits	16,695,934	-	(2,727,712)	13,968,222	583,094
Total	$ 75,601,371	$ -	$ (14,171,915)	$ 61,429,456	$ 10,537,060

	Fiscal Year Ended June 30, 2018				
	Balance 6/30/2017	Increase	Decreases	Balance 06/30/2018	Current Portion
Advance from other governmental agencies	$ 553,531	$ -	$ (553,531)	$ -	$ -
Compensated absences	12,505,092	-	(1,153,798)	11,351,294	2,288,956
Accrued legal contingencies	4,776,752	16,816,092	(140,092)	21,452,752	5,051,826
Other post-employment benefits	16,291,251	9,810,140	-	26,101,391	735,667
Voluntary termination benefits	24,556,611	-	(7,860,677)	16,695,934	1,232,905
Total	$ 58,683,237	$ 26,626,232	$ (9,708,098)	$ 75,601,371	$ 9,309,354

a. **Advances from Other Governmental Entities** – This amount represents the balance of the amount advanced by the other governmental entities primarily for the construction of facilities that will be owned by such entities. These projects typically include appropriations from the Commonwealth to finance the construction of facilities by these agencies, which in turn request the Authority to carry out the construction and the administration process. Upon completion, the project is taken over by the corresponding agency. The assets are not owned by the Authority.

b. **Compensated absences** – Employees earn annual vacation leave at the rate of 15 days per year up to a maximum permissible accumulation of 30 days for union employees and 60 days for management personnel. Employees accumulate sick leave at the rate of 18 days per year. The Authority records as a liability and as expense the vested accumulated vacation benefits accrued to employees. The cost of vacation expected to be paid in the next twelve months is classified as current and accrued liabilities, while amounts expected to be paid after twelve months are classified as non-current liabilities.

c. **Accrued Legal Contingencies** – This amount represents the Authority's estimates of possible legal and contractual settlements arising from normal litigation procedures. The estimated amount was based on the corresponding number of legal cases currently underway and based on the advice and consent of the Authority's legal division and external legal advisors. The actual amounts required to settle such cases may be materially different from the amount accrued.

d. **Other Post-Employment Benefits** – The Authority records a liability for its retirement health care benefits following GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. It includes the Authority's proportionate share of the Commonwealth Healthcare Benefit Plan to Retirees, considered a multi-employer plan, and the Authority's plans covered by collective bargaining agreements (CBA) and considered a single-employer plan. Both plans operate on a pay-as-you-go basis as further described in Note 18 to the basic financial statements.

e. **Voluntary Termination Benefits** – This amount represents the Authority's liability related to a program that provides benefits for early retirement or economic incentives for voluntary employment termination to certain eligible employees as further explained in Note 19 to the basic financial statements.

15. DUE TO CONTRACTORS

This amount represents the remaining balance due to contractors for projects under construction. Normally, the contractors submit progress billings for projects in progress and the Authority pays these invoices, except for the retainage portion. This withholding is used as guarantee that the contractor will complete the project in accordance with contract requirements. The retainage is typically paid upon completion and acceptance of the projects, as determined by the Authority's engineers.

17. PENSION REFORM AND PLAN DESCRIPTION

(i) Pension Reform

On June 27, 2017, the Treasury Department issued Circular Letter No. 1300 4617 in order to convey to the Primary Government's agencies, public corporations and municipalities the new implementation procedures to adopt, effective, July 1, 2017, the new PayGo mechanism for all of the Commonwealth's Retirement Systems. With the start of the fiscal year 2018, employers' contributions, contributions ordered by special laws and the Additional Uniform Contribution were all eliminated and replaced by a monthly PayGo charge that will be collected from the aforementioned government entities to pay retirees. The Commonwealth Retirement Systems will determine and administer the payment amount per retiree that will be charged to each agency, public corporation and municipality. The PayGo charge must be submitted to the Treasury Department before the 15th day of each month along with the individual contributions withheld from active employees. As liquid retirement funds become depleted, the PayGo charge is expected to increase.

On June 23, 2017, the Legislative Assembly approved certain other assignments for fiscal year 2018 under Joint Resolution 188, which among other things, ordered the Commonwealth's Retirement Systems to liquidate their assets and pass the net proceeds to the Treasury Department.

Act 106-2017, enacted on August 23, 2017, approved a substantial pension reform for all of the Commonwealth's Retirement Systems, including ERS. This reform modified most of ERS's activities and effectively restructured ERS's operations. Effective on July 1, 2017, ERS's previously existing pension programs administered by ERS under Act No. 447 of 1951 (as amended) were terminated and transitioned to a PayGo system, in which ERS stopped receiving contributions from employers or plan participants and is no longer managing contributions on behalf of participants. Act 106-2017 created the legal framework so that the Commonwealth can make benefit payments to current pensioners. Under the PayGo system, the Commonwealth's General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payments by the applicable employers (including the Authority). Approximately $2 billion was allocated for these purposes in each of the Commonwealth's budgets for fiscal year 2018 and fiscal year 2019.

Act 106-2017 also terminated the previously existing pension programs for ERS participants as of June 30, 2017, and created the New Defined Contribution Plan for existing active members and new employees hired on or after July 1, 2017. This plan is similar to a 401(k) and is managed by a private entity. Future benefits will not be paid by ERS. Under the New Defined Contribution Plan, members of the prior programs and new governmental employees hired on and after July 1, 2017, will be enrolled in the New Defined Contributions Program that will be selected by the Retirement Board. As of June 22, 2020, the accumulated balance on the accounts of the prior pension programs were transferred to the individual member accounts in the New Defined Contribution Plan.

Act 106-2017, among other things, amended Act No. 447 with respect to ERS's governance, funding and benefits for active members of the actual program and new hired members.

Under Act 106-2017, ERS's Board of Trustees was eliminated and a new Retirement Board was created. The Retirement Board is currently responsible for governing all of the Commonwealth's Retirement Systems.

Act 106-2017 also ordered a suspension of ERS's loan programs and ordered a merger of the administrative structures of the retirement systems. At the Retirement Board's discretion, the administration of ERS benefits may be managed by a third-party service provider. The employees of ERS that are not retained under the new administrative structure will be transferred to other public agencies in conformity with Act No. 8 of February 8, 2017, known as the *Law for the Administration and Transformation of Human Resources in the Government of Puerto Rico* (Act No. 8 of 2017).

In addition, Act 106-2017 repealed the Voluntary Early Retirement Law, Act No. 211 of 2015, while creating an incentives, opportunities and retraining program for public workers.

(ii) Pension Benefits Transferred

Before July 1, 2017, ERS administered different benefit structures pursuant to Act No. 447, as amended, including a cost-sharing, multi-employer, defined benefit program (the Defined Benefit Program), a defined contribution program (the System 2000 Program) and a contributory hybrid program (the Contributory Hybrid Program). Benefit provisions varied depending on member's date of hire. Substantially all full-time employees of the Commonwealth and its instrumentalities (73 Commonwealth agencies, 78 municipalities, and 55 public corporations, including the Authority) are covered by ERS. Effective July 1, 2017, the Commonwealth's General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payment by the applicable employers (including the Authority). As of July 1, 2017, ERS stopped making pension payments to retirees. However, all government employers (including the Authority) are required to reimburse the Commonwealth for benefits paid on account of their employees through the PayGo fee. Since July 1, 2017, ERS continues to help manage the administrative matters of the pension benefits that are being paid by the Commonwealth. The aforementioned defined benefits had been paid by ERS until June 30, 2017.

Before August 23, 2017, membership was mandatory for all regular, appointed, and temporary employees of the Commonwealth at the date of employment in ERS's prior programs. After that date, membership continues to be mandatory in the New Defined Contribution Plan created by Act 106-2017. Membership continues to be optional for the Governor of the Commonwealth, Commonwealth secretaries, heads of public agencies and instrumentalities, among others.

The benefits provided to members of ERS are established by Commonwealth law and may be amended only by law. Act No. 3, in conjunction with other recent funding and design changes, provided for a comprehensive reform of ERS.

This summary of ERS'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; these benefits were not changed or amended with the enactment of Act 106-2017.

Certain benefit 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 are generally those members hired before April 1, 1990.
- Members of Act No. 1 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 (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, become members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013.

Before July 1, 2017, the assets of the Defined Benefit Program, the System 2000 Program, and the Contributory Hybrid Program were pooled and invested by ERS. Each member has a nonforfeitable right to the value of his/her account. Members have three options to invest their contributions. Investment income is credited to the member's account semiannually. The Commonwealth does not guarantee benefits at retirement age.

After July 1, 2017, future benefit payments will be made by the Commonwealth and the New Defined Contribution Program is being administered by a private third party.

