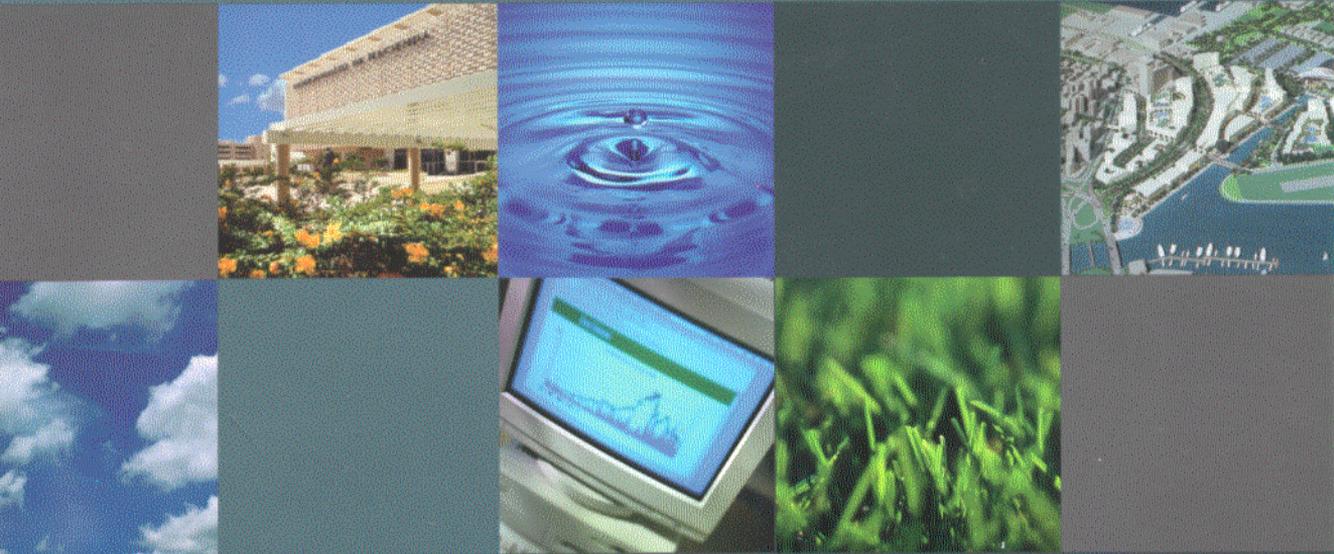




Commonwealth of Puerto Rico
Comprehensive Annual Financial Report



2000
Fiscal Year Ended June 30, 2000





Commonwealth of Puerto Rico

Comprehensive Annual Financial Report

2000-2001

About our Cover:

The year 1999-2000 has witnessed the initiation and the completion of several major projects that will benefit the people of Puerto Rico for decades to come.

The North Coast Superaqueduct was inaugurated and is now supplying top quality water to fourteen municipalities, from Arecibo through Carolina. The Superaqueduct's Water Treatment Plant is producing 75 million gallons of potable water daily, to the benefit of the entire population of the island's North Coast, greatly reducing the demand from the island's other water sources and allowing for a more efficient deliver throughout the system.

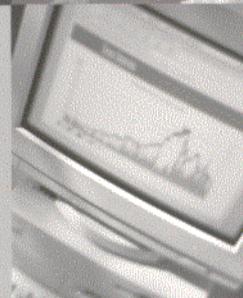
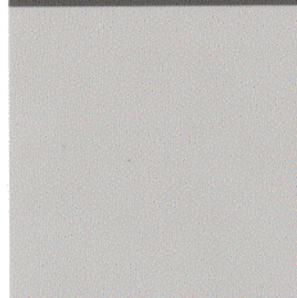
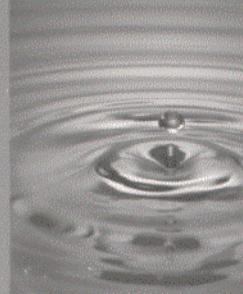
The groundbreaking for the Americas World Trade District and the Puerto Rico Convention Center at the Americas World Trade District represent the greatest urban renewal project the island has seen in decades. This project will make Puerto Rico a major player in the meetings and conventions travel business, further bolstering the island's efforts to become a major player in the global tourism industry. The District will also house the Puerto Rico World Trade Center, promoting the globalization, and hence the economic and commercial growth, of the island's business community.

