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

SINGLE AUDIT REPORT
YEARS ENDED JUNE 30, 2019 AND 2018

BAKER TILLY PUERTO RICO, CPAs, PSC
Certified Public Accountants

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
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SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2019

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the **Puerto Rico Public Housing Administration** (the Administration), a fund of the Commonwealth of Puerto Rico, and a component unit of the Puerto Rico Department of Housing, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise a portion of the Commonwealth of Puerto Rico basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 qualified audit opinion.

(Continues)

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Qualified Opinion

The Administration was unable to obtain from the Retirement System Administration the financial and technical information necessary for the proper recognition of its total pension liability as of June 30, 2019 and 2018. As a result, management has not implemented the accounting and financial reporting requirements for pensions as set forth in the GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68*. Accounting principles generally accepted in the United States of America require that governmental employers whose employees are provided with defined benefit pensions recognize a liability and pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions administered through a trust that do not meet the requirements of GASB Statement No. 68. Also, the Administration's financial statements do not disclose the descriptive information about the pension plans through which the pensions are provided required by the GASB Statements No. 73. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

In addition, the Administration was unable to obtain from the pension administrator the information about the employment allocations and other postemployment benefit amounts necessary to comply with the requirements of GASB No. 75 "*Accounting and Financial Reporting for Postretirement Benefits Other than Pensions"*, as of June 30, 2019 and 2018 and therefore the amounts to be reported as deferred outflow/inflow of resources and net liability related to the postretirement benefit other than pensions, applicable disclosures and required supplementary information have been omitted.

We were unable to obtain sufficient appropriate audit evidence about the amount by which these departures would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Administration's financial statements

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, as of and for the years ended June 30, 2019 and 2018 the financial statements referred to in the first paragraph of this report present fairly, in all material respects, the financial position of the Administration as of June 30, 2019 and 2018 and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

(Continues)

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters

Grant Programs

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis information on pages 5 through 25 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 managements’ discussion and analysis required in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted for the years ended June 30, 2019 and 2018 historical pension information and the applicable disclosures and required supplementary information, as stated in GASB Statements No.73 and 75, that accounting principles generally accepted to the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standard 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. Our opinion on the basic financial statements is not affected by the missing information.

(Continues)

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is not a required part of the financial statements.

The schedule expenditures of federal awards is the responsibility of management and was 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2020 on our consideration of the Puerto Rico Public Housing Administration internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Puerto Rico Public Housing Administration internal control over financial reporting and compliance.

Baker Tilly Puerto Rico, CPAs, PSC
BAKER TILLY PUERTO RICO CPAs, PSC

Guaynabo, Puerto Rico
September 30, 2020

The stamp number E419378 was
affixed to the original of this report.

License No. 218
Expires December 1, 2020

Our discussion and analysis of Puerto Rico Public Housing Administration ("PRPHA") financial performance provides an overview of PRPHA's financial activities for the fiscal years ended on June 30, 2019 and 2018. Please read it in conjunction with the financial statements, which begin on page 26.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

FINANCIAL HIGHLIGHTS

The financial statements for fiscal years ended on June 30, 2019 and 2018 are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position";* and the Statement No. 34 "*Basic Financial Statements and Management's Discussion Analysis for State and Local Government".*

FINANCIAL HIGHLIGHTS (CONTINUED)

Statement of Net Position

- As of June 30, 2019, PRPHA's total assets are approximately $2,048 million representing a net decrease of $46 million or 2% when compared with the prior fiscal year. This decrease includes the following variances between the current and prior fiscal year balances:

  Increases:

  - Restricted assets increased by approximately $22 million.
  - Materials and supplies increased by approximately $1.3 million or 9%
  - Rent and other accounts receivable increased by approximately $14.5 million or 32%.

  Decreases:

  - Capital assets, net decreased by approximately $103 million or 7%.
  - Cash decreased by approximately $26 million or 9%.

  Total liabilities amounted to approximately $195.6 million representing a decrease of approximately $10 million or 5% when compared to prior year balance. The main driver of this decrease is the net effect on bonds payable balances, which decreased by approximately $14 million.

- As of June 30, 2018, PRPHA's total assets are approximately $2,093 million representing a net decrease of $40 million or 2% when compared with the prior fiscal year. This decrease includes the following variances between the current and prior fiscal year balances:

  Increases:

  - Cash increased by approximately $22 million or 16%.
  - Materials and supplies increased by approximately $1.5 million or 13%.
  - Rent and other accounts receivable increased by approximately $2.5 million or 6%.

  Decreases:

  - Restricted assets decreased by approximately $321 thousand or 2%.
  - Capital assets, net decreased by approximately $66 million or 4%.

  Total liabilities amounted to approximately $205 million representing a decrease of approximately $9 million or 4% when compared to prior year balance. The main driver of this decrease is the net effect on bonds payable balances, which decreased by approximately $12 million.

FINANCIAL HIGHLIGHTS (CONTINUED)

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

- The current fiscal year's financial statements reflect a net operating loss before non-operating revenues (expenses) and grants amounting to approximately $338 million, representing an increase in the loss of 8% from the prior fiscal year. The net operating loss is due to the nature of PRPHA's financial presentation as a series of non-operating revenues and contributions from HUD whom are received annually which help subsidize those operating expenses.

  The net operating loss balance includes approximately $26 million in revenues and approximately $364 million in expenses. Operating revenues increased by approximately $8 million and expenses increased by approximately $33 million.

  Non-operating revenues (expenses) and grants amounted to approximately $225 million, $29 million more when compared with the prior fiscal year. Non-operating revenues increase is largely due to an increase of approximately $28 million in Federal Grants.

  Considering all operating and non-operating revenues and expenses, PRPHA ends up with a loss before HUD contributions of approximately $113 million, a decrease of approximately $3 million in comparison with the prior fiscal year. This loss is reduced with the capital contributions from HUD, which amounted to $77 million during the current fiscal year.

  The balance of net position at the end of the year amounted to approximately $1,820 billion, representing a decrease of approximately $36 million compared to prior year.

- The prior fiscal year's financial statements reflect a net operating loss before non-operating revenues (expenses) and grants amounting to approximately $313 million, representing a decrease in the loss of 5% from the prior fiscal year. The net operating loss is due to the nature of PRPHA's financial presentation as a series of non-operating revenues and contributions from HUD are received annually which help subsidize those operating expenses.

  The 2018 net operating loss balance includes approximately $18 million in revenues and approximately $331 million in expenses. Operating revenues decreased by approximately $8 million and expenses increased by approximately $25 million. Non-operating revenues (expenses) and grants amounted to approximately $196 million, $29 million more when compared with the prior fiscal year.

REPORTING THE ADMINISTRATION AS A WHOLE

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

As shown in Table 1, PRPHA's Net Position amounted to approximately $1,820 million with a net decrease of 2% from 2018 to 2019.

Approximately $92 million and $70 million of the total net position is restricted for specific purposes for the years ended June 30, 2019 and 2018, respectively. This includes the homeownership initiative, capital improvements of certain public housing projects and the modernization of PRPHA's projects. Unrestricted amounts are the funds that can be used to finance day-to-day operations (for example, to cover management fees, management cost, utilities, negative rent, professional services, and others). These assets come from debt covenants, enabling legislation, or other legal requirements that amounted to approximately $393 and $359 million at the end of fiscal years 2019 and 2018, respectively.

PRPHA's Net Position includes approximately $1,335 and $1,426 million of investments in capital assets, net of related debt for the years ended June 30, 2019 and 2018, respectively.

Table 1: Summary of Statement of Net Position

	June 30,	
	2019	**2018**
Assets		
Current assets	$ 499,206,074	$ 441,491,156
Capital assets (net)	1,422,664,022	1,526,002,336
Other non-current assets	125,792,135	125,894,665
Total assets	2,047,662,231	2,093,388,157
Liabilities		
Current liabilities	65,829,861	61,501,861
Noncurrent liabilities	129,795,890	144,045,894
Total liabilities	195,625,751	205,547,755
Deferred Inflows of Resources	32,030,642	32,001,702
Net position	$ 1,820,005,838	$ 1,855,838,700

The change in net position amounted to $36 million for the fiscal year ended June 30, 2019.

RESULT OF OPERATIONS

Tables 2 and 3 detail the amounts received by each fund, the Non-Operating Federal Grants and the Capital Contribution received from HUD in order to operate PRPHA. As of 2019 and 2018, the Public Housing Fund received 90% and 92%, respectively, of the total Non-Operating Federal Grants. The amount received for the Capital Fund Program of the total Non-Operating Federal Grants was approximately 10% and 8% for 2019 and 2018, respectively. These costs are for soft costs expenditures that include relocation costs, administrative expenses, among other related costs.

During the 2019 and 2018, PRPHA received under the federal program HOPE VI - CFDA #14.866 approximately $692 thousand and $1.3 million, respectively. This federal program focuses on three general areas: physical improvements, management improvements, and social and community services to address resident's needs.

Table 2

FY 2019

Program Title	CFDA Number	Non-Operating Federal Grants	%	Capital Contributions	%	Non-Operating Revenues
Capital Fund Program	14.872	$ 27,478,198	10%	$ 75,985,326	99%	$ 103,463,524
Public Housing	14.850	261,630,035	90%	428,705		262,058,740
HOPE VI	14.866	-	-	692,096	1%	692,096
Total		$ 289,108,233	100%	$ 77,106,127	99%	$ 366,214,360

Table 3

FY 2018

Program Title	CFDA Number	Non-Operating Federal Grants	%	Capital Contributions	%	Non-Operating Revenues
Capital Fund Program	14.872	$ 21,358,616	8%	$ 84,907,244	98%	$ 106,265,860
Public Housing	14.850	239,045,622	92%	-		239,045,622
HOPE VI	14.866	-	-	1,297,864	2%	1,297,864
Total		$ 260,404,238	100%	$ 86,205,108	100%	$ 346,609,346

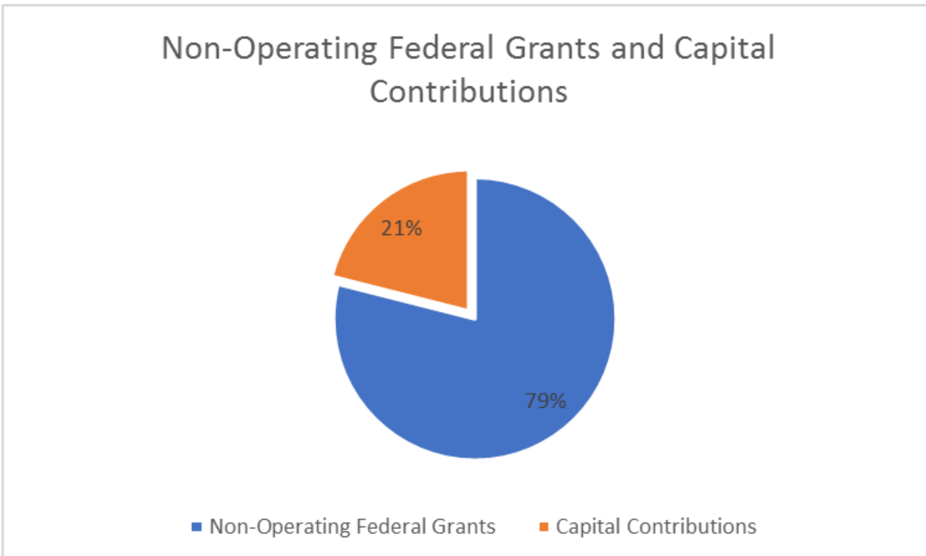
Graph 1 and 2 presents the distribution of non-operating Federal Grants and Capital Contributions of the Capital Fund Program (CFP) when compared to non-operating Revenues received from HUD in 2019 and 2018, respectively.

For fiscal year 2019, the Capital Fund received $103 million, detailed as follows: $27 million for Non-Operating Federal Grants and $76 million for Capital Contribution. The Non-Operating Revenues of CFP for 2019 include soft costs of $1 million and $11 million from the account 1406 (transfer for operations). Other soft costs include relocation costs, administrative expenses among other related costs.