Defined Benefit Program

Pursuant to Act No. 447 of May 15, 1951, as amended, all regular employees of the Authority hired before January 1, 2000, and less than 55 years of age at the date of employment became members of ERS, under the Defined Benefit Program, as a condition of their employment. No benefits are payable if the participant receives a refund of their accumulated contributions.

The Defined Benefit Program provides retirement, death, and disability benefits pursuant to legislation enacted by the Legislature. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after 10 years of plan participation. Disability benefits are available to members for occupational and non-occupational disabilities. However, a member must have at least 10 years of service to receive non-occupational disability benefits.

Prior to July 1, 2017, members who attained 55 years of age and completed at least 25 years of creditable service, or members who have attained 58 years of age and have completed 10 years of creditable service, were entitled to an annual benefit payable monthly for life. The amount of the annuity was 1.5% of the average compensation, as defined, multiplied by the number of years of creditable service up to 20 years, plus 2% of the average compensation, as defined, multiplied by the number of years of creditable service in excess of 20 years. The annuity for which the participant was eligible, was limited to a minimum of $500 per month and a maximum of 75% of the average compensation, as defined.

Participants who completed 30 years of creditable service were entitled to receive the Merit Annuity. Under the Merit Annuity, participants who had not attained 55 years of age received 65% of the average compensation, as defined; otherwise, they received 75% of the average compensation, as defined.

Prior to July 1, 2017, Commonwealth legislation required employees to contribute 10% of their monthly gross salary to the Defined Benefit Program.

Act No. 1 of February 16, 1990, made certain amendments applicable to new participating employees joining the Retirement System effective April 1, 1990. These changes consisted principally of an increase in the retirement date from 55 to 65, a decrease in the benefit percentage of the average compensation in the occupational disability and occupational death benefits annuities from 50% to 40%, and the elimination of the Merit Annuity for participating employees who have completed 30 years of creditable service.

System 2000 Program

On September 24, 1999, the Legislature enacted Act No. 305, which amended Act No. 447, to establish the System 2000 Program. In addition, on April 4, 2013, the Legislature enacted Act No. 3, which amended the provisions of the different ERS benefit structures, including the Defined Benefit Program.

The Legislature enacted Act No. 305 on September 24, 1999, which amended Act No. 447 to create, among other things, the System 2000 Program, a new benefit structure, similar to a cash balance plan (such as a defined contribution plan). All regular employees hired for the first time on or after January 1, 2000, and former employees who participated in the Defined Benefit Program, received a refund of their contributions, and were rehired

on or after January 1, 2000, became members of the System 2000 Program as a condition to their employment. In addition, employees who at December 31, 1999, were participants of the Defined Benefit Program had the option, up to March 31, 2000, to irrevocably transfer their prior contributions to the Defined Benefit Program plus interest thereon to the System 2000 Program.

Prior to July 1, 2017, Commonwealth legislation required employees to contribute 10% of their monthly gross salary to the System 2000 Program. Employee contributions were credited to individual accounts established under the System 2000 Program. Participants had three options to invest their contributions to the System 2000 Program. Investment income was credited to the participant's account semiannually.

Under the System 2000 Program prior to July 1, 2017, contributions received from participants were pooled and invested by ERS, together with the assets corresponding to the Defined Benefit Program. Future benefit payments under the Defined Benefit Program and the System 2000 Program were paid from the same pool of assets. As a different benefit structure, the System 2000 Program was not a separate plan, and the Commonwealth does not guarantee benefits at retirement age.

Corresponding employers' contributions were used by ERS to reduce the unfunded status of the Defined Benefit Program.

The System 2000 Program reduced the retirement age from 65 years to 60 years for those employees who joined the plan on or after January 1, 2000.

Upon retirement, the balance in each participant's account was used to purchase an annuity contract, which provided for a monthly benefit during the participant's life and 50% of such benefit to the participant's spouse in case of the participant's death. Participants with a balance of $10,000 or less at retirement received a lump-sum payment. In case of death, the balance in each participant's account was paid in a lump sum to the participant's beneficiaries. Participants had the option of receiving a lump sum or purchasing an annuity contract in case of permanent disability.

Contributory Hybrid Program

On April 4, 2013, the Legislature enacted Act No. 3, which amended Act No. 447, Act No. 1 and Act No. 305, to establish, among other things, a defined contribution program similar to the Contributory Hybrid Program to be administered by the ERS. All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Defined Benefit Program and the System 2000 Program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous plans will become part of the Contributory Hybrid Program. Act

No. 3 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 2000 System Program participants.

Participants in the Defined Benefit Program who as of June 30, 2013, were entitled to retire and receive some type of pension, could have retired on any later date and received the annuity corresponding to their retirement program, as well as the annuity accrued under the Contributory Hybrid Program. Participants who as of June 30, 2013, did not reach the age of 58 and completed 10 years of service or did not reach the age of 55 and completed 25 years of service could have retired depending on the new age limits defined by the Contributory Hybrid Program and received the annuity corresponding to their retirement program, as well as the annuity accrued under the Contributory Hybrid Program.

Participants in the System 2000 Program who as of June 30, 2013, were entitled to retire because they were 60 years of age could have retired on any later date and received the annuity corresponding to their retirement program, as well as the annuity accrued under the Contributory Hybrid Program. Participants in the System 2000 Program who as of June 30, 2013, did not reach the age of 60 could have retired depending on the new age limits defined by the Contributory Hybrid Program and received the annuity corresponding to their retirement program, as well as the annuity accrued under the Contributory Hybrid Program.

In addition, Act No. 3 amended the provisions of the different benefit structures under the Retirement System, including, but not limited to, the following:

1. Increased the minimum pension for current retirees from $400 to $500 per month.
2. The retirement age for the Act No. 447 participants was gradually increased from age 58 to age 61.
3. The retirement age for the active System 2000 Program participants was gradually increased from age 60 to age 65.
4. Eliminated the "Merit Annuity" available to participants who joined the Retirement System prior to April 1, 1990.
5. The retirement age for new employees was increased to age 67.
6. The employee contribution rate was increased from 8.275% to 10%.
7. For the System 2000 Program participants, the retirement benefits were no longer paid as a lump sum distribution; instead, they were paid through a lifetime annuity.
8. Eliminated or reduced various retirement benefits previously granted by special laws, including Christmas and summer bonuses. The Christmas bonus payable to current retirees was reduced from $600 to $200 and was eliminated for future retirees. The summer bonus was eliminated. Resulting employer contribution savings were contributed to ERS.
9. Disability benefits were eliminated and substituted for a mandatory disability insurance policy.
10. Survivor benefits were modified.

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Prior to July 1, 2017, employee contributions were credited to individual accounts established under the Contributory Hybrid Program. In addition, a mandatory contribution equal to or less than point twenty five percent (0.25%) was required for the purchase of disability insurance.

Upon retirement prior to July 1, 2017, the balance in each participant's account was used to purchase an annuity contract, which provided for a monthly benefit during the participant's life. In case of the pensioner's death the designated beneficiaries continued receiving the monthly benefit until the contributions of the participant were completely consumed. In case of the participants in active service a death benefit was paid in one lump sum in cash to the participant's beneficiaries. Participants with a balance of less than $10,000 or less than five years of computed services at retirement received a lump-sum payment. In case of permanent disability, the participants had the option of receiving a lump sum or purchasing an annuity contract.

For the fiscal year ended June 30, 2014, the Authority was required to contribute 12.275% of each participant's gross salary under the different benefit structures. ERS used these contributions to increase its level of assets and to reduce the actuarial deficit. Beginning on July 1, 2014, and up until June 30, 2016, the employer's contribution rate was annually increased by one percent (1%). Beginning July 1, 2016, and up until June 30, 2017, the employer's contribution rate that is in effect on June 30 of every year was annually increased on every successive July 1st by one point twenty-five percent (1.25%). Beginning July 1, 2017, the employer's contribution is established through the PayGo fee as determined by AAFAF under Act 106-2017.

Additional information on ERS is provided in its standalone financial statements for the year ended June 30, 2018, a copy of which can be obtained from the Employee Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42004, San Juan PR 00940-2004.

(iii) Total Pension Liability (net in 2018)

The Commonwealth's total pension liability (net in 2018), from which an allocation was made in the Authority's financial statements as of June 30, 2019, and June 30, 2018, was measured as of June 30, 2018, and June 30, 2017, respectively, and the total pension liability used to calculate the total pension liability (net in 2018) was determined by actuarial valuations based on census data as of July 1, 2017, and July 1, 2016, respectively, which was rolled forward to June 30, 2018, and June 30, 2017, respectively, assuming no gains or losses.