As Puerto Rico moves towards developing its technological sector, even as it continues supporting and promoting traditional manufacturing, its government has also been hard at work in modernizing and improving the island's infrastructure. This development has been accompanied by a growing concern and respect for our environment and our urban landscape. The inauguration of the Park of the Third Millennium, the Planting for Puerto Rico reforestation program, the incorporation of five new forests and the land expansion of existing ones, and the designation of several marine and land areas as natural reserves, attest to our commitment to preserving and improving our island's natural resources. As we preserve the land we walk on, the air we breathe and the sea that bathes us, we do our part to honor and care for Puerto Rico's rich environment and bequeath it to future generations.

These projects represent but a fraction of the many results achieved through the dedication and commitment of all who work for the Commonwealth of Puerto Rico. We can justifiably be proud of our contribution to the island's future.



Fiscal Year Ended June 30, 2000



COMMONWEALTH OF PUERTO RICO

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2000**

Prepared by the Puerto Rico Department of the Treasury

**Xenia Vélez Silva, Esq., CPA
Secretary of the Treasury**

**Humberto Cuevas Figueroa
Assistant Secretary of Central Accounting**

**Joana Torres Russe
Deputy Assistant Secretary of Central Accounting**

December 29, 2000

COMMONWEALTH OF PUERTO RICO TREASURY DEPARTMENT

MISSION OF THE ORGANIZATION

Establish and carry out the fiscal policies of the Commonwealth of Puerto Rico by enacting a fair and equitable tax system; broaden and balance the taxpayers base; achieve an effective collection of the tax levied and maintain an adequate oversight of the public disbursements, thus promoting: the social and economic development of Puerto Rico, and the trust of the people on its government.

ORGANIZATIONAL VALUES

Our organizational values are focused in our commitment to honesty, integrity, loyalty, justice, sensibility, efficiency, responsibility, accessibility, innovation, professional management, quality and excellence in our functions and services.

PURSUIT OF EXCELLENCE

The products and services of the Department of Treasury shall be considered by our clients as the best. In order to achieve this, we will continuously improve them. Our leaders and fellow workers will be highly admired and respected. Together with other governmental entities and component units of our economy, we will position Puerto Rico as a symbol of excellence.

COMMONWEALTH OF PUERTO RICO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2000

TABLE OF CONTENTS

INTRODUCTORY SECTION	PAGE
Letter of Transmittal	1
Financial Analysis	16
General Information of the Commonwealth of Puerto Rico	19
Principal Officials	21
Organization Chart	22
Certificate of Achievement for Excellence in Financial Reporting	23
 FINANCIAL SECTION	
Independent Auditors' Report	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds	5
Combined Statement of Revenues and Expenditures - Budget and Actual - Budget Basis - Budgeted General and Debt Service Funds	6
Combined Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit)/Fund Balances - Proprietary Fund Type, and Similar Discretely Presented Component Units	7
Combined Statement of Cash Flows - Proprietary Fund Type and Similar Discretely Presented Component Units	8
Combined Statement of Changes in Plan Net Assets Available for Pension Benefits - Pension Trust Fund Types and Similar Discretely Presented Component Units	11
Combined Statement of Changes in Fund Balances - Public University Funds - University of Puerto Rico	12
Combined Statement of Current Funds Revenues, Expenditures and Other Changes - Public University Funds - University of Puerto Rico	13
Notes to General Purpose Financial Statements	14

Combining, Individual Fund Financial Statements and Schedules

General Fund:

Schedule of Expenditures by Agency - Budget and Actual - Budget Basis	112
--------------------------------------------------------------------------	-----

Debt Service Funds:

Combining Balance Sheet	123
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	124

Capital Projects Funds:

Combining Balance Sheet	125
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	127
Schedule of Commonwealth Capital Project Expenditures and Authorizations	129

Enterprise Funds:

Combining Balance Sheet	130
Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit)	131
Combining Statement of Cash Flows	132

Trust and Agency Funds:

Combining Balance Sheet	133
Combining Statement of Plan Net Assets Available for Pension Benefits - Pension Trust Funds	134
Combining Statement of Changes in Plan Net Assets Available for Pension Benefits - Pension Trust Funds	135
Combining Balance Sheet - Expendable Trust Funds	136
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Expendable Trust Funds	137
Combining Balance Sheet - Agency Funds	138
Statement of Changes in Assets and Liabilities - Agency Funds	139

Public University Funds - Combining Balance Sheet

140

Component Units Other:

Combining Balance Sheet	141
Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit)/Fund Balance	159
Combining Statement of Cash Flows	168

General Fixed Assets Account Group:

Schedule of General Fixed Assets - By Source	186
Schedule of General Fixed Assets - By Function and Activity	187
Schedule of Changes in General Fixed Assets - By Function and Activity	188
Combining Statement of Primary Government General Fixed Assets Account Group	189

General Long - Term Debt Account Group: Combining Statement of Primary Government General Long - Term Debt Account Group	190
--------------------------------------------------------------------------------------------------------------------------------	-----

STATISTICAL SECTION

General Governmental Expenditures by Function All Governmental Fund Types - Last Ten Fiscal Years	1
General Governmental Revenues by Source All Governmental Fund Types - Last Ten Fiscal Years	2
Computation of the Legal Debt Margin at July 1, 2000	3
Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures - Last Ten Fiscal Years	4
Demographic Statistics - Last Ten Fiscal Years	5
Construction and Bank Deposits - Last Ten Fiscal Years	6
Miscellaneous Statistics	7
General Fund Net Revenues - Last Ten Fiscal Years	8
General Fund Net Revenues - For the Fiscal Year 2000	9
Seven Year Term Growth in General Fund Net Revenues	10
Income Tax Receipts - For Fiscal Year 2000	11
Gross Product - For the Last Ten Fiscal Years	12
Real Gross Product Growth - For the Last Nine Fiscal Years	13
Employment and Unemployment - For the Last Ten Fiscal Years	14
Average Employment by Sector - For the Last Ten Fiscal Years	15
Employment - For the Last Ten Fiscal Years	16
Tourism Indicators - For the Last Nine Fiscal Years	17

INTRODUCTORY SECTION

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Xenia Vélez Silva
Secretary

December 29, 2000

To the Honorable Governor of Puerto Rico, Members
of the Legislature and People of Puerto Rico:

It is a pleasure to submit, for your information, the Comprehensive Annual Financial Report of the Commonwealth of Puerto Rico for the fiscal year ended June 30, 2000. The Puerto Rico Treasury Department has prepared the report. The responsibility for both the accuracy of presented data and the completeness and fairness of presentation, including all of the disclosures, rests on the Commonwealth's management. To the best of our knowledge and belief, the enclosed data, as presented, is accurate in all material respects, and is presented in a manner designed to set forth the financial position and the results of operations of the various funds, account groups and component units of the Commonwealth. We have included all the necessary disclosures to enable the reader to gain a thorough understanding of the Commonwealth's activities.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory section, which is not audited, includes this letter of transmittal, general information about the Commonwealth, a list of the Commonwealth's principal elected and appointed officials, the Commonwealth's organization chart, and a reproduction of the Certificate of Achievement for Excellence in Financial Reporting that the Commonwealth received for its fiscal year 1999 report. The Financial section includes the general-purpose financial statements, the combining and individual fund and account group financial statements and schedules, as well as the independent auditors' report on the general-purpose financial statements. The Statistical section, which is not audited, includes selected financial and demographic information, generally presented on a multi-year basis.

The financial reporting entity includes all funds and account groups of the Commonwealth of Puerto Rico, which is the primary government, as well as of all its component units. Component units are legally separate entities for which the primary government is financially accountable, or other organizations, the nature and significance of whose relationship with the Commonwealth are such that exclusion would cause the Commonwealth's general purpose financial statements to be

misleading and incomplete. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Discretely presented component units are reported in separate columns in the combined financial statements to emphasize that they are not part of the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government.