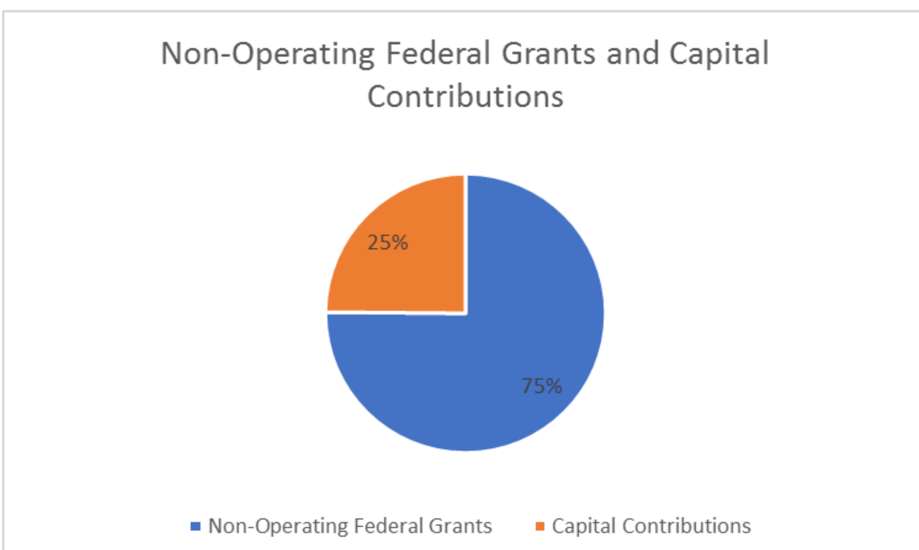
RESULT OF OPERATIONS (CONTINUED)

In 2018, the Capital Fund received $106 million, detailed as follows: $21 million for Non-Operating Federal Grants and $84 million for Capital Contribution. The Non-Operating Revenues of CFP for 2018 include soft costs of $4 million and $8 million from the account 1406 (transfer for operations). Other soft costs include relocation costs, administrative expenses among other related costs**.**

GRAPH 1: FY 2019



GRAPH 2: FY 2018



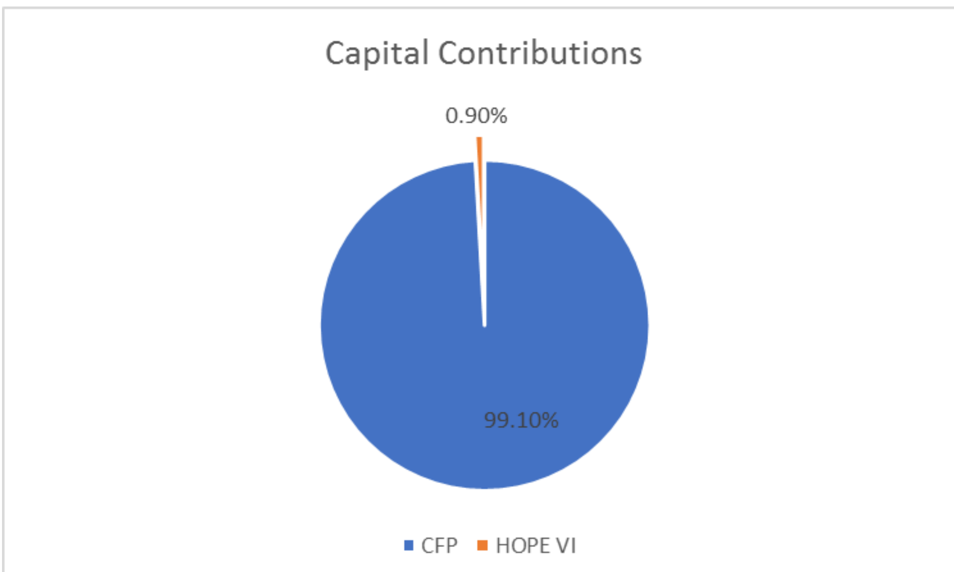
RESULT OF OPERATIONS (CONTINUED)

Graphs 3 and 4 show the capital contributions.

For fiscal year 2019, the total capital contributions amounted to approximately $77 million. From this amount, a total of $76 million was received from Capital Fund Program representing 99% of total capital investment, $692 thousand or 1% were received from HOPE VI and $429 thousands was received under HOTMA. From the amount received from HUD under Capital Fund Program, $46 million were used to pay Bond Debt Service related to the 2003 and 2008 Bond Issues.

For fiscal year 2018, the total capital contributions amounted to approximately $86 million. From this amount, a total of $84.9 million was received from Capital Fund Program representing 98% of total capital investment and $1.2 million or 2% were received from HOPE VI. From the amount received from HUD under Capital Fund Program, $46 million were used to pay Bond Debt Service related to the 2003 and 2008 Bond Issues.

GRAPH 3: FY 2019



RESULT OF OPERATIONS (CONTINUED)

GRAPH 4: FY 2018

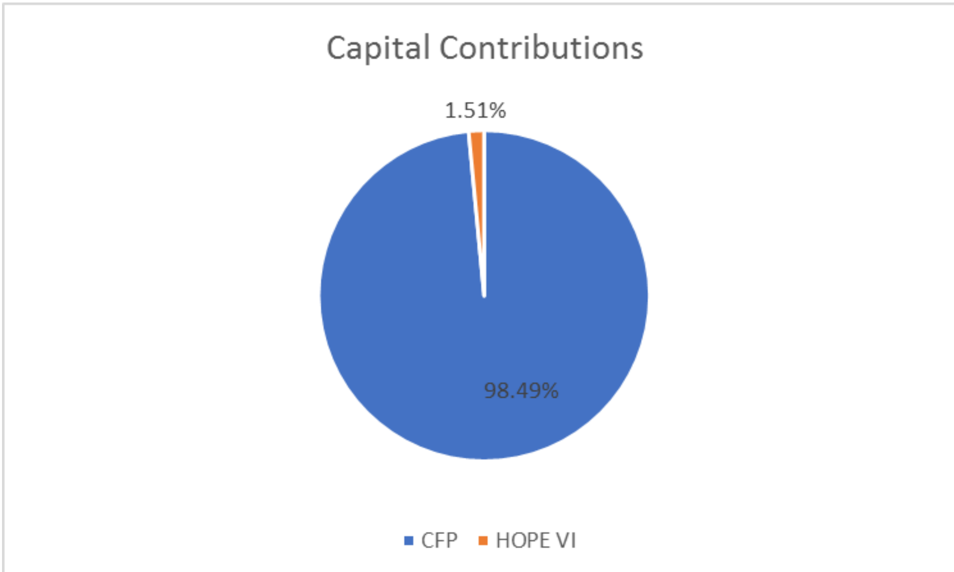


Table 4 presents the detail of operating expenses. Total operating expenses are approximately $364 million for the fiscal year ended June 30, 2019 and $331 million for the fiscal year ended June 30, 2018, representing an increase of 10%.

Table 4: **Total Operating Expenses**

	2019	2018
Administrative salaries	$ 66,309,716	$ 63,975,852
Tenant service salaries and other tenant services	43,930,583	43,859,214
Repairs, maintenance and utilities	90,466,574	84,665,324
Depreciation	97,642,803	94,446,342
Insurance	12,821,999	9,899,857
Other general and administrative	53,093,235	34,293,424
Total	$ 364,264,910	$ 331,140,013

RESULT OF OPERATIONS (CONTINUED)

Total operating expenses increased by $33 million during 2019, mostly driven by the increase administrative salaries, utilities and repair and maintenance, and other general and administrative expenses.

Table 5 presents a Summary of Revenues, Expenses, and Changes in Net Position during fiscal years 2019 and 2018.

	June 30,	
	2019	**2018**
Program revenues:		
Operating revenues	$25,731,934	$18,048,611
Operating expenses	364,264,910	331,140,013
Net operating loss before non-operating revenues and grants	(338,532,976)	(313,091,402)
Non-operating revenues (expenses) and grants	225,593,987	196,764,790
Loss before contributions from HUD	(112,938,989)	(116,326,612)
Capital contributions from HUD	77,106,127	86,205,108
Change in net position	(35,832,862)	(30,121,504)
Net position at beginning of the year, as restated	1,855,838,700	1,885,960,204
Net position at end of year	$ 1,820,005,838	$ 1,855,838,700

- The net operating loss before non-operating revenues (expenses) and grants of PRPHA for the fiscal year 2019 amounted to approximately $338 million, representing a net increase in the loss of 8% when compared to prior fiscal year. The main drivers of this increase are the increases in repair and maintenance, administrative salaries and other general and administrative expenses (as shown in Table 4).
- Net non-operating revenues (expenses) and grants increased by approximately $29 million in comparison with the prior fiscal year, mainly due to the decrease in Federal Grants.
- Capital Contributions decreased by approximately $9 million due to a decrease in capital expenditures during the modernization process of PRPHA buildings.

Table 6, Graphs 5 and 6 present the expenditures for each of PRPHA's federal programs for the fiscal years ended 2019 and 2018. From the Public and Indian Housing Program (PIHP), PRPHA expended $261 million, which represents 71% of total federal expenditures for fiscal year 2019. Approximately $104 million were expended from the Public Housing Capital Fund during the current year, representing a decrease of approximately $2 million from prior fiscal year.

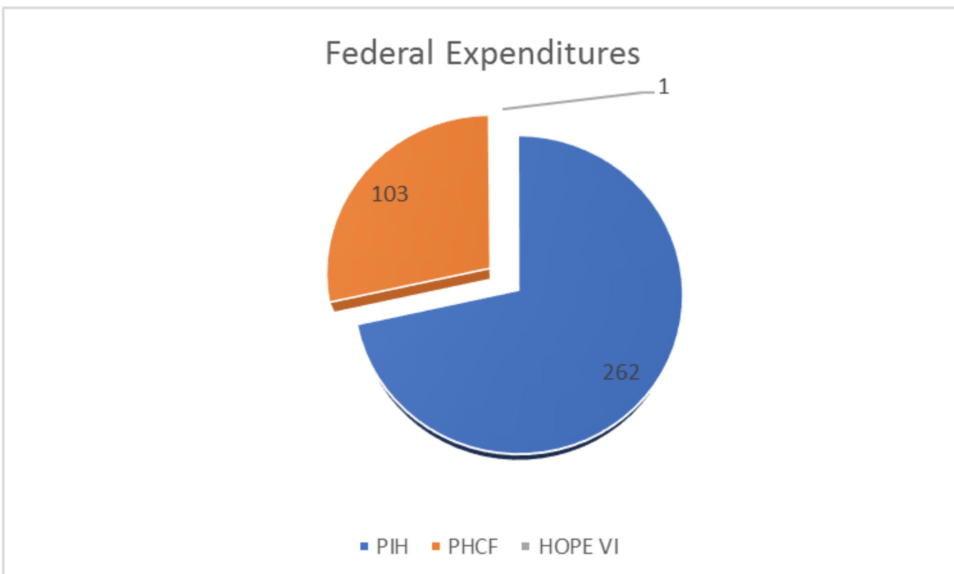
RESULT OF OPERATIONS (CONTINUED)

During the fiscal year ended June 30, 2018, approximately $106 million were expended from the Public Housing Capital Fund, representing an increase of approximately $18 million from fiscal year 2017.