(iv) Actuarial Assumptions

The following actuarial methods and assumptions were used in developing the estimate of the total pension liability (net in 2018) of the Employees Retirement System, from which an allocation of the total pension liability (net in 2018) was made to the Authority and other instrumentalities of the Commonwealth of Puerto Rico.

The total pension liabilities (net in 2018) as of June 30, 2019, and June 30, 2018, were determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

	Actuarial Valuations as of:	
	30-Jun-18	30-Jun-17
Actuarial cost method	Entry age normal	Entry age normal
Asset-valuation method	Not applicable	Not applicable
Actuarial assumptions:		
Inflation	Not applicable	Not applicable
Municipal bond index	Not applicable	Not applicable
Discount rate	3.87	3.58
Projected salary increases per annum	3.0% per year. No compensation increases are assumed until July 1, 2021 as a result of Act No. 3 of 2017, four year extension of the Act 66-2014 and the current general economy.	3.0% per year. No compensation increases are assumed until July 1, 2021 as a result of Act No. 3 of 2017, four year extension of the Act 66-2014 and the current general economy.
Cost-of-living adjustments	None assumed.	None assumed.

The mortality tables used in the June 30, 2018 actuarial valuations were as follows:

- *Pre-retirement Mortality* — For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females were adjusted to reflect Mortality Improvement Scale MP-2017 from the 2006 base year and projected forward using MP-2017 on generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2017 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. Also, 100% of deaths while in active service are assumed to be occupational only for members covered under Act No. 127.

- *Post-retirement health mortality* — 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 Uninsured Pensioner (UP) 1994 Mortality Table for Males and 95% of the rates from the UP 1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2018 on a generation basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

- *Post-retirement disabled mortality* — Rates, which vary by gender, are assumed for disabled retirees based on a study of the plan's experience from 2007 to 2012 and updated expectation 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-Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2018 on a generation basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

(v) Discount Rates

ERS is in a deficit position. Therefore, the tax-free municipal bond index (Bond Buyer General Obligations 20-Bond Municipal Bond Index) was applied to all periods of projected benefits payments to determine the total pension liability. The discount rate was 3.87% as of June 30, 2018.

(vi) The Authority's proportion of the total pension liability (net in 2018) of ERS

The Authority's proportionate share of total pension liability (net in 2018) of ERS and the proportion percentage of the aggregate total pension liability (net in 2018) of ERS allocated to the Authority as of June 30, 2019, and June 30, 2018, amounted to $406,659,098 and $389,380,539, respectively, and 1.66054% and 1.13793%, respectively.

The Authority's proportion of the ERS's total pension liability (net in 2018) was based on the actual required contributions of each of the participating employers that reflect each employer's projected long-term contribution effort. The contributions reflecting each employer's projected long-term contribution effort that are included in the proportionate share calculation are: (1) Act No. 116 of 2010 statutory payroll-based contribution, (2) Act No. 3 of 2013 supplemental contribution, and (3) other special law contributions. Amounts from the Authority to the ERS of $21,556,334 and $ 22,384,815 were required during the period subsequent to the measurement date or during the period ended June 30, 2019 and June 30 ,2018, respectively. Other contributions to ERS that do not reflect an employer's projected long-term contribution effort, such as contributions that separately finance specific liabilities of an individual employer to ERS (i.e., local employer early retirement incentives), were excluded from the proportionate share calculation.

In addition, the collected Additional Uniform Contribution (AUC), required by Act No. 32 of 2013, which is a contribution that reflects each employer's projected long-term contribution effort, was excluded from the proportionate share calculation because its collectability from various employers, including the Commonwealth, is uncertain. Exclusion of such amounts prevents an overallocation of GASB Statement No. 73 & 68 amounts to the employers who have paid their AUC (or are expected to do so) and an under-allocation of GASB Statement No. 73 & 68 amounts to the employers who have not paid their AUC (or are not expected to do so).

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The components of the pension liability of the Authority's proportionate share as of June 30, 2019 (measurement date June 30, 2018), and June 30, 2018 (measurement date June 30, 2017), are as follows:

	2019	2018
Authority's proportionate share of:		
Proportion of the net pension liability	1.66054%	1.13793%
Total pension liability (net in 2018)	($406,659,098)	($365,382,858)
Plan fiduciary net position (deficiency)	$0	($23,997,681)
Pension liability	($406,659,098)	($389,380,539)
Plan's fiduciary net position as a percentage of the total pension liability	0.0000%	-6.5678%
Covered payroll	$0	$45,312,728
Authority's proportionate share of the pension liability as a percentage of its covered-employee payroll	0.0000%	11.6370%

The following table presents the sensitivity analysis of the Authority's proportionate share of the pension liability as of June 30, 2019 (measurement date June 30, 2018), for ERS calculated using the discount rate of 3.87%, as well as what the Authority's proportionate share of the pension liability would be if it were calculated using a discount rate of one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	At 1% decrease (2.87%)	At current discount rate (3.87%)	At 1% increase (4.87%)
Total pension liability	$ (462,743,411)	$ (406,659,098)	$ (361,159,045)

(vii) Pension expense and deferred outflows of resources and deferred inflows of resources from pension activities

Pension expense recognized by the Authority for the years ended June 30, 2019, and June 30, 2018, related to the Retirement Systems amounts to $75,243,662 and $39,137,053, respectively.

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Deferred outflows and deferred inflows of resources from pension activities including other post-employment benefits reported in the Administration's statements of net position as of June 30, 2019, and June 30, 2018, are as follows:

	Deferred Outflows of Resources	
	June 30, 2019	June 30, 2018
Balance of deferred outflows due to:		
Difference between expected and actual experience	$ -	$ 263,048
Changes of assumptions	-	50,902,538
Changes in proportion and differences between employer contributions and share of contribution	11,801,907	17,437,942
Subsequent to the measurement date	21,556,334	22,384,815
	$ 33,358,241	$ 90,988,343

	Deferred inflows of Resources	
	June 30, 2019	June 30, 2018
Balance of deferred inflows due to:		
Difference between expected and actual experience	$ -	$ 6,891,152
Changes of assumptions	12,299,466	39,629,625
Net difference between projected and actual earnings on pension plan investments	13,335,209	2,274,489
	$ 25,634,675	$ 48,795,266

(viii) Amounts reported as deferred outflows/inflows of resources from pension activities as of June 30, 2019, will be recognized in the pension expense as follows:

Year Ending June 30:	
2020	$ 2,776,154
2021	2,764,154
2022	2,764,154
2023	2,764,154
2024	2,764,152
	$ 13,832,768

Deferred outflows of resources related to pensions resulting from the Authority's required contributions subsequent to the measurement date of June 30, 2018, amounted to $21,556,334 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. This amount is not included in the table above.

18. OTHER POSTEMPLOYMENT BENEFITS

The Authority has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75). This Statement replaces the requirement of Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployments Benefits Other Than Pensions* (GASB 45). GASB 75 establishes the standards for the measurement, recognition, and display of Other Postemployment Benefits (OPEB) expense / expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state, and local governmental employers.

OPEB are part of an exchange of salaries and benefits for employee service rendered. Most OPEB have been funded on a pay-as-you-go basis and have been reported in financial statements when the promised benefits are paid. GASB 45 requires state and local government's financial reports to reflect systematic, accrual basis measurement and recognition of OPEB cost (expense) over a period that approximates an employee's years of service and provides information about actuarial accrued liabilities associated with the OPEB, and whether and to what extent progress is being made in funding the plan.

The Authority provides healthcare benefits to its retirees under two plans: one covered by Collective Bargaining Agreements (CBA) and considered a single-employer plan, and the other through the postemployment benefit plan of the Commonwealth of Puerto Rico for retired participants of ERS, a multi-employer plan. Both plans operate on a pay-as-you-go basis.

The Plan administered by the Authority Benefits consist of a maximum monthly payment (annuity) to cover medical expenses. Based on the Plan's features and its functions, and for the purpose of the actuarial valuation, it has been identified as a single-employer defined benefit healthcare plan. Participant groups covered are (i) employees under a Collective Labor Agreement with "Union Independiente de Empleados de la Autoridad de Edificios Públicos" (UIEAEP), and (2) the Authority's management employees.

All employees with at least 10 years of rendered service within the Authority are eligible for the healthcare benefit upon retirement age. Normal retirement is as follows:

- For employees that were employed by the Authority at March 30, 1990, the retirement is at 30 years of service.

- For employees that were employed by the Authority after Match 30, 1990, the retirement is at 10 years of service and 65 years old.

The benefit is paid in case of permanent disability of the retiree until death. Also, the benefit is paid in case an active employee becomes disabled until death. The obligation end in case of death after retirement.