Generally, each component unit issues audited financial statements, which can be obtained from the component unit's administrative offices. The general-purpose financial statements included in the financial section of this Comprehensive Annual Financial Report provide descriptions of the operations of each of the following component units of the Commonwealth:

Blended Component Units

- Public Buildings Authority
- Puerto Rico Maritime Shipping Authority
- Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities
- Puerto Rico Judiciary Retirement System
- Puerto Rico Annuities and Pensions System for Teachers
- The Children's Trust

Discretely Presented Component Units

- University of Puerto Rico
- University of Puerto Rico Retirement System
- Government Development Bank for Puerto Rico and Subsidiaries
- Puerto Rico Electric Power Authority
- Puerto Rico Highway and Transportation Authority
- Puerto Rico Aqueduct and Sewer Authority
- Puerto Rico Telephone Authority
- Puerto Rico Council on Higher Education
- Puerto Rico Government Investment Trust Fund
- Puerto Rico Housing Bank and Finance Agency
- State Insurance Fund Corporation
- Economic Development Bank for Puerto Rico
- Puerto Rico Industrial Development Company
- Puerto Rico Ports Authority
- Puerto Rico Municipal Financial Agency



- Puerto Rico Infrastructure Finance Authority
- Sugar Corporation of Puerto Rico
- Puerto Rico School of Plastic Arts
- Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority
- Caribbean Basin Projects Financing Authority
- Automobile Accident Compensation Administration
- Puerto Rico Metropolitan Bus Authority
- Puerto Rico Public Broadcasting Corporation
- Puerto Rico Solid Waste Authority
- Tourism Company of Puerto Rico
- Employment and Training Enterprises Corporation and Subsidiary
- Industries for the Blind, Mentally Retarded and Other Disabled Persons of Puerto Rico
- Institutional Trust of the National Guard of Puerto Rico
- Musical Arts Corporation and Subsidiaries
- Puerto Rico Conservatory of Music Corporation
- Corporation of Stocks and Deposits Insurance for the Savings and Loans Cooperatives
- Puerto Rico Land Administration
- Puerto Rico Health Insurance Administration
- Land Authority of Puerto Rico
- Fine Arts Center Corporation
- Right to Employment Administration
- Farm Insurance Corporation of Puerto Rico
- Puerto Rico Medical Services Administration
- Puerto Rico and Caribbean Cardiovascular Center Corporation
- Puerto Rico Exports Development Corporation
- Recreational Development Company of Puerto Rico
- Medical University Services, Inc.
- Agricultural Services and Development Administration
- Trust for the Conservation, Operation, and Maintenance of the Puerto Rico National Parks
- Puerto Rico Maritime Transportation Authority

Local Economic Condition and Outlook

The Government of Puerto Rico has established policies and programs directed at developing the manufacturing and services sectors of the economy (including the



SECRETARY OF THE TREASURY

To the Honorable Governor of Puerto Rico,
Members of the Legislature and People of Puerto Rico:
December 29, 2000
Page 4

tourism industry) and expanding and modernizing the Island's infrastructure. Selective tax exemption, development loans, and other financial and tax incentives have stimulated domestic and foreign investment. Infrastructure expansion and modernization have been to a large extent financed by bonds and notes issued by the Commonwealth, its public corporations and municipalities. Economic progress has been aided by significant increases in the levels of education and occupational skills of the Island's population.

The dominant sectors of the Puerto Rico economy are manufacturing and services. The manufacturing sector has experienced a fundamental change over the years as a result of increased emphasis on higher-wage and high technology industries, such as pharmaceuticals, electronics, computers, microprocessors, professional and scientific instruments, and certain high technology machinery and equipment.

The services sector, including finance, insurance, real estate, wholesale and retail trade, and hotel and related services, also plays a major role in the economy. It ranks second only to manufacturing in contribution to the gross domestic product and leads all sectors in providing employment. In recent years, the services sector has experienced significant growth.

During fiscal year 2000, the economy of Puerto Rico continued to grow as in previous years. The behavior of major indicators of some economic sectors has shown significant expansion. Exports, which are related to the manufacturing sector, grew by 10.2 percent in fiscal year 2000, to \$38,466 million. Our economy is fully integrated with that of the United States mainland. Approximately 88 percent of Puerto Rico's exports went to the United States, which was also the source of about 56 percent of Puerto Rico's imports. Also, tourism activity reflected an increase of 2.3 percent in total hotel and hostelry registrations, and room availability increased by 4.2 percent as well.