Table 6: ($ in millions)

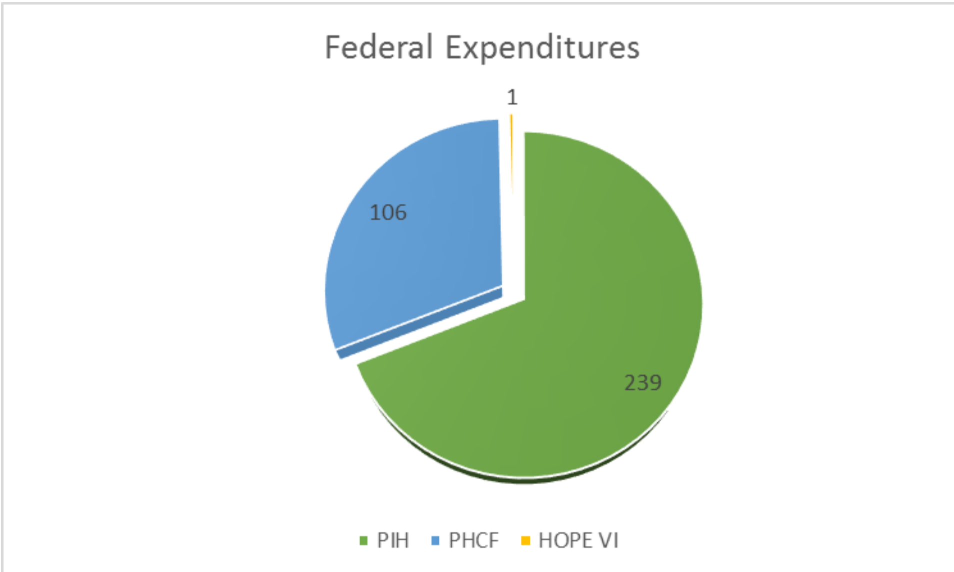
		2019	2018
Public and Indian Housing	PIH	$ 262	$ 239
Public Housing Capital Fund	PHCF	103	106
HOPE VI	HOPE VI	1	1
Total		$ 366	$ 346

GRAPH 5: FY 2019



RESULT OF OPERATIONS (CONTINUED)

GRAPH 6: FY 2018



BUDGETARY HIGHLIGHTS

Summary

Table seven details a comparison of the final budget for the Public and Indian Housing Program (PIHP) and the Central Office Cost Center (COCC) Fund. PIHP operated in FY2019 with a revised final budget of $351 million while the fiscal year 2018 final budget was $323 million. The net increase of $27.7 million for 2019 was mainly because the Administration received a PW1029 for Emergency Protection Measure to repair the waterproofing system.

Table 7: Budget Summary ($ in thousands)

Description	Final Budget Approved 2019-2018	Final Budget Approved 2018-2017	Final Budget Approved 2017-2016
Public and Indian Housing, including fees	$ 332,750,743	$ 295,063,995	$ 283,944,791
Capital Fund Program Fee	15,100,000	10,238,991	10,238,991
Fema (Adm agent fees and shelter expense)	-	3,164,704	-
Use of Reserve and Other Income	3,377,814	15,007,854	6,885,398
Total	$ 351,228,557	$ 323,475,544	$ 301,069,180

BUDGETARY HIGHLIGHTS (CONTINUED)

Table eight details a comparison of the final Public and Indian Housing Program (PIHP) and Central Office Cost Center (COCC) expenditures budgets for fiscal years ending 2019, 2018 and 2017. PIHP operated in FY 2019 and 2018 with a revised final budget of $351 and $323 million, respectively. These funds are used by PRPHA mostly in the ordinary and extraordinary maintenance of PRPHA's federal public housing projects throughout the island.

Description	Approved 2019-2018	Approved 2018-2017	Approved 2017-2016
Administrative Expense	$ 97,924,634	$ 94,062,632	$ 91,726,936
Tenant Services Expense	61,208,769	67,572,551	59,407,957
Utilities	17,009,210	17,009,210	15,753,282
Maintenance/Oper. Exp	83,879,840	77,223,305	77,385,241
Protective Service Expense	4,454,121	3,979,897	4,992,624
General Expense	38,377,702	38,358,159	40,525,695
Emergency protection measure	36,361,312	-	-
Additional payments to Bonds	-	10,000,000	-
Total Operating Expense	339,215,588	308,205,754	289,791,735
Non-Routine Expenses	12,012,969	15,269,789	11,277,445
	$ 351,228,557	$ 323,475,543	$ 301,069,180

The final operating budget for fiscal year ended 2019 included a subsidy from HUD of approximately $242 million compared to $247 million for 2018. The budget also combines an estimated dwelling rental income of $17 and $19.6 million for 2019 and 2018 respectively. The total Financial Resources for 2019 show a net increase of $37.7 million mainly due to estimated subsidy, estimated central income, and use of the operating reserve.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2019 and 2018

BUDGETARY HIGHLIGHTS (CONTINUED)

Table 9

Description	2019-2018	2017-2018	2016-2017
Estimated Subsidy (includes Add On and Uses)	$ 242,399,044	$ 247,396,151	$ 211,109,394
Estimated Rental Income	17,029,113	19,554,703	19,734,000
Capital Fund Program %	-	3,420,727	4,163,560
Transfer from COSS to Projects	-	-	2,765,867
Use of excess reserve	36,961,274	24,692,414	46,171,970
Emergency protection measure	36,361,312	-	-
Total Financial Resources	332,750,743	295,063,995	283,944,791
Reasonable Fees to be Charged to Low Income Housing Program[1]	48,522,800	47,258,111	45,715,741
Projects Operating Expenditures (Does not include Non Routine)	176,408,660	163,092,314	165,971,933
Projects Insurance and Telephone	12,588,592	12,716,592	12,605,951
Resident service Prorams, Security and Non Routine Exp.	43,583,529	46,711,128	45,497,601
General Expense	15,285,850	15,285,850	14,153,565
Credit to principal of bond payable	-	10,000,000	-
Emergency protection measure	36,361,312	-	-
Preoject Expenditures	332,750,743	295,063,995	283,944,791
Net Operating Income/Reserve	$ -	$ -	$ -

[1] 990.280(b)4 Project-specific operating costs also shall include a property management fee charged to each project that is used to fund operations of the central office. Amounts to be charged to each project for the property management fee must be reasonable.

Table 10 shows the breakdown of the total budget for FYE 2019, including the Central Office Cost Center (COCC).

BUDGETARY HIGHLIGHTS (CONTINUED)

Table 10

Description	COCC	Projects	Total Budget FY 2018-2019
Administrative Expense	$ 53,593,577	$ 44,331,057	$ 97,924,634
Tenant Services Expense	120,377	61,088,392	61,208,769
Utilities	229,710	16,779,500	17,009,210
Ord. Maintenance/Operational Expense	6,073,055	77,806,785	83,879,840
Protective Services Expense	848,997	3,605,124	4,454,121
General Expense	5,294,117	33,083,585	38,377,702
PW1029 for Emergency Protection Measure to Repair Waterproofing System and Mold Remediation	-	36,361,312	36,361,312
Total Operating Expense	66,159,833	273,055,755	339,215,588
NON-ROUTINE EXPENDITURES			
Extraordinary Maintenance	-	7,489,523	7,489,523
Property Betterments and Additions	840,781	3,682,665	4,523,446
Total Non-Routine Expenditures	840,781	11,172,188	12,012,969
Total Budget	$ 67,000,614	$ 284,227,943	$ 351,228,557

Central Office Cost Center (COCC) charges fees in lieu of cost allocations and record all financial transactions as a different fund (see *Table 11*). COCC reports these fees charged as revenue. In turn, projects will report the fees levied as expenses. *Table 11* details the Central Office Cost Center Budget Summary, which includes Fees, charged to Low Rent Program for $48 million, $15 million from Capital Fund Program as Program Fee and $3.4 million from reserve funds.

Table 11 : Central Office Cost Center Budget Summary

Description	Amount
Fees Charged to AMP's Low Rent Program	$ 48,522,800
Capital Fund Program Management Fee	15,100,000
Fema (Adm agent fees and shelter expense)	-
Use of Reserve	3,377,814
Total Financial Resources for COCC	$ 67,000,614
Total Expenditures for COCC (Includes salaries, indirect cost, management fees).	$ 67,000,614

ASSETS AND LIABILITIES

At the end of fiscal year 2019, PRPHA had approximately $2,048 million in total assets. For fiscal year 2018, this amount was approximately $2,093 million as detailed below (Table 12).

Table 12 **(in millions)**

	June 30,	
Assets	**2019**	**2018**
Cash (unrestricted and restricted)	$ 218	$ 265
Certificates of deposits	170	102
Rent and other accounts receivable, net	60	45
Materials and supplies	15	14
Restricted assets	22	2
Fiscal agent funds, restricted	14	13
Capital assets, net	1,423	1,526
Other noncurrent assets	126	126
	$ 2,048	$ 2,093

Cash (unrestricted and restricted)

As shown in the table above, cash increased by approximately $26 million when compared with the prior fiscal year. The main driver of this decrease is due to obligations paid during the fiscal years.

Rent and Other Accounts Receivable, net

Rent and other accounts receivable had a net increase of approximately $15 million when compared with prior fiscal year mainly due to an increase of $5 million accounts receivable from other accounts receivable and an increase of $2 million in repayments of advances to the management agents.

For 2018, rent and other receivable had a net increase of approximately $3 million when compared with prior fiscal year mainly due to an increase of $5 million in accounts receivable from tenants and an increase of $2 million in repayments of advances to the management agents.

ASSETS AND LIABILITIES (CONTINUED)

Capital Assets, net

At the end of the fiscal year 2019, capital assets decreased by approximately $103 million when compared with prior fiscal year. The main driver of this decrease is the net effect of an increase of retirement of land, building and structures and the increase in the accumulated depreciation (See Table 13, Graphs 7 and 8 below). Of the total of $3,461 billion, $3,035 billion were invested in Buildings and Buildings Improvements during the current fiscal year, representing increase of approximately $128 million in comparison with prior fiscal year. Construction in progress (CIP) for the current fiscal year amounted to approximately $172 million representing a decrease of $130 million with prior year.

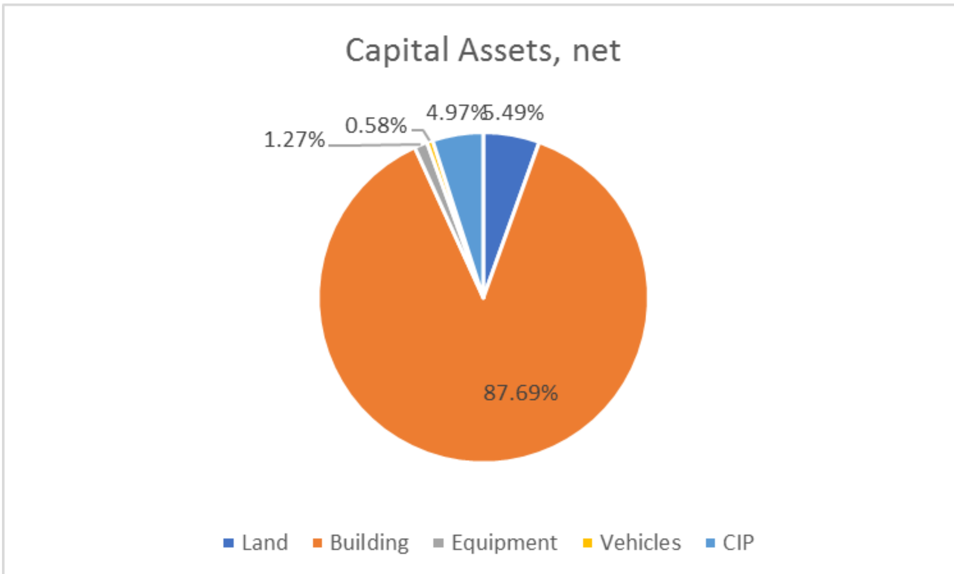
At the end of the fiscal year 2018, capital assets decreased by approximately $66 million when compared with prior fiscal year. The main driver of this decrease is the net effect of an increase of retirement of land, building and structures and the increase in the accumulated depreciation (See Table 13, Graphs 7 and 8 below). Of the total of $3,463 billion, $2,907 billion were invested in Buildings and Buildings Improvements during the current fiscal year, representing an increase of approximately $29 million in comparison with prior fiscal year. Construction in progress (CIP) for the current fiscal year amounted to approximately $301 million representing an increase of $6 million with prior year.