The Authority's contribution is limited to $200 monthly per single retired employee up to a period of thirty-six months (twelve months for managerial employees). This benefit is included in the collective bargaining agreement and will be re-evaluated when the collective bargain agreements are up for renewal. Milliman an international actuarial and consulting firm (Milliman) provide actuarial estimates for active employees and those employees who retired early. Milliman used a measurement date of June 30, 2019.

Once the postemployment benefits covered by collective bargain agreements expire, the Authority's retirees commence participation in the plan administered by the Commonwealth. Milliman provided actuarial estimates for retirees participating in the plan administered by the Commonwealth. Milliman used a measurement date of June 30, 2018. This group of retirees was not included in prior years' liability for post-employment benefits.

The postemployment benefit plan of the Commonwealth of Puerto Rico covers a payment of up to $100 per month to the eligible medical insurance plan selected by each member, provided that the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3). The Plan is financed by the Commonwealth through legislative appropriations. However, the Commonwealth claims reimbursements from each employer on a monthly basis for the corresponding amount of the OPEB payments made by the Commonwealth in relation to the retirees associated with each employer. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution.

Under leveled benefits provided in each plan, the medical cost increases reside with the retiree and, therefore, result in a lower OPEB liability for the Authority.

GASB 75 requires participating employers to recognize their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense.

The total OPEB liability as of June 30, 2018, for retirees participating in the plan of the Commonwealth was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total OPEB liability as of June 30, 2017, was determined by an actuarial valuation as of June 30, 2017. The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period.

Actuarial assumptions

Discount rate – The discount rate for June 30, 2018, and June 30, 2017, was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

- Pre-retirement Mortality — For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females were adjusted to reflect Mortality Improvement Scale MP-2017 on a generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

- Post-retirement health mortality — 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 Uninsured Pensioner (UP) 1994 Mortality Table for Males and 95% of the rates from the UP 1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2018 on a generation basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

- Post-retirement disabled mortality — Rates, which vary by gender, are assumed for disabled retirees based on a study of the plan's experience from 2007 to 2012 and updated expectation 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-2017 on a generation basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the collective total allocated OPEB liability of the ERS Plan and CBA Plan at June 30, 2018, were calculated using the discount rate of 3.87% and 3.50%, respectively, as well as the Plan's total allocated OPEB liability if it were calculated using the discount rate of one percentage point lower (2.87%) and (2.50%), respectively, or one percentage point higher (4.87%) and (4.50%), respectively, than current rate:

	At 1% decrease (2.87%)	At current discount rate (3.87%)	At 1% increase (4.87%)
Proportionate share of ERS OPEB liability	$ 9,707,423	$ 8,857,277	$ 8,134,484
	At 1% decrease (2.50%)	**At current discount rate (3.50%)**	**At 1% increase (4.50%)**
CBA OPEB liability	$ 12,234,117	$ 10,443,574	$ 8,978,594
Total OPEB liability	$ 21,994,537	$ 19,300,851	$ 17,111,078

Deferred outflows of resources and deferred inflows of resources

Because all participants of the ERS Plan 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.

Additional information on the Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Employee Retirement System is provided on its standalone Schedules of Employer Allocations and Schedules of OPEB Amounts by Employer for the years ended June 30, 2018, and June 30, 2017, a copy of which can be obtained from the Employee Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42004, San Juan PR 00940-2004.

	Deferred Outflows of Resources	
	June 30, 2019	June 30, 2018
Balance of deferred outflows due to:		
Payment made subsequent to the measurement date	$ 713,765	$ 735,667
Changes in assumptions	535,320	-
	$ 1,249,085	$ 735,667

	Deferred Inflow of Resources	
	June 30, 2019	June 30, 2018
Balance of deferred outflows and inflows due to:		
Difference between expected and actual experience	$ 6,990,128	$ -
Changes of assumptions	724,609	
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between employer contributions and share of contribution	-	-
Subsequent to the measurement date	-	-
	$ 7,714,737	$ -

Amounts reported as deferred outflows/inflows of resources from pension activities as of June 30, 2019 will be recognized in the pension expense as follows:

Year Ending June 30:	
2019	$ (635,107)
2020	(635,107)
2021	(635,107)
2022	(635,107)
2023	(635,107)
Thereafter	(4,003,882)
	$ (7,179,417)

Deferred outflows of resources related to pensions resulting from the Authority's required contributions subsequent to the measurement date of June 30, 2019 amounted to $713,765 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. This amount is not included in the table above.

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OPEB Obligation

The net OPEB obligation change for the years ended June 30, 2019, and June 30, 2018, is as following:

		2019		2018
Normal OPEB obligation at beginning of year	$	26,101,391	$	16,291,251
Total annual OPEB costs		(6,071,253)		3,447,955
Actuarial change in estimate		(560,687)		6,468,633
Actuarial benefits payments		(168,600)		(106,448)
OPEB liability	$	19,300,851	$	26,101,391

Components of OPEB costs during the years ended June 30, 2019 and 2018 are as follows:

		2019		2018
Annual required contribution (ARC) for the fiscal year	$	-	$	-
Service Cost		310,819		709,728
Actuarial change in estimate		583,986		(821,223)
Interest or net OPEB obligation		659,520		610,136
ARC amortization adjustment		(7,625,578)		2,949,314
Total annual OPEB Costs	$	(6,071,253)	$	3,447,955
Actuarial discount rate		3.50%		3.90%

The projection of future benefit payment for an ongoing plan involves estimates of the value of reported amount and assumption about the probability of occurrence of events far into the future. Examples include assumption about the future employment, mortality, and the healthcare costs trend. Amount determined regarding the funded status of the plan and annual required contribution of the employer are subject to continuous revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions - The following actuarial methods and assumptions were used in developing the estimate of the net pension liability of the Commonwealth of Puerto Rico's Retirement System, from which an allocation of the net pension liability was made to the Administration and other instrumentalities of the Commonwealth of Puerto Rico.

The total OPEB liabilities as of June 30, 2019, and June 30, 2018, were determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

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	Actuarial Valuations as of:	
	30-Jun-18	30-Jun-17
Actuarial cost method	Entry age normal	Entry age normal
Asset-valuation method	Not applicable	Not applicable
Actuarial assumptions:		
Inflation	Not applicable	Not applicable
Municipal bond index	Not applicable	Not applicable
Discount rate	3.87	3.58
Projected salary increases per annum	3.0% per year. No compensation increases are assumed until July 1, 2021 as a result of Act No. 3 of 2017, four year extension of the Act 66-2014 and the current general economy.	3.0% per year. No compensation increases are assumed until July 1, 2021 as a result of Act No. 3 of 2017, four year extension of the Act 66-2014 and the current general economy.
Cost-of-living adjustments	None assumed.	None assumed.

The mortality tables used in the June 30, 2018 actuarial valuations were as follows:

Pre-retirement Mortality — For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females were adjusted to reflect Mortality Improvement Scale MP-2017 from the 2006 base year and projected forward using MP-2018 on generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2017 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. Also, 100% of deaths while in active service are assumed to be occupational only for members covered under Act No. 127.

Post-retirement health mortality — 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 Uninsured Pensioner (UP) 1994 Mortality.

19. VOLUNTARY TERMINATION BENEFITS

On July 2, 2010, the Commonwealth enacted Act No. 70 to establish a program that provided benefits for early retirements or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the Authority. Act No. 70 was a voluntary selection for the public corporations, such as the Authority, and established that early retirement benefits will be provided to eligible employees that have completed between 20 to 29 years of credited service in the

Retirement System, between 48 and 55 years to age, and will consist of biweekly benefits of 50% of each employee' salary, as defined. In this early retirement benefits program, the Authority will make the employee and the employer contribution to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 years of credited service in the Retirement System. Economic incentives are available to eligible employees who have a least 30 years of credited service in the Retirement System who have attained the age for retirement. Economic incentives will consist of a lump-sum payment of six months of salary based on employment years. For eligible employees that choose the economic incentives to employees who have 30 years of service or who have reached retirement age, the Authority will make the employee and the employer contributions to the Retirement System for a five-year period. Additionally, eligible employees who choose to participate in the early retirement benefit program or who choose the economic incentive and have at least 20 years of credited services in the retirement system are eligible to receive health plan coverage for up to 12 months in a health plan selected by management of the Authority. The financial impact resulting was the recognition of a liability of approximately $13.9 and $16.7 million in the balance sheets as June 30, 2019 and 2018. At June 30, 2019, unpaid long-term benefits granted through this program were discounted at 2.52%, depending on the employee voluntary termination benefits selected.

20. CONTINGENT LIABILITIES

a. **Litigation –** The Authority is a defendant or co-defendant in various lawsuits for alleged breach of contract and torts in cases related to construction projects. In addition, the Authority is a defendant or co-defendant in other cases related to public liability and labor related matters. Some of the cases related to public liability are covered by insurance.