Table 13:

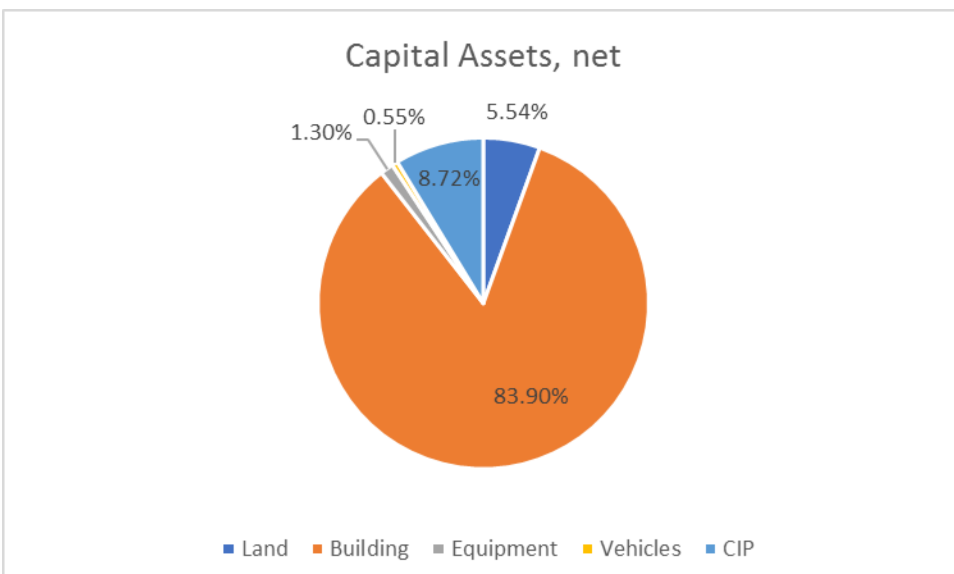
Capital Assets (Net of Accumulated Depreciation, in millions)	**2019**	**2018**
Land	$ 190	$ 192
Building and building improvements	3,035	2,907
Furniture, fixtures, and equipment	44	45
Vehicles	20	19
Construction in progress (CIP)	172	302
Subtotal	3,461	3,465
Less accumulated depreciation	(2,038)	(1,939)
Capital Assets, net	$ 1,423	$ 1,526

ASSETS AND LIABILITIES (CONTINUED)

GRAPH 7: FY 2019



GRAPH 8: FY 2018



ASSETS AND LIABILITIES (CONTINUED)

Non-current Assets

Non-current assets decreased by approximately $103 million in the current year, mainly due to the decrease in capital assets. For the fiscal year ended June 30, 2018, non-current assets decreased by approximately $67 thousand, mainly due to the decrease in capital assets.

LIABILITIES

Bonds Payable

As of June 30, 2019, the total liability related to the financial agreement entered during December 2003, between the Puerto Rico Housing Finance Administration (the bond issuer) and US Bank Trust National Association (the trustee), that was executed through a bond issue of $663,060,000 had decrease to $92,417,075. These bonds were refinanced during fiscal year 2008. Simultaneously with the issuance of the Series 2008 Capital Fund Bonds, $391,185,000 of the 2003 Bonds was defeased. The defeasance reduced the outstanding principal amount of 2003 Bonds to approximately $219 million and decreased the resultant annual gross debt service requirements from approximately $51.3 million to approximately $18.6 million. During 2018, the debt service for the defeased portion of the 2003 Bonds was paid from the defeasance escrow. The debt service for the remaining balance of the 2003 Bonds will continue to be paid from capital funds of PRPHA, together with debt service on the 2008 Bonds pursuant to the schedule submitted as part of the CFFP submission and the final debt service schedule as submitted to HUD.

Balance of the CFP Bonds Payable consists of the following:

Description	2019	2018
Current portion	$ 13,610,000	$ 12,945,000
Long-term portion	78,807,075	92,426,490
Bonds Payable, net	$ 92,417,075	$ 105,371,490

Current Liabilities

As of June 30, 2019, PRPHA had a total of approximately $66 million in current liabilities. Of this amount, $13.6 million represents the current portion of bonds payable, $50 million is accounts payable and accrued liabilities and other current liabilities amounted to approximately $2 million.

ASSETS AND LIABILITIES (CONTINUED)

As of June 30, 2018, PRPHA had a total of approximately $61 million in current liabilities. Of this amount, $12 million represented the current portion of bonds payable, $47 million were accounts payable and accrued liabilities and other current liabilities amounted to approximately $1.3 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND PROJECTIONS

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

In the following fiscal year, we have been very conservative establishing an amount of $384.6 million as the budget for fiscal year 2019, where $384.6 million will be assigned for operations and the ordinary maintenance of PRPHA projects including the Central Office Cost Center.

The following table shows the budget petition to the Governing Board of PRPHA for the fiscal year 2019 for the federal projects administered by PRPHA and its Central Office Cost Center:

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND PROJECTIONS

Description	2019-2020
Estimated Subsidy (Inc Add On and Uses)	188,050,442
Estimated Rental Income	17,029,113
Capital Fund Program % 1406	11,259,556
Capital Fund Program % 1410	15,100,000
Use of operating reserve (projects)	97,833,008
Reserve for HOTMA	49,000,000
Use of reserve (COCC)	6,351,981
Total Financial Resources	$ 384,624,100
Reasonable fees to be charge to low income housing program	48,522,800
Projects Oper. Exp. (Does Not Include Non Routine)/COCC Exp	260,564,456
Projects Insurance and Telephone	15,501,252
Resident Services Program, Security and Nonroutine Expenses	44,749,742
Utilities Expense	15,285,850
Projects Expenditures	384,624,100
Net Operating Income/Reserve	$ -

The following table shows the budget projections for fiscal years 2018 to 2020 for the federal projects administered by PRPHA:

Description	2017-2018	2018-2019	2019-2020
Estimated Subsidy (Inc Add On and Uses)	247,396,151	242,399,044	188,050,442
Estimated Rental Income	19,554,703	17,029,113	17,029,113
Capital Fund Program % 1406	3,420,727	-	11,259,556
Reserve for HOTMA	-	-	49,000,000
Use of operating reserve (projects)	24,692,414	36,961,274	97,833,008
Total Financial Resources	**295,063,995**	**296,389,431**	**363,172,119**

REQUEST FOR INFORMATION

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

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of the Commonwealth of Puerto Rico)
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash **(Notes 1 and 2)**	$ 149,741,798	$ 197,936,674
Cash restricted **(Notes 1, 2 and 5)**	68,481,575	67,181,333
Certificates of deposits **(Notes 1 and 2)**	170,091,076	102,055,665
Rent and other accounts receivable, net **(Note 3)**	60,154,462	45,582,345
Materials and supplies	15,469,140	14,148,895
Restricted assets **(Note 5)**	21,658,023	1,641,244
Fiscal agent funds, restricted **(Notes 4 and 5)**	13,610,000	12,945,000
Total current assets	499,206,074	441,491,156
Restricted assets **(Note 5)**	17,179,306	17,281,836
Capital assets, net **(Note 6)**	1,422,664,022	1,526,002,336
Note Receivable **(Note 15)**	100,000,000	100,000,000
Total non-current assets	1,539,843,328	1,643,284,172
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to employees' retirement plan **(Note 11)**	8,612,829	8,612,829
Total assets and deferred outflows of resources	$ 2,047,662,231	$ 2,093,388,157
LIABILITIES		
Current portion of bonds payable, restricted **(Note 7)**	$ 13,610,000	$ 12,945,000
Current portion of accrued compensated absences and termination benefits **(Note 8)**	1,657,959	887,541
Accounts payable and accrued liabilities **(Note 8)**	50,198,146	47,251,626
Accrued bond interest payable	363,756	417,694
Total current liabilities	65,829,861	61,501,861
Long-term portion of accrued compensated absences and termination benefits **(Note 8)**	706,368	1,336,957
Net pension liability **(Note 11)**	50,282,447	50,282,447
Long term portion of bonds payable, net **(Note 7)**	78,807,075	92,426,490
Total non-current liabilities	129,795,890	144,045,894
Total liabilities	195,625,751	205,547,755
DEFERRED INFLOWS OF RESOURCES		
Deferred revenues	1,446,493	1,417,553
Unamortized investment in employees' retirement plan **(Note 11)**	30,584,149	30,584,149
Total deferred inflows of resources	32,030,642	32,001,702
NET POSITION		
Net investment in capital assets	1,335,147,233	1,426,486,891
Restricted **(Note 14)**	91,660,754	70,343,733
Unrestricted	393,197,851	359,008,076
Total net position	1,820,005,838	1,855,838,700
TOTAL LIABILITES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 2,047,662,231	$ 2,093,388,157

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of the Commonwealth of Puerto Rico)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Rent, fees, and other	$ 21,846,432	$ 14,047,799
Fees earned asset management, net	3,885,502	4,000,812
	25,731,934	18,048,611
OPERATING EXPENSES		
Administrative salaries	66,309,716	63,975,852
Tenant service salaries	23,889,915	22,506,257
Other tenant services	20,040,668	21,352,957
Repairs and maintenance	82,038,710	77,360,233
Utilities	8,427,864	7,305,091
Depreciation	97,642,803	94,446,342
Insurance	12,821,999	9,899,857
Impairment in capital assets	6,606,965	1,798,831
Other general and administrative	46,486,270	32,494,593
	364,264,910	331,140,013
Net operating loss before non-operating revenues (expenses) and and grants (Notes 1, 3, 7, 10 and 15)	(338,532,976)	(313,091,402)
Loss on disposition of dwelling properties and equipment, net	(4,097,379)	(607,623)
Legislative appropriation	324,000	405,000
Interest earned	3,069,401	1,339,401
Interest expense	(4,625,345)	(5,259,470)
Mixed-finance tax credit	(48,812,342)	(48,238,826)
Mixed-finance developments	(9,372,581)	(11,277,930)
Federal grants	289,108,233	260,404,238
	225,593,987	196,764,790
Loss before contributions from the U.S. Department of Housing and Urban Development (HUD)	(112,938,989)	(116,326,612)
Capital contributions from the U.S. Department of Housing and Urban Development (HUD) (Note 9)	77,106,127	86,205,108
CHANGE IN NET POSITION	(35,832,862)	(30,121,504)
NET POSITION AT BEGINNING OF YEAR	1,855,838,700	1,885,960,204
NET POSITION AT END OF YEAR	$ 1,820,005,838	$ 1,855,838,700

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of the Commonwealth of Puerto Rico)
STATEMENTS OF CASH FLOWS
June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Cash received from tenants and federal grants	$ 11,188,757	$ 15,548,128
Cash payments to employees	(110,100,470)	(110,815,367)
Cash payments to suppliers and management agents	(148,148,568)	(122,653,724)
Net cash used in operating activities	(247,060,281)	(217,920,963)
Cash flows from investing activities		
Cash outlays in certificates of deposits, net	(84,982,789)	1,339,401
Net cash (used in) provided by investing activities	(84,982,789)	1,339,401
Cash flows from capital and related financing activities		
Interest paid in capital funds	(4,625,345)	(5,259,470)
Proceeds from capital contributions	77,106,127	86,205,108
Loss from sale of dwelling	-	(607,623)
Principal payments of bonds payable	(12,954,415)	(12,324,415)
Cash outlays in capital assets	(14,435,352)	(39,417,275)
Cash outlays to sub-grantee	(48,812,342)	(50,037,657)
Net cash used in capital and related financing activities	(3,721,327)	(21,441,332)
Cash flows provided by non-capital financing activities		
Legislative and federal grants contributions received	289,432,233	260,809,238
Net cash provided by noncapital financing activities	289,432,233	260,809,238
Net (decrease) increase in cash	(46,332,164)	22,786,344
CASH AT BEGINNING OF YEAR	295,344,843	376,255,408
Non cash equivalent assets adjusted	-	(103,696,909)
CASH AT END OF YEAR	$ 249,012,679	$ 295,344,843
Cash composition at end of year		
Unrestricted	$ 149,741,798	$ 197,936,674
Restricted:		
Cash	68,481,575	67,181,333
Fiscal agent funds	13,610,000	12,945,000
Restricted deposits	17,179,306	17,281,836
	$ 249,012,679	$ 295,344,843

PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of the Commonwealth of Puerto Rico)
STATEMENTS OF CASH FLOWS (CONTINUED)
June 30, 2019 and 2018

	2019	2018
Reconciliation of net operating loss before non-operating revenues (expenses) and grants to net cash used in operating activities:		
Net operating loss before non-operating revenues (expenses) and grants.	$ (338,532,976)	$ (313,091,402)
Adjustments to reconcile net operating loss before non-operating revenues (expenses) and grants to net cash used in operating activities:		
Depreciation	97,642,803	94,446,342
Loss on impairment of capital assets	6,606,965	1,798,831
Bad debt expense	818,891	472,318
Increase in rent and other accounts receivable, net	(15,391,008)	(2,500,484)
Increase in materials and supplies	(1,320,245)	(1,587,283)
Increase (decrease) in deferred revenues	28,940	(20,624)
Increase in accounts payable, accrued liabilities, and accrued compensated absences and benefits	3,086,349	2,561,339
Total adjustments	91,472,695	95,170,439
Net cash used in operating activities	$ (247,060,281)	$ (217,920,963)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Reporting Entity

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

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

Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting and Financial Statements Presentation

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

The basic financial statements report uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Fair Value of Financial Instruments

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

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

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

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

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

Summary of Significant Accounting Policies (Continued)

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

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

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

Bonds payable: As of June 30, 2019, the fair value of the PRPHA's bonds payable ranged from 100% to 111% of their carrying amount. However, this value may change in the near term.

Statement of Cash Flows

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

Receivables

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

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

Summary of Significant Accounting Policies (Continued)

Materials and Supplies

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

Restricted Assets

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

Capital Assets

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

Major modernizations and betterments are capitalized while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. When assets are sold, retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and charged against contributed capital.

PRPHA evaluates the recoverability of its capital assets, if circumstances indicate impairment may have occurred pursuant to GASB 42, *Accounting for Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This analysis is performed by using the service units' approach. For the fiscal years ended June 30, 2019 and 2018, PRPHA recognized a loss on impairment of capital assets of $6,606,965 and $1,798,831, respectively, because of certain dwelling units identified for demolition and/or units, which are not in use for an extended period.

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

Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Major classifications and related estimated useful lives are as follow:

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

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

Deferred Inflows of Resources

Deferred revenue arises from rent received in advance from tenants.

Accounting for Compensated Absences

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

Pension Benefits

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

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

Summary of Significant Accounting Policies (Continued)

Pension Benefits (Continued)

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

Accounting for Other Postemployment Benefits ("OPEB")

GASB Statement No. 75 *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* is effective for the Administration starting on July 1, 2017. As required by the accounting pronouncement, OPEB transactions should be accounted based on its proportional share of the collective net OPEB liability, OPEB expense and deferred outflows/inflows of resources reported by the Plan. For purposes of measuring, OPEB costs should have all been determined on the same basis as they are reported by the Plan. The ERS has not issued its 2017 basic financial statements, nor has it provided to the Administration with the required information to implement the referred accounting pronouncement. The Administration's contribution for OPEB is included as part of the "Paygo" charges billed on a monthly basis by the Puerto Rico Department of Treasury ("PRDT"). "Paygo" payments are recorded as expenditures\expenses in the financial statements.

Deferred Inflows and Outflows of Resources

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

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

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

Summary of Significant Accounting Policies (Continued)

Deferred Inflows and Outflows of Resources (Continued)

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

Annual Contributions

Under the Federally-Assisted Low Income Housing Program (Title III), HUD makes annual contributions to the Administration. Contributions received for public housing construction and/or modernization projects and for the payment or forgiveness of principal amounts of notes and bonds payable are recorded as capital contributions. Contributions received for the subsidy of operations, as reimbursement of expenses, and for payment of interest are credited to operating revenues. Grants are recorded in the accounting period in which they are earned and become measurable.

Net Position

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

- Net investment in capital assets - Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted net position - Consist of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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

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

Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Risk Management

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

Recently Issued Accounting Pronouncements

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019. Earlier application is permitted.

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is permitted.

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

Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

GASB Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019.

GASB Statement No. 88, *Certain Disclosures related to debt, including direct borrowings and direct placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt for purposes of disclosure in notes to financial statement as a liabilitiy that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to setle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods begginning after June 15, 2019. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for interest cost incurred before the end of a construction period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period.

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

Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 90, *Majority equity interests – an amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations.* This Statement requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*. This Statement, issued in January 2020, clarifies implementation of GASB Statements No. 73, 74, 84 and 87, generally effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement, issued in March 2020, addresses the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. The requirements of this Statement are effective for reporting periods after December 31, 2021.

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

Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement, issued in March 2020, addresses issues related to public-private and public-public partnerships (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement, issued in May 2020, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* This Statement, issued in June 2020, sets requirements for a primary government's determination of component units which do not have governing boards; amends the financial burden criterion in paragraph 7 of Statement No. 84; sets required classifications for Section 457 plans and applies Statement No. 84, as amended, to IRC Section 457 arrangements; and supersedes remaining provisions of Statement No. 32, as amended, regarding investment valuation requirements for Section 457 plans. The requirements of this Statement in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. All other requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Subsequent Events

In May 2009, the Financial Accounting Standards Board (FASB) established standards related to accounting for, and disclosure of, events that occur after the statement of position date, but before financial statements are issued or are available to be issued. Management has evaluated subsequent events through September 30, 2020 the date the financial statements were available to be issued. Subsequent events are detailed in **Note 18**.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of the Commonwealth of Puerto Rico)
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

2. DEPOSITS AND CUSTODIAL CREDIT RISK

Puerto Rico laws authorize governmental entities to invest in direct obligations or obligations guaranteed by the Federal Government or the Commonwealth of Puerto Rico. The Administration is also allowed to invest in bank acceptances, other bank obligations and certificates of deposit in financial institutions authorized to do business under the Federal and Commonwealth laws. During the year, the Administration invests its funds in interest bearing bank accounts and certificates of deposit. The Administration is subject to the following credit risk:

Custodial credit risk is the risk that in the event of bank failure, government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The Commonwealth requires that public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of Federal Depository Insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth. The Administration had the following amounts deposited in commercial banks at:

Bank (s) balance in	June 30, 2019	June 30, 2018
Insured depository accounts	$ 250,000	$ 250,000
Collaterized depository accounts-held under the Administration's name	388,382,622	369,695,549
	$ 388,632,622	$ 369,945,549

3. RENT AND OTHER ACCOUNTS RECEIVABLE, NET

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

Description	2019	2018
Rent and other receivables:		
Accounts receivable from tenants	$ 25,277,317	$ 28,218,066
Others	19,247,424	6,150,537
	44,524,741	34,368,603
Less: allowance for doubtful accounts, including an allowance for enterprise income verification (EIV) of $3,011,972 in 2019 and $2,265,505 in 2018	(20,665,541)	(20,227,736)
Total rent and other accounts receivable, net	23,859,200	14,140,867
HUD grant receivable	4,600,066	5,593,457
Interest receivable	1,905,651	771,709
Accounts receivable from Department of Housing of the Commonwealth of Puerto Rico	10,117,642	7,180,793
Advances to management agents	19,671,903	17,895,519
Total accounts receivable	**$ 60,154,462**	**$ 45,582,345**

3. RENT AND OTHER ACCOUNTS RECEIVABLE, NET (CONTINUED)

The HUD grant receivable represents the amount pending to be received by PRPHA as of June 30, 2019 and 2018 under the Capital Fund's expenditure driven agreement for allowable costs already incurred at June 30, 2019 and 2018, but for which HUD had not made the drawdown of funds on behalf of PRPHA. These costs are mainly for capital assets additions and other expenses related with the modernization of dwelling units.

4. FISCAL AGENT FUNDS, RESTRICTED

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

The current portion amount deposited by the Administration with this fiscal agent for the years ended June 30, 2019 and 2018 amounted to $13,610,000 and $12,945,000, respectively.

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

5. RESTRICTED ASSETS

Restricted assets at June 30 consist of the following:

Description	Classification	2019
Certificate of deposit at 1.20% due on August 2019	Short-term	$ 21,658,023
Fiscal Agent Funds	Short-term	13,610,000
Cash in Banco Popular de Puerto Rico	Short-term	68,481,575
Total restricted assets, current		103,749,598
Deposits with HUD	Long-term	1,521,156
Cash restricted for operating expenses of dwelling units	Long-term	15,658,150
Total restricted assets, non-current		17,179,306
		$ 120,928,904

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5. RESTRICTED ASSETS (CONTINUED)

Description	Classification	2018
Certificate of deposit at 1.00% due on August 2018	Short-term	$ 1,641,244
Fiscal Agent Funds	Short-term	12,945,000
Cash in Banco Popular de Puerto Rico	Short-term	67,181,333
Total restricted assets, current		81,767,577
Deposits with HUD	Long-term	1,521,156
Cash restricted for operating expenses of dwelling units	Long-term	15,760,680
Total restricted assets, non-current		17,281,836
		$ 99,049,413

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

Description	2019	2018
Homebuyers earned home payment	$ 331,605	$ 328,249
Proceeds from units sold under Turnkey III projects remited to HUD	1,521,156	1,521,156
Amount to be used for the repair and/or improvement of the electric and plumbing systems, kitchen cabinets, and other non-routine maintenance of the Turnkey III projects	1,326,418	1,312,995
Amount to be used on operating expenses of dwelling units of Turnkey III projects	13,610,000	12,945,000
Proceeds from the Capital Fund Program Bonds to be used for the modernization of approximately 40 properties containing approximately 8,000 units	15,658,150	15,760,680
Investment with Banco Popular de Puerto Rico	88,481,575	67,181,333
Total restricted assets-earmarked for specific purposes	$ 120,928,904	$ 99,049,413

5. RESTRICTED ASSETS (CONTINUED)

PRPHA operates the Turnkey III projects in accordance with requirements for the Homeownership Opportunity Program for Low Income Families. The amount deposited with HUD for the years ended June 30, 2019 and 2018 amounted to $1,521,156 and represents amounts remitted to HUD related to the proceeds of the units sold under Turnkey III projects. During 1986, Congressional Legislation was approved to return the funds to PRPHA in order to establish a loan fund oriented towards improving the dwelling units. These loans, which are exclusively for the Turnkey III owners, will allow them to repair and/or improve the electrical equipment and other systems.

The Operating Fund Financing Program (OFFP) allows housing authorities to borrow private capital to finance development and modernization of public housing sites. Under this program, the authority may use a portion of its Excess Operating Fund reserve balances (EORB) to collateralize financings and pay debt service and customary financing costs where the financing is used for public housing development or modernization (including public-housing mixed-finance developments).

On November 8, 2016, HUD approved PRPHA an OFFP transaction including authorization for PRPHA to use a portion of its EORB for capital improvements to public housing sites and the pledge of said funds in favor of the Project’s lender. The amount pledged as collateral amounted to $ 51,860,932 and deposited in an escrow account.

To implement the Project, PRPHA entered into a financing agreement with BPPR, a financial institution insured by the Federal Deposit Insurance Corporation, who will provide financing to PRPHA in the form of a revolving line of credit to cover 100% of the Project costs, which line of credit will not exceed $30,000,000 outstanding at any time. All financing transaction costs and repayment of advances under this line of credit are secured by a first priority lien of EORB funds, segregated and maintained in the above-referred Escrow Account opened by PRPHA in BPPR.