   The Authority, based on legal advice, recorded an adequate provision to cover probable losses on the claims not fully covered by insurance. In the opinion of legal counsel, any liability in excess of insurance coverage and/or the recorded provision that may arise from such claims would not affect the Authority's financial position or operations.

b. **Grants-** In the normal course of operations, the Authority receives grants from various Federal and State agencies. The grant programs are subject to audit by agents of the granting, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The expenditures financed by grants are subject to program compliance audits by the grantor and passed-through agencies authority in accordance with the requirements of the U.S. Office of Management and Budget Uniform Guidance 2 CFR Part 200, in order to assure compliance with grant requirements. If expenditures are disallowed due to noncompliance with grant program requirements, the Authority may be required to reimburse the grantor or pass-through agencies. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

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c. **Environmental** – During 2012, the Authority identified asbestos in the Central Offices building in Minillas, Santurce, Puerto Rico. Asbestos removal costs were estimated based on an environmental engineer's consultant survey. As a result, during the year ended June 30, 2012, the Authority recorded a liability of $2 million for the estimated costs of the asbestos removal. During the year ended June 30, 2015, most of the asbestos removal process was completed at a total cost very similar to the total provision recorded in 2012. The Authority has contracted environmental engineers to determine if asbestos exists in other Authority properties. Some of the damages from hurricanes Irma and Maria exposed asbestos which was previously contained in some of the facilities. Measures taken include temporary repairs while permanent repair is secured, as well as limiting access to affected areas. The estimate of damages and related costs of repairing and restoring the facilities affected were accrued as of June 30, 2019.

21. Hurricane Maria

On September 20, 2017, the island of Puerto Rico was devastated by Hurricane Maria. The Hurricane caused catastrophic destruction in Puerto Rico, including severe damages to the electric power system, and left the island completely without power.

The Authority recorded estimated damages of approximately $142.5 million, and $10.5 million for debris removal and temporary repairs. The remainder, or approximately $132.4million, was for damages to structures. In fiscal year 2018, the Authority recognized an impairment loss which resulted in an erroneously loss recognition of $80.7 million that did not proceed. In fiscal year 2019 a prior period adjustment was made.

The Authority received advance recovery proceeds from the insurance company of $25 million from October 2017 to June 2018, and accrued at June 30, 2018, an additional $10 million received in August 2018. From April 2018 to June 2018, the Authority received approximately $1.0 million and accrued approximately $9.5 million received from Federal Emergency Management Agency (FEMA) subsequent to June 30, 2018, as reimbursements for expenses paid by the Authority related to damages caused by hurricane Maria.

Expected repairs will take five to seven years to complete and those that may qualify to be capitalized will be done as incurred.

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22. PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERRORS

The accompanying financial statements for fiscal year 2019 have been restated for correct the following errors in 2018:

- An overestimating in the recognition of an impairment loss over capital assets for $80.7 million
- An overstatement in cash balance and account receivable for $4.1 million
- An overstatement in recorded accrued expenses for $14.1 millions

The aggregate effect of the restatement was to increase Net Position for fiscal year 2018 by $90,659,747.

As of June 30, 2018	Impact of correction of error		
	As previously reported	Adjustments	As restated
Assets:			
Current assets	$ 71,287,983	$ (4,164,674)	$ 67,123,309
Capital assets	3,191,711,705	80,678,840	3,272,390,545
Other non-current assets	32,819,958	-	32,819,958
Total Assets	3,295,819,646	76,514,166	3,372,333,812
Deferred outflows of resources	173,357,784	-	173,357,784
Total assets and deferred outflows of resources	3,469,177,430	76,514,166	3,545,691,596
Liabilities:			
Current libilities	715,806,740	(14,145,581)	701,661,159
Non-current liabilities	4,395,752,060	-	4,395,752,060
Total liabilities	5,111,558,800	(14,145,581)	5,097,413,219
Deferred Inflows of Resources	48,795,266	-	48,795,266
Deferred liabilities and deferred inflows of resour	5,160,354,066	(14,145,581)	5,146,208,485
Deficit:			
Net investment in capital assets	(1,036,492,379)	90,659,747	(945,832,632)
Deficit	(654,684,257)	-	(654,684,257)
Total deficit	$ (1,691,176,636)	$ 90,659,747	$ (1,600,516,889)

23. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through November 10, 2021, which is the date the basic financial statements were available to be issued. The subsequent events disclosed are principally those which management believes are of sufficient public interest for disclosure.

A. Debt Investigation Report

On August 2, 2017, the Oversight Board announced its intention, pursuant to its authority under PROMESA, to conduct an investigation to review the fiscal crisis and its contributors, and examine Puerto Rico's debt and its issuance, including disclosure and selling practices. To that end, the

Oversight Board named a special investigation committee (the Special Investigation Committee) to select an independent firm to conduct the investigation.

On September 13, 2017, the Oversight Board announced that the Special Investigation Committee retained an independent investigator to carry out a review of the Commonwealth's debt and its connection to the current financial crisis. The Special Investigation Committee considers this investigation an integral part of the Oversight Board's mission to restore the fiscal balance and economic opportunity and to promote the Commonwealth's reentry to the capital markets. The Oversight Board published the independent investigator's final report on August 20, 2018 (the Debt Investigation Report).

The Debt Investigation Report provides an analysis of the historical and more recent macroeconomic and political factors contributing directly and indirectly to the Commonwealth's fiscal and economic crisis, the Commonwealth's municipal bond issuance process, and legislative efforts to restructure the debt, as well as the Oversight Board's investigative findings, policy recommendations, and identification of potential claims and matters for regulatory attention.

The Debt Investigation Report presented findings and recommendations on the following areas:

- GDB
- Puerto Rico Public Utilities (PREPA and PRASA)
- COFINA
- ERS
- Puerto Rico's Budgeting, External Reporting, and Accounting Functions
- Calculation of the Constitutional Debt Limit
- Credit Rating Agencies (CRAs)
- Selling Practices for Puerto Rico-Related Bonds
- Puerto Rico's Government Ethics Framework
- Issuers' Use of Interest Rate Swaps
- Puerto Rico's Lack of a Clear Mechanism for Validating Puerto Rico-Related Bonds Before They Issue
- Possession Tax Credit

Finally, the independent investigator presented an overview of potential causes of action. The Debt Investigation Report in its entirety can be found on the Oversight Board's website.

On August 28, 2018, the Oversight Board appointed its Special Claims Committee and delegated to the Special Claims Committee any and all authority of the Oversight Board to review the findings in the Debt Investigation Report and to take any appropriate steps, including, but not limited to, recommending and/or initiating the negotiation and/or prosecution of claims based on the findings in the Debt Investigation Report on behalf of the Title III debtors for the benefit of all creditors and parties in interest in the Title III cases.

The Special Claims Committee is entitled, in its full discretion, to determine the scope of any further action, including, but not limited to, additional investigation, as well as claims to be pursued, and to retain such advisors, consultants, attorneys or other advisors as in its sole discretion it sees fit. On October 25, 2018, the Oversight Board requested proposals for counsel to assist the Special Claims Committee regarding consideration of potential claims described in the Debt Investigation Report. On November 28, 2018, the Special Claims Committee signed the contract with the firm that will provide those services. The Commonwealth is cooperating with this investigation.

On January 14, 2019, the Special Claims Committee and the Creditors' Committee filed a joint omnibus objection (the GO Claims Objection) seeking the disallowance of more than $6 billion of claims related to the Commonwealth's general obligation bonds issued on or after March 2012, including (a) $2.3 billion in Public Improvement Refunding Bonds, Series 2012 A issued in April 2012; (b) $415.27 million in Public Improvement Refunding Bonds, Series 2012 B issued in March 2012; and (c) $3.5 billion in general obligation bonds of 2014, Series A issued in March 2014 (collectively, the Challenged GO Bonds). According to the GO Claims Objection, the Challenged GO Bonds are "invalid" because, among other things, they were issued in violation of: (i) the Commonwealth Constitution's debt service limit (ii) the Commonwealth's constitutional balanced budget clause, which should have included $425 million of interest that was excluded; and (iii) the Commonwealth's constitutional balanced budget clause because proceeds of the Challenged GO Bonds were used to finance deficit spending. On February 15, 2019, the Title III Court entered a procedures order related to the GO Claims Objection, which gave parties until April 16, 2019, to provide notice of their participation in the proceedings related to the GO Claims Objection. On April 22, 2019, the Special Claims Committee filed an informative motion notifying the Title III Court of all parties who provided notice of their participation. This participation list was last updated by an informative motion filed on July 23, 2019. On July 24, 2019, the Title III Court entered an order staying several complex litigations in the Title III cases, including the GO Claims Objection, until November 30, 2019, and mandating mediation to resolve overlapping issues. By order entered on October 28, 2019, the Title III Court extended its stay order until December 31, 2019.