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6. CAPITAL ASSETS, NET

Capital assets net of accumulated depreciation consist of the following:

	Balance at June 30, 2018	Additions	Retirements	Transfers	Balance at June 30, 2019
Capital assets not being depreciated:					
Land	$ 191,705,355	$ -	$ (1,522,758)	$ -	$ 190,182,597
Intangible Asset	266,757	-	-	-	266,757
Construction in progress	302,358,048	31,500,067	(10,617,717)	(151,482,008)	171,758,390
Total capital assets not being depreciated	494,330,160	31,500,067	(12,140,475)	(151,482,008)	362,207,744
Capital assets being depreciated:					
Buildings and building improvements	2,906,962,070	-	(24,909,367)	152,631,693	3,034,684,396
Furnitures, fixtures and equipments	45,014,238	1,278,085	(2,016,878)	-	44,275,445
Vehicles	19,314,202	737,409	(144,352)	-	19,907,259
	2,971,290,510	2,015,494	(27,070,597)	152,631,693	3,098,867,100
Less: accumulated depreciation	(1,939,618,334)	(97,642,803)	-	(1,149,685)	(2,038,410,822)
Total capital assets being depreciated, net	1,031,672,176	(95,627,309)	(27,070,597)	151,482,008	1,060,456,278
Total capital assets, net	$ 1,526,002,336	$ (64,127,242)	$ (39,211,072)	$ -	$ 1,422,664,022

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YEARS ENDED JUNE 30, 2019 AND 2018

6. CAPITAL ASSETS, NET (CONTINUED)

	Balance at June 30, 2017	Additions	Retirements	Transfers	Balance at June 30, 2018
Capital assets not being depreciated:					
Land	$ 191,376,648	$ -	$ (1,341,293)	$ 1,670,000	$ 191,705,355
Intangible Asset	266,757				266,757
Construction in progress	307,240,141	40,651,718	(11,311,934)	(34,221,877)	302,358,048
Total capital assets not being depreciated	498,883,546	40,651,718	(12,653,227)	(32,551,877)	494,330,160
Capital assets being depreciated:					
Buildings and building improvements	2,878,363,341	-	(3,953,148)	32,551,877	2,906,962,070
Furnitures, fixtures and equipments	43,615,388	2,169,536	(770,686)		45,014,238
Vehicles	18,553,737	760,465			19,314,202
	2,940,532,466	2,930,001	(4,723,834)	32,551,877	2,971,290,510
Less: accumulated depreciation	(1,847,106,679)	(94,455,809)	1,944,154		(1,939,618,334)
Total capital assets being depreciated, net	1,093,425,787	(91,525,808)	(2,779,680)	32,551,877	1,031,672,176
Total capital assets, net	$ 1,592,309,333	$ (50,874,090)	$ (15,432,907)	$ -	$ 1,526,002,336

7. BONDS PAYABLE, NET

Bonds payable consist of Capital Fund Program Bonds. On December 18, 2003, PRPHA issued $663,060 million face value of Capital Fund Program Bonds at a net premium of $29,625 million, interest on the bonds at 2.0% to 5.0% is payable semiannually on each June 1 and December 1. To pay the debt service, the Administration pledged future revenues derived from Capital Fund Grants received from HUD. The purpose of the issuance of the Capital Program Fund Bonds is for the modernization of approximately 40 properties containing approximately 8,000 units. The financing arrangement was executed through a bond issue between the Puerto Rico Housing Finance Administration (the bond issuer) and U.S. Bank Trust National Association (the Trustee). The Government Development Bank for Puerto Rico (GDB) has agreed with the Administration to make loans to the Administration in replacement of the loan from proceeds of the bonds and the Administration will, in certain circumstances, be obligated to make repayments of these GDB loans from Capital Fund Program (CFP) monies. HUD has agreed, subject to the availability of appropriations, to make payments needed for debt service on the loan automatically and directly to the trustee and/or GDB, both for the benefit of the Administration. Both payments will not be subjected to recaptures.

HUD has authorized the pledge and assignment of revenues and of CFP monies payable to the Trustee under the loan agreement and to the GDB under the GDB project loan agreement for the purpose of securing the payment of principal and interest on the loan and principal and interest owing to the GDB. These bonds were refinanced during fiscal year 2009. With the issuance of the Series 2008 Capital Fund Bonds, $391,185,000 of the 2003 Bonds was defeased. The defeasance reduced the outstanding principal amount of 2003 Bonds to approximately $219 million and decreased the resultant annual gross debt service requirements from approximately $51.3 million to approximately $18.6 million. The debt service for the defeased portion of the 2003 Bonds was paid from a defeasance escrow and the debt service for the undefeased 2003 Bonds will continue to be paid from capital funds of PRPHA together with debt service on the 2008 Bonds pursuant to the schedule submitted as part of the CFP submission and the final debt service schedule as submitted to HUD.

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7. BONDS PAYABLE, NET (CONTINUED)

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

2019	Balance at June 30, 2018	Increases and new issuances	Decreases and payments	Balance at June 30, 2019
Capital Fund Program Bonds, maturing in various dates through the year 2025, bearig interest rates between 2% to 5% annually.	$ 105,315,000	$ -	$ (12,945,000)	$ 92,370,000
Unamortized net premium	56,490	-	(9,415)	47,075
	$ 105,371,490	$ -	$ (12,954,415)	$ 92,417,075
Less: current portion of bonds payable				(13,610,000)
				$ 78,807,075

2018	Balance at June 30, 2017	Increases and new issuances	Decreases and payments	Balance at June 30, 2018
Capital Fund Program Bonds, maturing in various dates through the year 2025, bearig interest rates between 2% to 5% annually.	$ 117,630,000	$ -	$ (12,315,000)	$ 105,315,000
Unamortized net premium	65,905	-	(9,415)	56,490
	$ 117,695,905	$ -	$ (12,324,415)	$ 105,371,490
Less: current portion of bonds payable				(12,945,000)
				$ 92,426,490

7. BONDS PAYABLE, NET (CONTINUED)

The net premium is amortized over the life of the debt, using the interest method, as an adjustment to interest expense. Interest expense amounted to $9,415 for the years ended June 30, 2019 and 2018.

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

Year Ending June 30,	Principal	Interest	Total
2020	13,610,000	4,024,822	17,634,822
2021	14,305,000	3,326,947	17,631,947
2022	15,015,000	2,620,224	17,635,224
2023	15,730,000	1,905,403	17,635,403
2024	16,470,000	1,166,360	17,636,360
2025	17,240,000	396,520	17,636,520
	$ 92,370,000	$ 13,440,276	$ 105,810,276

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

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

	2019	2018
Contractors and others	$ 9,654,954	$ 16,799,087
Reserve for contingencies **(Note 12)**	6,000,000	6,000,000
Fee retention to contractors	117,603	121,428
Others	34,425,589	24,331,111
	$ 50,198,146	$ 47,251,626

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

Year	Beginning Balance	Additions	Deductions	Ending Balance	Due within one year	Long-term portion
2019	$ 2,224,498	$ 1,644,262	$ (1,504,433)	$ 2,364,327	$ 1,657,959	$ 706,368
2018	$ 5,184,175	$ 2,742,991	$ (5,702,668)	$ 2,224,498	$ 887,541	$ 1,336,957

9. CAPITAL CONTRIBUTIONS

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

	2019	2018
Contributed capital for the development and modernization of Public Housing Capital Fund Program (CFP)	$ 77,106,127	$ 86,205,108

10. OTHER FEDERAL GRANTS

The Omnibus Consolidated Rescissions and Appropriations Act (OCRAA) enacted on April 24, 1996, permits the PRPHA to transfer funds from the Public Housing Capital Fund Program (CFP) approved annual grants to operational activities in amounts ranging from 10% to 20%. For the fiscal years ended June 30, 2019 and 2018, these transfers amounted to $4,163,560 and $8,873,891, respectively, in accordance to the approved fiscal year budgets.

11. EMPLOYEES' RETIREMENT PLAN

PRPHA participated in the Employee's Retirements System of the Government of Puerto Rico (System) and its instrumentalities. Normally, all employees of the PRPHA participate in the System. Since its origin in 1951, the System has suffered changes as discussed ahead.

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

(a) Defined Contribution Hybrid Program

On April 4, 2013, the Legislature Enacted Act. No. 3, which amended Act No. 447 and Act. No. 305 to establish, among other things, a defined contribution hybrid program (the Hybrid Program) to be administered by the Retirement System.

All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit pension plan and the defined contribution plan, and were rehired on or after July 1, 2013, become members of the 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 Hybrid Program.

Participants in the defined benefit pension plan who as of June 30, 2013, were entitled to retire and receive some type of pension, may retire on any later date and will receive the annuity corresponding to their retirement plan, as well as the annuity accrued under the Hybrid Program. Participants who as of June 30, 2013, have not reached the age of 58 and completed 10 years of service or have not reached the age of 55 and completed 25 years of service can retire depending on the new age limits defined by the Hybrid Program and will receive the annuity corresponding to their retirement plan, as well as the annuity accrued under the Hybrid Program.

Participants in the defined contribution plan who as of June 30, 2013, were entitled to retire because they were 60 years of age may retire on any later date and will receive the annuity corresponding to their retirement plan, as well as the annuity accrued under the Hybrid Program. Participants in the Program who as of June 30, 2013, have not reach the age of 60 can retire depending on the new age limits defined by the Hybrid Program and will receive the annuity corresponding to their retirement plan, as well as the annuity accrued under the Hybrid Program.

Act. No. 3 requires employees to contribute ten percent of their monthly gross salary to the Hybrid Program. Employee contributions are credited to individual accounts established under the Hybrid Program. In addition, a mandatory contribution equal to or less than point twenty five percent is required for the purchase of disability insurance.

PRPHA is required to contribute 12.275% of each participant's gross salary. The Retirement System will use these contributions to increase its level of assets and to reduce the actuarial deficit. Beginning on July 1, 2013, and up until June 30, 2018, the employer's contribution rate shall be annually increased by one percent.

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

(a) Defined Contribution Hybrid Program (Continued)

Beginning July 1, 2018, and up until June 30, 2021, the employer's contribution rate that is in effect on June 30 of every year shall be annually increased on every successive July 1st by one-point twenty-five percent.

Upon retirement, the balance in each participant's account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant's life. In case of the pensioner's death, the designated beneficiaries will continue receiving the monthly benefit until the contributions of the participant are completely consumed. In case of the participants in active service a death benefit will be 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 will receive a lump-sum payment. In case of permanent disability, the participants have the option of receiving a lump sum or purchasing an annuity contract.

(a) Defined Contribution Plan

The Legislature Enacted Act No. 305 on September 24, 1999, which amended Act No. 447 to establish, among other things, a defined contribution savings plan program (the Program) to be administered by the Retirement System. All regular employees hired for the first time on between January 1, 2000 and June 30, 2013, and former employees who participated in the defined benefit pension plan, received a refund of their contributions, and were rehired on or after January 1, 2000, become members of the Program as a condition to their employment. In addition, employees who at December 31, 1999 were participants of the defined benefit pension plan had the option, up to March 31, 2000, to irrevocably transfer their prior contributions to the defined benefit pension plan plus interest thereon to the Program.

Act No. 305 required employees to contribute 8.275% of their monthly gross salary to the Program. Employees elected to increase their contribution up to 10% of their monthly gross salary. Employee contributions were credited to individual accounts established under the Program. Participants had three options to invest their contributions to the Program. Investment income was credited to the participant's account semi-annually.

PRPHA was required to contribute 10.275% of each participant's gross salary. The Retirement System used those contributions to increase its asset level and reduce the unfunded status of the defined benefit pension plan. On April 4, 2013, Act. No. 3 was amended to establish the Hybrid Program.

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

(b) Defined Contribution Plan (Continued)

Upon retirement, the balance in each participant's account was to be used to purchase an annuity contract, which will provide 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 were to receive a lump-sum payment. In case of death, the balance in each participant's account was be 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.

(c) Defined Benefit Pension Plan

The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the Retirement System), created pursuant to Act No. 447 of May 15, 1951, as amended, was a cost-sharing, multiple-employer, defined benefit pension plan sponsored by and reported as a component unit of the Commonwealth. All regular employees of the Corporation hired prior to January 1, 2000, and less than 55 years of age at the date of employment became members of the Retirement System as a condition of their employment. No benefits were payable if the participant received a refund of their accumulated contributions.

The Retirement System provided retirement, death, and disability benefits pursuant to legislation enacted by the Legislature. Retirement benefits depended upon age at retirement and the number of years of creditable service. Benefits vested after 10 years of plan participation. Disability benefits were available to members for occupational and no occupational disabilities. However, a member needed to have at least 10 years of service to receive no occupational disability benefits.

Members who had attained 55 years of age and had completed at least 25 years of creditable service, or members who had attained 58 years of age and had 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. In no case was the annuity less than $200 per month.

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

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

(c) Defined Benefit Pension Plan (Continued)

Commonwealth's legislation required employees to contribute 5.775% of the first $550 of their monthly gross salary and 8.275% for the excess over $550 of monthly gross salary. The Corporation was required to contribute 10.275% of each participant's gross salary. On April 4, 2013, Act 447 was amended to establish the Hybrid Program.