Between April 30, 2019, and May 20, 2019, the Special Claims Committee and the Creditors' Committee filed 272 separate avoidance actions seeking to avoid and recover certain transfers made by the Commonwealth to its creditors prior to the Commonwealth's Title III petition date. Of these avoidance actions, approximately 254 actions seek to recover funds from the Commonwealth's vendors (collectively, the Vendor Avoidance Actions). On July 12, 2019, the Title III Court entered an order establishing litigation procedures for the Vendor Avoidance Actions. Under these procedures, all defendants may participate in a voluntary information exchange and negotiate with the Special Claims Committee to resolve their respective Vendor Avoidance Actions consensually prior to litigation. For negotiations that failed or if a defendant elected not to participate in the information exchange, then all such defendants were required to respond to the complaint in their respective Vendor Avoidance Actions by no later than April 13, 2020, and litigate their respective Vendor Avoidance Actions.

These matters remain ongoing, and the Commonwealth cannot predict when they will be concluded or their outcome.

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B. Political Challenges and Governor Transitions Between 2019 and 2021

On July 24, 2019, then Governor Ricardo Rosselló Nevares announced his resignation as Governor of the Commonwealth effective August 2, 2019, at 5 p.m. Atlantic Standard Time. Before his resignation became effective, then Governor Rosselló appointed former resident commissioner Pedro Pierluisi Urrutia as Secretary of State. After being confirmed by the House of Representatives (but not the Senate), Mr. Pierluisi was sworn in as acting Governor. On August 7,2019, the Puerto Rico Supreme Court unanimously determined that Mr. Pierluisi was unlawfully sworn into office as Governor. As a result, Justice Secretary Wanda Vázquez Garced was sworn in as Governor on August 7, 2019, to complete former Governor Rosselló's term through 2020. After winning the election held on November 3, 2020, Pedro Pierluisi Urrutia was sworn in as Governor for a four-year term starting January 2, 2021.

C. Natural Disasters

(i) Aftermath of Hurricane Maria

On September 20, 2017, Puerto Rico was directly impacted by Hurricane Maria, leaving in its path the destruction of thousands of homes, knocking out power across the entire island and flooding many streets and roads. As a result of the massive impact of the hurricane, a series of actions have been taken. Some of these actions and related events and considerations are discussed in the ensuing paragraphs.

On September 20, 2017, the same day that Hurricane Maria made landfall in Puerto Rico, the Governor made requests for funds from categories A and B of FEMA's public assistance program to address the state of emergency; the requests were immediately approved. Shortly thereafter, the Governor made an additional request for funds from categories C through G of FEMA's public assistance program, which are the categories dealing with permanent infrastructure projects such as roads, bridges, electricity and water infrastructure, public buildings, and parks and recreation spaces.

After FEMA's processing of the categories C through G funding requests, on November 1, 2017, the U.S. President approved the use of such funds for permanent projects. By doing so, the federal share of these funds was also increased from 75% to 90%, given the major disaster caused by the hurricane.

On September 21, 2017, pursuant to its authority under PROMESA and section 3 of the fiscal year 2018 budget resolutions, the Oversight Board announced its approval for the Commonwealth to reallocate up to $1 billion of its fiscal year 2018 budget to be used for emergency funding in the aftermath of Hurricane Maria.

On October 23, 2017, the Governor issued executive order EO 2017-065, creating the Central Recovery and Reconstruction Office of Puerto Rico (CRRO) pursuant to Act No. 211 of 1999, Act No. 5 of 2017, and Act No. 20 of 2017. The CRRO is created as a division within the PPPA for the purpose of (i) identifying, procuring, and administering resources to invest in the recovery of Puerto Rico, (ii) coordinating and channeling efforts of the Commonwealth related to the recovery of Puerto Rico, (iii) financing, executing, or effecting works and infrastructure

technical assistance and advice to other governmental entities regarding any matter related to the recovery of Puerto Rico. On November 10, 2017, the Governor issued executive order EO 2017-069, which amended EO 2017 065.

On October 26, 2017, the U.S. President signed into law the Additional Supplemental Appropriations for Disaster Relief Requirements Act of 2017, which provides for $36.5 billion of disaster relief funds for Texas, Florida, Puerto Rico and the United States Virgin Islands (USVI) related to damage from Hurricanes Harvey, Irma, and Maria. The law included $4.9 billion of Disaster Assistance Direct Loans to maintain liquidity for Puerto Rico and the USVI.

Puerto Rico is expected to receive a substantial majority of these loans, with the USVI expected to receive only between $200 million and $400 million.

On November 8, 2017, the Governor issued executive order EO 2017-066 pursuant to his authority under Act No. 5 of 2017. EO 2017-066 delegates the Governor's receivership powers under Section 206(a) of Act No. 5 of 2017 to AAFAF so that it may act as receiver of PREPA's procurement division and any other division or office whose duties affect PREPA's procurement processes for goods and services in order to supervise and reform the procurement processes. EO 2017-066 also created within PREPA the Office of Contract and Procurement Compliance, which reports to AAFAF.

On November 8, 2017, the Governor also issued executive order EO 2017-068, which established a 10% reimbursement for the certain small and mid-sized businesses on their sales and use tax filings from August 2017 through November 2017.

On February 9, 2018, the U.S. Congress approved, and the U.S. President signed an amendment of the Continuing Appropriations Act of 2018 to provide continuing fiscal year 2018 appropriations to most federal agencies through March 23, 2018. The Continuing Appropriations Act allocates additional budget appropriations of approximately $15 billion to the U.S. Corps of Engineers for necessary expenses to address emergency situation projects, and to construct, and rehabilitate and repair damages caused by natural disasters. Of the total amount of $15 billion, not less than $10.4 billion will be available for such projects within states and insular areas that were impacted by Hurricanes Harvey, Irma, and Maria and all repair, rehabilitation, study, design, and construction of the U.S. Corps of Engineers projects in Puerto Rico and the USVI will be conducted at full federal expense. Also, the Act allocates approximately $28 billion to the Community Development Fund to cover for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, economic revitalization, and mitigation in the most impacted and distressed areas resulting from a major declared disaster that occurred in 2017; of the amounts made available under this provision, no less than $11 billion will be allocated to the States and units of local government affected by Hurricane Maria, and of such amounts allocated to such grantees affected by Hurricane Maria, $2 billion will be used to provide enhanced or improved electrical power systems. In addition, the budget appropriation includes $4.8 billion in Medicaid funds for Puerto Rico, $39 million to carry out U.S. Customs and Border Protection activities in fiscal year 2018 in Puerto Rico and the USVI, $30.9 million for construction, rehabilitation and acquisition for Job Corps Centers in Puerto Rico, $64 million to repair the U.S. Immigration & Customs Enforcement Service (ICE) facilities in Puerto Rico, USVI, Texas and Florida, $1.37 billion for the Emergency Recovery Program of the Federal Highway Administration of which Puerto Rico will receive 100 percent federal contribution to repair damages from Hurricanes Irma and María, $14 million for the Special Supplemental Nutrition Program for Women, Infants, and Children (known as PAN in Spanish) for infrastructure grants to Puerto Rico and the U.S. Virgin Islands to assist in the repair and restoration of buildings, equipment, technology, and other infrastructure damaged as a consequence of Hurricanes Irma and Maria and $24 million for the Commodity Assistance Program for the emergency food assistance program to cover necessary expenses related to the consequences of Hurricanes Harvey, Irma, and Maria or due to wildfires in 2017.

On January 8, 2021, Governor Pierluisi signed executive order EO-2021-011, which declared that any reconstruction project that is necessary due to damages from Hurricanes Irma and Maria or earthquakes will be considered a critical project that should be treated with agility and urgency. To that end, EO-2021-011 created a Council for Reconstruction (the Council) that will identify and recommend critical reconstruction projects, and determine their respective priority. The Council will be required to prioritize projects to rebuild houses damaged by the hurricanes and earthquakes, projects to rebuild and modernize the electric and sewer systems and projects to rebuild public schools.

(ii) Earthquakes

On January 7, 2020, Puerto Rico was struck by a 6.4 magnitude earthquake threatening the lives of its people and causing devastating damages to infrastructure, an island-wide power outage, and water shortages. In order to safeguard the health and public safety of its citizens, the Governor issued executive orders EO 2020-01 and EO 2020-02 declaring a state of emergency to activate the emergency purchasing protocol allowing emergency management agencies to acquire the necessary supplies and essential services to provide a timely and effective response and activate the National Guard to provide support during the emergency management.

In addition, the Oversight Board authorized the utilization of Emergency Reserve funds from fiscal years 2019 and 2020 as needed by the Commonwealth without prior approval of reapportionments through January 31, 2020.

President Trump also approved an emergency declaration allowing direct federal assistance for emergency measures to protect lives, property and public health after the series of earthquakes.

On January 11, 2020, the Governor issued executive order EO 2020-07 authorizing the appropriation of $12 million from the Emergency Fund to be distributed equally between the municipalities of Gúanica, Guayanilla, Peñuelas, Ponce, Utuado and Yauco to be used exclusively for damages and mitigation related to the emergency.

A preliminary assessment of the damages caused by the earthquake and subsequent aftershocks (excluding the May 2, 2020 earthquake discussed below), calculated by the United States Geological Survey, estimated total economic damages at approximately $836 million.

Puerto Rico continues to experience aftershocks that are not expected to stop any time soon. According to a January 29, 2020 report published by the United States Geological Survey, Puerto Rico is at risk of many potentially catastrophic earthquakes in the near term. In fact, on May 2, 2020, an earthquake with a 5.4 magnitude struck Puerto Rico's southern coast. The seismic event, which briefly knocked out power in some areas, hit near the city of Ponce where hundreds of structures, including homes and houses of worship, remain damaged or destroyed from the devastating earthquakes earlier in 2020. These continued earthquakes are a powerful reminder that although the global COVID-19 pandemic is currently controlling the public spotlight, the physical and psychological threat of natural catastrophes has not subsided for Puerto Rico and its residents.

On January 8, 2021, Governor Pierluisi signed executive order EO-2021-011, which declared that any reconstruction project that is necessary due to damages from Hurricanes Irma and Maria or earthquakes will be considered a critical project that should be treated with agility and urgency. To that end, EO-2021-011 created a Council for Reconstruction (the Council) that will identify and recommend critical reconstruction projects, and determine their respective priority. The Council will be required to prioritize projects to rebuild houses damaged by the hurricanes and earthquakes, projects to rebuild and modernize the electric and sewer systems and projects to rebuild public schools.

(iii) Status of Federal Disaster Relief Funds

The Government continues to coordinate relief and funding efforts to address the natural disasters that have affected Puerto Rico in recent years, including the continued recovery following Hurricanes Irma and Maria and the earthquakes that impacted (and continue to impact) the southern and southwestern part of Puerto Rico. As of January 11, 2021, approximately $67 billion has been appropriated by the United States Congress to Puerto

Rico for disaster relief and recovery efforts. Of this amount, approximately $43.2 billion has been committed by federal agencies for distribution and $18 billion has been disbursed. Of the amounts obligated and disbursed, FEMA has approved approximately $33.8 billion and disbursed approximately $14.2 billion of the total amounts detailed above. The use of these funds is detailed by the Government on the COR3 website and can be accessed at: https://recovery.pr/en.

D. Title III Matters

1. *The Fin. Oversight and Mgmt. Bd. for Puerto Rico v. Puerto Rico Public Building Auth.*, Case No. 18-00149-LTS (D.P.R. Dec. 21, 2018)

On December 21, 2018, the Oversight Board, as representative of the Commonwealth, jointly with the Creditors' Committee, filed a complaint against the Authority, seeking a declaratory judgment that the purported leases entered into by the Authority with departments, agencies, instrumentalities, authorities, public corporations, and municipalities of the Commonwealth are not arm's-length rental transactions, but rather disguised financing transactions, the sole purpose of which is to provide a vehicle for the Commonwealth to repay more than $4 billion in bonds that it issued to finance the acquisition, construction, and/or improvement of office space and other facilities used by various departments, agencies, and instrumentalities of the Commonwealth. Plaintiffs contend the Authority has no right under PROMESA or the Bankruptcy Code to receive post-petition rent payments from, or assert administrative claims against, the Debtors. The Complaint seeks declarations that: (1) the leases between the Authority and various governmental agencies are not subject to treatment in accordance with Bankruptcy Code section 365(d)(3), which requires the performance of all obligations of the debtor under any unexpired lease of nonresidential real property until such lease is assumed or rejected, and thus the Debtors have no obligation to make payments to the Authority under the leases, and (2) the Authority is not entitled to a priority administrative expense claim pursuant to Bankruptcy Code sections 503(b)(1) and 507(a)(2).

Several Authority bondholders and monoline insurers moved to intervene as defendants and/or under Bankruptcy Code section 1109(b), including the PBA Funds, Assured, Ambac, National, the PBA Funds Sub-Group, the QTCB Noteholder Group, and the LCDC. The Retiree Committee also moved to intervene as a Plaintiff. The Oversight Board did not oppose intervention on the condition that it was subject to certain limitations, which the Title III Court thereafter granted. On March 19, 2019, the defendant-intervenors filed answers and three of the intervening defendants—the QTCB Noteholder Group, the PBA Funds, and Assured—filed counterclaims.

On April 24, 2019, the Oversight Board filed motions to dismiss or strike each of the counterclaims. Specifically, the Oversight Board argued: (i) the Oversight Board cannot be sued under PROMESA section 105, which exempts the Oversight Board, its members and employees from liability for actions taken to carry out PROMESA; and (ii) the counterclaims should be dismissed as redundant. The Creditors' Committee and Retiree Committee filed joinders to the Oversight Board's motions to dismiss.

On March 21, 2019, PBA Funds, Assured, and the QTCB Noteholder Group filed a motion for judgment on the pleadings pursuant to Federal Rule of Civil Procedure 12(c). The Oversight Board's response was filed on June 6, 2019. On June 21, 2019, the Oversight Board filed an urgent motion for modification of deadlines in anticipation of a motion to stay the adversary proceeding pending confirmation of a plan of adjustment (or, alternatively in the case of the Authority, a qualifying modification under Title VI of

PROMESA). On June 22, 2019, the Authority filed a response consenting to the Oversight Board's motion to stay, although many other Defendant-intervenors opposed the urgent motion.

On June 27, 2019, the Oversight Board filed a motion to stay the adversary proceeding pending confirmation of a joint Commonwealth and Authority plan of adjustment (or, alternatively in the case of the Authority, a qualifying modification under Title VI of PROMESA) that incorporates the restructuring framework discussed in a plan support agreement with certain GO bondholders, Authority bondholders, Assured, and Syncora (the Initial PSA). On June 28, 2019, the Title III Court granted the Oversight Board's urgent request to toll all existing deadlines in the adversary proceeding so that the schedule of the litigation could be assessed in the context of the Oversight Board's stay motion and the proposed settlement. On July 8, 2019, AAFAF and the Authority filed a joint objection to the Oversight Board's motion to stay, arguing (i) the Initial PSA was negotiated without input from the Authority, (ii) the Authority was not a Title III debtor, thus the Oversight Board cannot confirm any joint Authority/Commonwealth plan, and (iii) the plan contained "untenable provisions." On July 9, 2019, (i) the LCDC filed a response in support of the Oversight Board's motion to stay; (ii) Ambac and Assured filed objections to the Oversight Board's motion to stay; and (iii) the Authority filed a response to the Oversight Board's motion to stay stating that it did not oppose the motion. On July 16, 2019, the QTCB Noteholder Group filed a statement in support of the Oversight Board's motion. The Oversight Board disagreed with AAFAF's positions or those of the defendant-intervenors who opposed the stay motion, and on July 17, 2019, the Oversight Board filed its reply in support of the stay.

On July 24, 2019, the Title III Court entered a Stay Order, which stayed this adversary proceeding (among other matters in the Title III cases) through November 30, 2019. By orders entered on October 28, 2019, December 27, 2019, and March 10, 2020, the Title III Court has further stayed this action pending its decision on confirmation of a joint plan

of adjustment for the Commonwealth, ERS, and the Authority. The stay remains in effect as of the date of these basic financial statements.