Reform of ERS's governance and administration

Act 106 of August 23, 2017, *"Law to Guarantee Payment to Our Pensioners and Establish a New Defined Contributions Plan for Public Servers"* establishes that it will be the General Fund, through the "Pay as You Go" system, who assumes the payments that the Retirement System of the Employees of the Government of Puerto Rico, the Retirement System for Teachers and the Retirement System for the Judiciary can not perform; provide that the three Retirement Systems continue to comply with their obligations towards their beneficiaries and pensioners by contributing to the General Fund their available funds and funds from the liquidations of their assets; establish the New Defined Contributions Plan and provide for its administration. The payment of the accumulated pensions will be disbursed starting July 1, 2017 from the funds deposited in a trust held controlled by the Secretary of the Treasury Commonwealth of Puerto Rico, but separated from the assets of the Commonwealth of Puerto Rico. The payment benefits of all pensioners will be guaranteed by the general fund of the Commonwealth of Puerto Rico.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions; other required disclosures under GASB Statement 73

As discussed above, pursuant to Act 106, participants ceased to accrue new pension benefits and are no longer able to make direct credit payments or to make additional contributions to the ERS. In addition, benefit payments are made through a PayGo funding administered by the PRDT. As a result, the plans operated by ERS under various benefit structures prior to July 1, 2017 are administered through a trust that do not meet the requirements of GASB Statement No. 68 as of July 1, 2017 and instead, the pension plans are subject to the requirements of GASB Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68"*.

Since the Administration was unable to obtain the necessary information to implement the provisions of GASB Statement No. 73 as of and for the years ended June 30, 2019 and 2018, amounts related to pensions reported in the financial statements are the same amounts reported under GASB Statement No. 68. Amounts reported as deferred outflows \inflows of resources related to pensions and net pension liability in the financial statements had not been updated since previous years.

11. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

OPEB liabilities, OPEB expense, and deferred outflows or resources and deferred inflows of resources related to OPEB; other GASB Statement 75 required disclosures

The Administration was also unable to obtain information about the schedules of employment allocations and OPEB amounts by employer at the respective measurement date in order to comply with the requirements of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", as of June 30, 2019 and 2018. As a result, amounts to be reported as deferred outflows \inflows of resources related to OPEB, the net OPEB liability, applicable disclosures and required supplementary information have been omitted.

12. COMMITMENTS AND CONTINGENCIES

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

Law 104 from June 29, 1955, as amended, of the Commonwealth of Puerto Rico, known as Claims and Lawsuits against the State, provides that lawsuits and claims initiated by an agency or instrumentality of the Commonwealth of Puerto Rico may be represented by the Commonwealth of Puerto Rico's Department of Justice. Any adverse claims to the defendants are to be paid by the Commonwealth of Puerto Rico's General Fund within the limitations provided by the law. However, the Secretary of the Treasury has the right of requesting the reimbursement of the funds expended for these purposes from the defendants. For the years ended June 30, 2019 and 2018, the accounts payable and accrued liabilities include litigation contingencies accrual for $6,000,000.

The Administration has certain claims of payables from two utilities public corporations in dispute, because of continuos adjustments related to instances of over invoicing of the utilities services. The Administration management has estimated the amount to be accrued based on the information available and maintains a reserve for the amount of $7,767,739 as of June 30, 2019 and 2018. A final outcome and financial impact of the disputed payables is uncertain at this time and cannot be determined at the date of the financial statements.

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of June 30, 2019 and 2018, the Administration had pending construction projects contracts in progress for the development and modernization of public housing projects. Total commitments related to these construction contracts amounted to $93,131,972 and $121,977,852, respectively.

13. FEDERAL FINANCIAL ASSISTANCE

The Administration receives financial assistance from the Federal Government. Federal assistance is subject to the financial and compliance audits by the grantor agencies, which could result in requests for reimbursement by the grantor agencies for expenditures, if disallowed under the terms of the program grants. The amounts of expenditures if any, which may be disallowed by the granting agencies, cannot be determined at this time. The Administration believes that such disallowances, if any, will not have an adverse effect on the financial position of the Administration.

14. RESTRICTED NET POSITION

Restricted net position at June 30 consists of the following:

	2019	2018
Restricted assets **(Note 5)**	$ 120,928,904	$ 99,049,413
Restricted for capital fund program bonds	(15,658,150)	(15,760,680)
Current portion of bonds payable	(13,610,000)	(12,945,000)
	$ 91,660,754	$ 70,343,733

15. RELATED PARTY TRANSACTIONS

General

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

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

15. RELATED PARTY TRANSACTIONS (CONTINUED)

During the fiscal years ended on June 30, 2019 and 2018, the PHA has paid approximately $5 million to the DOH for these services.

Mixed Finance

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

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

The Project Company was organized exclusively to acquire 99-year term surface right with respect to the land and to acquire, develop, finance, rehabilitate, maintain, operate, lease and sell or otherwise dispose of each apartment complex in order to obtain for the company and its member statutory compliance, long term appreciation, cash income, tax benefits consisting of Tax Credits and Tax Losses over the term hereof. On August 7, 2008, the Administration and the Project Company entered into a Regulatory and Operating Agreement (the Agreement). The Administration and the Project Company determined that it would be deliverable for the public housing rental developments to undergo comprehensive modernization (e.g. new floors, electrical wiring, plumbing, windows, doors, roofs and accessibility features) or development, which modernization or development will be undertaken and operated by the Project Company. The developments are collectively known as “Vivienda Modernization 1, LLC”.

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Mixed Finance (Continued)

The Project Company entered into a Purchase and Sales Agreement dated August 7, 2008 with the Department of Housing of the Commonwealth of Puerto Rico (DOH). Under this agreement, the Project Company acquired the surface rights of a property (the Property) and the improvements erected on such Property from the DOH under those certain deeds of Constitution of Surface Rights and Transfer of Improvements dated August 7, 2008, which will require the Project Company to rehabilitate or construct on the Property four thousand one hundred thirty-two (4,132) residential rental units (the Units or collectively the Development) all of which will receive the benefit of operating subsidy and the benefit of low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended.

The title to the eligible public housing projects was transferred by the Administration to the DOH, who in turn sold the buildings and improvements of the project to Vivienda Modernization 1, LLC by way of a constitution of surface rights over, upon and underneath the transferred land and conveyance of improvements. The development comprises 33 public housing sites as mentioned above and were transferred to the Project Company by the deed. Each site has a separate Asset Management Project Number that, to the extent the site is adjacent to or near a public housing site owned by the Administration.

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

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

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Mixed Finance (Continued)

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

On August 14, 2014, the Administration (as Assignee) signed an Assignment and Assumption of Permanent Loan Agreement (the Agreement) with the Puerto Rico Housing Finance Authority, as Assignor. The Assignor and the Assignee are parties to a certain Intercreditor and Subordinator Agreement (the Intercreditor) dated August 7, 2008, executed in connection with the mixed finance low income housing development known as Vivienda Modernization. The Intercreditor is an integral part of conduit debt issued for Vivienda Modernization. The Assignor is the conduit debt issuer on this transaction, given that, the permanent loan was not intended to constitute an asset or liability for the Assignor.

The Intercreditor provides that upon the payment in full of certain Short Term Bonds, which were paid prior to June 30, 2014, Assignor shall cancel the Short Term Bond Loan Note and assign the Permanent Loan and all of its rights under the documents related thereto to the Administration. Therefore, the agreement is executed to implement the assignment contemplated in the Intercreditor.

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

Prior to an event of default, no payment shall be due on this note, until the $382,345,829 loan of August 7, 2008 had been paid in full. Once said loan has been paid in full, the Obligator is required to make quarterly payments equal to 100% of Obligator’s net cash flows for the immediately preceding calendar quarter, subject to the terms of the Intercreditor and other agreement. In the event of default by the Obligator, the note becomes due, and in the event of a sale or refinancing of a material portion of property, 100% of the net cash flows of the capital transaction shall be applied to the note; otherwise, the note is due on September 1, 2053. The final payment of the note shall include interest, if any, plus any additional amount required to pay off a certain Purchase Price Note.

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Mixed Finance - development

During the year ended June 30, 2018 the U.S. Department of Housing executed certain mixed-finance amendments to the consolidated annual contribution contract (Mixed-Finance ACC Amendment) with the Puerto Rico Housing Administration to provide grant assistance for the development of certain projects arising a mixed-finance strategy. The projects' names are Puerta de Tierra and Las Gladiolas. The projects will be developed using several financing sources including the before mentioned public housing funds to be provided by the Administration. The Administration entered into a memorandum of understanding with PRDH which has the authority to execute the necessary contract and/or agreements whether with governmental agencies or with private entities to share resources, assistance and asset management responsibilities to execute the redevelopment/ reposition strategy for the before mentioned projects.

The Administration transferred to the Puerto Rico Department of Housing (PRDH) the projects' plot of lands to be developed. In turn, PRDH then leased the sites to the limited liability companies designed as owner entities for each projects. For purposes of coordination of the development of the Mixed-Finance projects, PRDH serves as representative for both PRDH and the Administration and has a lead on the Mixed-Finance redevelopment activity working closely with the Administration. PRDH will lend public housing funds to the development owner entities to be made available through the Administration as construction loan facilities that will initially operate as non-revolving line of credits and will eventually be converted into term loans upon expiration of the construction period bearing interest at 0% over 55 years. For the years ended June 30, 2019 and 2018, the Administration released $9,372,581 and $11,277,930 in public housing funds from the capital funds program to fund the before mentioned credit facilities respectively.

The Administration, PRDH and the owners of the projects entered into a Regulatory and Operating Agreement that govern the rights and responsibilities of the parties with respect to the operations and operating subsidy associated with the public housing units planned as part of the projects redevelopment. PRDH and the Administration entered into and recorded a Deed of Release and Restrictive Covenants and New Constitution of Restrictive Covenants with the owners of the projects in favor of HUD containing a covenant that will assure to the satisfaction of HUD that the public housing units will be subject to a covenant obligating the parties to develop, maintain and operate the public housing apartments for the period required by law in accordance with the Mixed-Finance ACC Amendment and applicable housing requirements.

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Mixed Finance – development (Continued)

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

16. TERMINATION BENEFITS

On July 2, 2010, the Commonwealth Enacted Act No. 70 to establish a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the Puerto Rico Public Housing Administration (PRPHA). Act No. 70 established that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of creditable services in the Retirement System and will consist of biweekly benefits ranging from 37.5% to 50% of each employee' salary, as defined. In this early retirement benefit program, PRPHA will make the employer contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 years of credited service in the Retirement System. Economic incentives are available to eligible employees who have less than 15 years of credited service in the Retirement System or who have at least 30 years of credited service in the Retirement System and the age for retirement or who have the age for retirement. Economic incentives will consist of a lump-sum payment ranging from one-month to six-month salary based on employment years. Additionally, eligible employees that choose to participate in the early retirement benefit program or that choose the economic incentive and have less than 15 years of credited service in the Retirement System are eligible to receive health plan coverage for up to 12 months in a health plan selected by management of PRPHA.

17. RECLASSIFICATIONS

Certain items from the June 30, 2018 financial statements have been reclassified for presentation at June 30, 2019. These changes do not affect the change in net asset reported in 2018.

18. SUBSEQUENT EVENTS

Voluntary Consolidation of the Housing Choice Voucher Program Section 8 of the Puerto Rico Department of Housing (PRDOH) and the Puerto Rico Housing Finance Authority (PRHFA) to the Puerto Rico Public Housing Administration (PRPHA)

Pursuant to Act No. 122-2017, known as the "New Government of Puerto Rico Act", on September 30, 2019, an authorization request was submitted to consolidate the Housing Choice Vouchers and Project-Based Vouchers Program (known as "Section 8") of PRPHA and the PRDOH with the Public Housing Program of the Administration (PRPHA) to the United States Department of Housing and Urban Development ("HUD"). The proposed transaction would result in the consolidation of the aforementioned programs in the Public Housing Administration, managing to maximize resources, achieve a more agile government, improve the services we offer to citizens, and be fiscally responsible.