2. *Challenges to the Validity of Authority Bonds*

Certain parties have filed objections to the validity of the Authority's bonds. The GO bondholders filed an *Omnibus Conditional Objection of the Ad Hoc Group of General Obligation Bondholders to Claims Filed or Asserted by the Public Buildings Authority, Holders of Public Buildings Authority Bonds, and Holders of Certain Commonwealth General Obligation Bonds* [ECF No. 6099], asserting that, if the Authority is determined to be an "unconstitutional evasion" of the Commonwealth's debt limit, any remedy for that violation would fall on holders of the Authority Bonds, and accordingly, Authority bonds, rather than later-vintage GO Bonds, should be invalidated. The Creditors' Committee has also filed an *Omnibus Objection of Official Committee of Unsecured Creditors Pursuant to Bankruptcy Code Section 502 and Bankruptcy Rule 3007, to Claims Filed or Asserted Against Commonwealth by Holders of Certain Puerto Rico Public Buildings Authority Bonds* [ECF No. 8141], which seeks the disallowance of all claims filed or asserted against the

Commonwealth based on certain Authority bonds issued in 2011 and 2012, because, according to the Creditors' Committee, their issuance violated the Constitutional Debt Limit. On July 24, 2019, the Title III Court issued the Stay Order, staying numerous proceedings raising issues potentially related to a plan of adjustment and ordering the parties to those proceedings to participate in mandatory mediation related thereto. On February 10, 2020, the Mediation Team filed its Amended Report regarding the progress of mandatory mediation, recommending that this litigation be stayed in light of the 2020 PSA. Following a hearing on March 4, 2020, the Title III Court entered the Final Stay and Mediation Order on March 10, 2020, which adopted the Mediation Team's recommendation and stayed this litigation pending a decision whether to confirm a plan of adjustment for the Commonwealth, ERS, and the Authority. The stay remains in effect as of the date of these financial statements.

On September 27, 2019, the Oversight Board—as representative of the Commonwealth, ERS and the Authority in their respective Title III cases—filed its initial joint Title III plan of adjustment for the Commonwealth, ERS, and the Authority [ECF No. 8765] (the Initial Plan) along with a disclosure statement related thereto [ECF No. 8766], which was founded upon the pre-COVID-19 economic assumptions contained in the Commonwealth fiscal plan as certified by the Oversight Board on May 9, 2019. The Initial Plan incorporated the terms of a restructuring support agreement with the Retiree Committee (the Retiree Committee RSA), in which the Retiree Committee agreed to a maximum 8.5% pension cut that would only be applicable to retirees with monthly retirement benefits of more than $1,200, as well as freezes in pension benefits for teachers and judges.

On February 9, 2020, the Oversight Board announced that it had reached a new agreement with certain GO and PBA bondholders (collectively, the PSA Creditors) on a

new framework for a plan of adjustment and, on February 28, 2020, the Oversight Board filed an amended plan of adjustment reflecting such new agreement [ECF No. 11946] along with a revised disclosure statement [ECF No. 11947]. However, in light of the COVID-19 pandemic (discussed above), the Oversight Board requested that the court adjourn court proceedings related to the proposed plan of adjustment so as to allow for the Government and the Oversight Board to prioritize the health and safety of the people of Puerto Rico and to gain a better understanding of the economic and fiscal impact of the pandemic.

After the Oversight Board certified a revised Commonwealth fiscal plan on May 27, 2020, the Oversight Board resumed formal plan of adjustment discussions with creditors on September 9, 2020. Shortly thereafter, the PSA Creditors motioned to impose plan of adjustment confirmation deadlines on the Oversight Board. On October 29, 2020, the Title III Court ordered the Oversight Board to file an informative motion presenting a term sheet disclosing the material economic and structural features of an amended plan of adjustment by February 10, 2021. In light of the Title III Court's order, the Oversight Board, AAFAF, certain creditors and parties-in-interest recommenced mediation with a view to reaching consensus on an amended plan of adjustment for the Commonwealth.

The mediation sessions began on December 3, 2020 and continued through September 2021. On February 23, 2021, the Oversight Board disclosed that it had reached a new agreement with certain of the PSA Creditors and disclosed the proposed terms of an amended plan of adjustment. Over the ensuing months further amended disclosure statements and plans of adjustment were filed.

On July 30, 2021, the Oversight Board—as representative to the Commonwealth, ERS, and the Authority 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]. The Seventh Amended Plan incorporates the terms of (i) a plan support agreement (the 2021 PSA), dated February 22, 2021, between the Oversight Board, certain Commonwealth general obligation bondholders and PBA bondholders; (ii) a restructuring support agreement with the Retiree Committee, in which the Retiree Committee agreed to a maximum 8.5% pension cut that would only be applicable to retirees with monthly retirement benefits of more than $1,500, as well as freezes in pension benefits for teachers and judges; (iii) the HTA/CCDA Related Plan Support Agreement, dated May 5, 2021, between the Oversight Board, Assured Guaranty Corp. and National Public Finance Guarantee Corporation (the HTA/CCDA PSA); and (iv) the ERS Stipulation.

On November 7, 2021, the Oversight Board filed a further amended plan, the Modified Eighth Amended Plan [ECF Mo. 19117] (the "Eighth Amended Plan"), and the confirmation hearing to consider approval of the Eighth Amended Plan commenced on November 8, 2021.

The Eighth Amended Plan remains subject to future amendments and Title III Court approval. It is not certain that the Title III Court will ultimately confirm the Eighth Amended Plan or any further amended plan.

For further information, please refer to the publicly available Eighth Amened Plan, available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

E. Impact of COVID-19

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the health threat and to contain the virus's spread across the island, Governor Váquez-Garced issued executive order EO 2020-020 on March 12, 2020, declaring a state of emergency in Puerto Rico to concentrate all efforts and implement necessary measures to safeguard the health, wellbeing and public safety of the citizens of Puerto Rico. The executive order authorizes the Commonwealth's Secretary of the Treasury and the Executive Director of the Financial Oversight and Management Board for Puerto Rico to set up a special budget from any available funds, including the Emergency Fund, to cover all necessary costs for the containment of the virus throughout the island and the sharing of information with the municipalities. Subsequent executive orders, including the reopening of certain economic areas, curfew directives and other protective measures have been issued in response to the COVID-19 spread. In addition, economic stabilization measures have been implemented by both the Government of Puerto Rico and the U.S. Government to provide support and stimulus to frontline workers, educators and students, hospitals, municipalities and small businesses, including individuals and businesses in Puerto Rico, in response to the economic distress caused by the COVID-19 pandemic.

Management has not yet identified the extent of the impact, if any, that the Coronavirus pandemic may have had (or will have in the future) on the Authority's operations and to what extent revenue sources have been adversely depleted.

F. EMPLOYEES TRANSFERRED FROM THE PUERTO RICO POWER AUTHORITY TO THE PUBLIC BUILDING AUTHORITY

In June 2021, the agency (PBA) received 544 new employees transferred from the Power Authority of Puerto Rico (AEE) and Maritime Transport Authority (ATM). The relocation of these employees to PBA was originated by the Act Num. 120-2018 "Ley para Transformar el Sistema Eléctrico de Puerto Rico". This Act established the relocation process of the AEE employees that chose to stay as a part of the Government of Puerto Rico workforce.

Based on estimates the addition of these employees in the PBA roster will result in a significant increase in their operational costs, such as payroll cost (approximately $24 million annually), office space, office equipment, tools, and other costs.

OTHER SUPPLEMENTARY INFORMATION

PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF BOND SINKING FUNDS
FOR THE YEARS ENDED JUNE 30, 2019, and June 30, 2018

	2019	2018
Governmental Facilities Bonds:		
Balance at July 1,	$ 19,963	$ 4,492,977
Receipts:		
Debt Service Rental	-	83,404,501
Investment income	331	21,382
Deposits from other accounts	39,476,395	(9,056,851)
Disbursements:		
Payment of interest on bonds	(19,930,000)	(56,483,532)
Payment of prinicipal on bonds	(19,546,395)	(22,358,514)
Balance at June 30,	20,294	19,963
Office Buildings		
Balance at July 1,	-	-
Receipts:		
Transfers from other accounts	-	1,026,163
Disbursements:		
Payment of interest on bonds	-	(1,026,163)
Balance at June 30,	-	-
	$ 20,294	$ 19,963

PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF OPERATING RENTAL REVENUES
FOR THE YEARS ENDED JUNE 30, 2019, and June 30, 2018

	2019	2018
Office Buildings		
Debt Service Rental - bonds and notes	$ 65,206,540	$ 65,198,330
Operating and administrative	56,639,828	56,844,669
Equipment reserve rentals	5,262,596	5,282,136
Total office buildings	127,108,964	127,325,135
Public Education Buildings		
Debt service rental- bonds and notes	202,642,320	202,225,612
Operating and administrative	53,011,026	53,011,244
Equipment reserve rentals	17,722,318	17,691,782
Total public education buildings	273,375,664	272,928,638
Health Facilities		
Debt service rental - bonds andnNotes	12,739,660	12,744,737
Operating and administrative	1,291,073	1,206,965
Equipment reserve rentals	966,359	965,734
Total health facilities	14,997,092	14,917,437
Total operating rental revenues	415,481,720	415,171,210
Uncollectible amounts	288,988,394	593,928,744
Total operating rental revenue, net	$ 126,493,326	$ (178,757,534)