On December 10, 2019, HUD approved the consolidation and assigned January 1, 2020 as the effective date. The personnel currently working in both agencies in said program will be transferred to the AVP to continue the effectiveness of the program. The total of vouchers issued total about 12,071 and the FUP (Family Unification Program), VASH (Veterans Vouchers) and Mod Rehab and SRO (6 projects with private subsidies) are also acquired.

The Section 8 program provides, through vouchers, a rental subsidy in the private market based on rents established by the United States Department of Housing and Urban Development ("HUD"). for the municipality where the housing unit is located. The housing units belong to the private rental market and have to meet the HQS quality criteria ("Housing Quality Standards"). These criteria ensure that the home selected by the family is safe, healthy and decent.

The annual operational budget for the Section 8 program for 2020-2021 is $ 65,745 million in addition to approximately $ 8,256 in administrative funds. The payroll cost amounts to $ 3,934 million, which is fully covered by the administrative fund.

Damage and Repairs Resulting from the Earthquakes of 2019 and 2020

Beginning on December 28, 2019, a series of earthquakes and aftershocks struck Puerto Rico. More than 2,000 earthquakes or tremors have struck the island since then. The earthquakes caused both significant damage to homes and buildings on Puerto Rico's southern coast as well as significant damage to the Puerto Rico Electric Power Authority's Costa Sur power plant, which typically generates as much as 25% of the island's power.

18. SUBSEQUENT EVENTS (CONTINUED)

Damage and Repairs Resulting from the Earthquakes of 2019 and 2020 (continued)

After the 6.5 magnitude earthquake on January 7, 2020, FEMA announced Federal emergency aid had been made available to Puerto Rico to supplement local response efforts.

According to a January 29, 2020 report, published by the United States Geological Survey ("USGS"), there is a high likelihood of continued, material aftershocks. While there will be fewer over time, Puerto Rico continues to be at risk of potentially catastrophic earthquakes.

The earthquakes resulted in structural damage to certain PRPHA projects located in southwestern region of the Island. PRPHA has made a preliminary damage inventory of $25 million of which $12.5 million has preliminary been submitted to FEMA. It is expected that one project with 48 uninhabitable units will be demolished and around 568 damaged units out of the 53,755 existing public housing units of PRPHA will be repaired as a result of the earthquakes. Accordingly, the occupancy rate of the portfolio as of June 30, 2020 is approximately 94%. The amount of the Capital Fund Allocations received by PRPHA from HUD has not been affected as a result of the damage caused by the earthquakes.

COVID-19 Pandemic

The outbreak of a new strain of coronavirus named SARS-CoV-2 and the disease caused thereby ("COVID-19") have been characterized as a pandemic by the World Health Organization and resulted in a declaration of a national emergency by the Federal Government on March 13, 2020.

On March 12, 2020, the Governor of the Commonwealth issued Executive Order 2020-20 declaring a state of emergency in Puerto Rico due to the COVID-19 pandemic. A curfew for all citizens and the closure of non-essential governmental and private sector operations was ordered on March 15, 2020 in order to combat the effects of COVID-19 in Puerto Rico. Thereafter, on March 27, 2020, the President of the United States signed a major disaster declaration for Puerto Rico and ordered Federal assistance to supplement local recovery efforts in connection with the COVID-19 pandemic. Overall, the Governor of the Commonwealth has issued several executive orders in response to the COVID-19 pandemic to protect the physical, mental, and economic health of the people of Puerto Rico.

18. SUBSEQUENT EVENTS (CONTINUED)

COVID-19 Pandemic (Continued)

During the month of June, 2020, the Governor of the Commonwealth issued various execution orders setting forth the plan for reopening the Commonwealth and ending the lockdown that had been in place since March 15, 2020, allowing businesses to open all days of the week, subject to a curfew and the implementation of certain social distancing and hygiene measures.

As a result of the COVID-19 pandemic and the earthquakes, PRPHA has experienced a modest impact on its near-term occupancy levels. As described above, the occupancy rate of the portfolio as of June 30, 2020 is approximately 94%, which reflects a 2% reduction in comparison to the period prior to the earthquakes and the COVID-19. Such impact is not expected to continue beyond the near term. The amount of the Capital Fund Allocations received by PRPHA from HUD has not been affected because of the COVID-19 pandemic. PRPHA is aware of instances where prospective tenants have declined the opportunity to move during the COVID-19 pandemic, although there have not been significant COVID-19 outbreaks at any of the 333 projects.

The Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136 (the "CARES Act") was approved by Congress and signed into law by the President of the United States on March 27, 2020. The CARES Act provides new public housing funds and permits PHAs to use existing Capital Fund and Operating Fund subsidies with more flexibly. PHAs are able to use such funds for a broad range of expenses related to preventing, preparing for, and responding to coronavirus, including activities to support or maintain the health and safety of assisted individuals and families, and activities to support education and childcare for impacted families until December 31, 2020.

The overall consequences of the COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Administration and its future results and financial position is not presently determinable.

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

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A Fund of The Commonwealth of Puerto Rico)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development/ Direct Programs:		
Public and Indian Housing	14.850	$ 262,058,740
Public Housing Capital Fund	14.872	103,463,524
Revitalization of severely distressed Public Housing	14.866	692,096
Total expenditures of federal awards		$ 366,214,360

The accompanying notes are an integral part of this schedule.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A FUND OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

1. Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Puerto Rico Public Housing Administration under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Puerto Rico Public Housing Administration, it is not intended to and does not present the financial position, changes in net assets or cash flows of Puerto Rico Public Housing Administration.

2. Summary of significant accounting policies

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

3. Administrative costs

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

4. Catalog of Federal Domestic Assistance (CFDA) Number

The CFDA numbers included in this schedule are determined based on the program name, review of grant contract information and the U.S. Office of Management and Budget’s Catalogue of Federal Domestic Assistance.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A FUND OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019

5. Relationship to the statement

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

Description	Amount
Total expenses per statement of revenues, including interest expense and loss on disposition of assets	$372,987,634
Less amounts not included in the Schedule of expenditures of federal awards:	
Depreciation	(97,642,803)
Local and legislative grants	(262,586)
Other non-federal grants	(149,288)
Interest expense on bonds	(4,625,345)
Use of sales proceeds	(36,451)
	270,271,161
Soft cost adjustment	(949,637)
Reserve operational	(4,679,502)
Reserve cost center	3,985,221
Mixed finance subsidy	20,480,990
Capital contributions from federal funds	77,106,127
Total expenses per Schedule of expenditures of federal awards	$366,214,360

During the year ended June 30, 2017 the Administration management execute mixed-finance amendments to the consolidated annual contribution contract (Mixed-Finance ACC Amendment) with the U.S. Department of Housing and Urban Development ("HUD") to provide grant assistance for the development of certain projects using a mixed-finance strategy. The Administration released $9,372,581 of the capital fund program for the year ended June 30, 2019 to grant credit facilities which are defined as part of the sources available in the mixed-finance ACC Amendment before mentioned for the development of the projects. The Puerto Rico Department of Housing is acting as representative of the Administration to lend the credit facilities to the limited liabilities companies designed as the owners of the projects.

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Puerto Rico Public Housing Administration
San Juan, Puerto Rico

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Puerto Rico Public Housing Administration of the Commonwealth of Puerto Rico (the Administration) which comprise the statement of net position as of June 30, 2019 and 2018 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements and have issued our report thereon dated September 30, 2020.

Internal Control Over Financial Reporting

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

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

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

(Continues)

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

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

Compliance and Other Matters

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

Purpose of this report

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

Baker Tilly Puerto Rico, CPAs, PSC

Guaynabo, Puerto Rico

BAKER TILLY PUERTO RICO, CPAs, PSC

September 30, 2020
The stamp number E419379 was affixed to the original of the report.

License No. 218
Expires December 1, 2020.

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

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

Report on Compliance for Each Major Federal Program

We have audited Puerto Rico Public Housing Administration of the Commonwealth of Puerto Rico (the Administration) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Puerto Rico Public Housing Administration major federal programs for the year ended June 30, 2019. Puerto Rico Public Housing Administration major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Puerto Rico Public Housing Administration major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Puerto Rico Public Housing Administration compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Puerto Rico Public Housing Administration compliance.

Opinion on Each Major Federal Program

In our opinion, Puerto Rico Public Housing Administration complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

(Continues)

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-01. Our opinion on each major federal program is not modified with respect to this matter.

Puerto Rico Public Housing Administration's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Puerto Rico Public Housing Administration's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Puerto Rico Public Housing Administration is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph of this report. In planning and performing our audit of compliance, we considered the Puerto Rico Public Housing Administration internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Puerto Rico Public Housing Administration internal control over compliance.

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

(Continues)

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

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

Report on Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Baker Tilly Puerto Rico, CPAs, PSC

Guaynabo, Puerto Rico

BAKER TILLY PUERTO RICO, CPAs, PSC

September 30, 2020
The stamp number E419380 was affixed to the original of this report.

License No. 218
Expires December 1, 2020.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A FUND OF THE COMMONWEALTH OF PUERTO RICO)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

A. FINANCIAL STATEMENTS

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

B. FEDERAL AWARDS

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

4. Identification of major programs

CFDA number	Name of Federal Program or Cluster
14.850	Public and Indian Housing Program
14.872	Capital Fund Program

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

Auditee qualified as low-risk auditee ____ YES _X_ NO

SECTION II – FINANCIAL STATEMENTS FINDINGS

None.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding number: 2019-01

Federal Program:

14.850 Public and Indian Housing Program

Category:
Compliance – Eligibility

Criteria or specific requirement:
24 CFR section 960.259 (a) (4) establishes that any information supplied by the family must be true and complete.

Condition:
In testing compliance with the eligibility requirements to determine whether required eligibility determinations were made in accordance with program requirements we notice that one (1) out of sixty (60) files tenants selected (2%) do not contained evidence of the certification signed by the tenant in which certifies that the information provided by the family was true and complete as part of the procedures established by the Administration to comply with before mentioned requirement.

Questioned cost:
No questions costs were identified.

Perspective information:
We selected for testing sixty files (60) of tenants from the list of beneficiaries from several projects.

Cause:
The personnel assigned to this task oversight this step as part the procedures established by the Administration.

Effect:
Not having this document signed could increase the risk of the agency to grant a unit to an ineligible participant and therefore be exposed to receive administrative actions from the grantor.

Recommendation:
We recommend that the Administration establish adequate supervision and related procedures to improve its monitoring procedures to ensure the compliance of this requirement.

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

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PUBLIC HOUSING ADMINISTRATION
(A FUND OF THE COMMONWEALTH OF PUERTO RICO)
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019

There were no findings reported for the year ended June 30, 2018.

CORRECTIVE ACTION PLAN

PUERTO RICO PUBLIC HOUSING ADMINISTRATION
CORRECTIVE ACTION SINGLE AUDIT 2018-2019

GOBIERNO DE PUERTO RICO
Administración de Vivienda Pública

FINDING NO.	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	Name Contact person responsible for corrective action Plan	Corrective Action Expected Completion Date	Comments
2019-01 Compliance/Internal Control – Eligibility					
24 CFR section 960.259 (a) (4) establish that any information supplied by the family must be true and complete. In testing compliance with the eligibility requirements to determine whether required eligibility determinations were made in accordance with program requirements we notice that one (1) of sixty (60) files tenants selected (2%) do not contained evidence of the certification signed by the tenant in which certifies that the information provided by the family was true and complete.Not having this document signed could lead the agency to grant a unit to an ineligible participant and therefore receive administrative actions by the grantor	We recommend that the Administration establish adequate supervision and related procedures to ensure compliance of this requirement	Reinforcement of the assignment instructions is being done frequently with the occupancy officers to request all the required documents in the asignment document kit provided to them as part of the procedures. The agency is in the process of continously reviewing the documentation required to new tenants in order to streamline the process and avoid missing documents. New procedures were revised as of 2019.	Mr. Omar Figueroa Occupancy and Selection Department	Oct-20	