The increased investment of previous years created a solid base for economic growth in the years to come. The expansion in the construction sector continued in fiscal year 2000. The growth in this sector is illustrated by a significant growth of 52.1 percent in the total value of permits.

Average employment increased from 999,000 in fiscal 1993 to 1,159,000 in fiscal 2000. Average unemployment decreased from 16.6 percent in fiscal 1993 to 11.0 percent in fiscal 2000, the lowest rate since 1970. According to the Labor Department's Household Employment Survey, during fiscal 2000, total employment increased 12,000 over fiscal 1999.



SECRETARY OF THE TREASURY

Sections 30A and 936 of the United States Internal Revenue Code

For many years, United States companies operating in Puerto Rico enjoyed a special tax credit that was available under Section 936 of the United States Internal Revenue Code. Originally, the credit provided an effective 100 percent federal income tax exemption for most operating income, as well as qualifying investment income from Puerto Rico sources. Amendments to Section 936 made in 1993 (the "1993 Amendments") instituted two alternative methods for calculating the tax credit and limited the amount of the credit that a qualifying company can claim. These limitations are based on a percentage of qualifying income (the "percentage of income limitation") and on qualifying expenditures for wages, other wage related benefits and other qualifying costs and expenses (the "economic activity limitation", also known as the "wage credit limitation").

As a result of amendments incorporated in the Small Business Job Protection Act of 1996, enacted by the United States Congress and signed into law by President Clinton on August 20, 1996 (the "1996 Amendments"), the tax credit is now being phased out over a ten-year period for existing 936 credit claimants and is no longer available for corporations that established operations in Puerto Rico after October 13, 1995 (including existing Section 936 Corporations, if they establish new product lines in Puerto Rico). The 1996 Amendments also moved the credit based on the economic activity limitation to Section 30A of the Code and phased it out over 10 years. In addition, the 1996 Amendments eliminated the credit previously available for income derived from certain qualified investments in Puerto Rico. The Commonwealth of Puerto Rico does not believe there will be short-term or medium-term material adverse effects on Puerto Rico's economy as a result of the enactment of the 1996 Amendments. The Commonwealth of Puerto Rico further believes that the phase-out period allows sufficient time to implement additional incentive programs to safeguard Puerto Rico's competitive position.

Major Initiatives

Taxpayer's Benefits

In 1993, the Government of Puerto Rico adopted the goal of reducing taxes as a public policy priority. The Tax Reform of 1994 was designed and implemented from this point of view. It was a major overhaul of the tax system, which included a creation of the Tax Code and returned \$400 million to taxpayers. Individuals received benefits of approximately \$284 million, for a reduction of 20 percent in their tax liabilities.



SECRETARY OF THE TREASURY

To the Honorable Governor of Puerto Rico,
Members of the Legislature and People of Puerto Rico:
December 29, 2000
Page 6

Measures and policies implemented by The Treasury Department have proved successful in raising fiscal revenues over the last seven years. The Government's fiscal condition has been helped by the current favorable economic conditions, as well as by the effects of sound economic policies adopted by the administration. The effect of all factors is a quantum leap in the net fiscal revenues, from \$4,025 million in fiscal year 1993 to \$7,076 million in fiscal year 2000, an increase of \$3,050 million, or 76 percent in just seven years. Also, the Treasury Department had been effective in reducing the estimated level of income tax evasion by individual taxpayers, from 26 percent in taxable year 1992 to 16 percent in 1997.

The excellent performance of tax revenues has allowed Government to reduce the tax burden of the people, particularly that of those in the middle income brackets, who historically have had to bear the heavier burden in the tax system. It was also from this perspective that Governor Rosselló approved another individual income tax rate reduction. The 1999 Tax Reduction reduced the income tax liabilities of individuals by 11.4 percent, resulting in an estimated \$282 million in tax benefits. The working middle class received an average benefit of 15 percent per taxpayer. As the continuation of this public policy priority, the Government of Puerto Rico approved a third round of tax rate reductions for 2002. This third reduction in tax rates will result in an estimated 5.8 percent reduction in tax liabilities, which represents additional annual savings of \$146 million to taxpayers. Individuals with annual income under \$30,000 will receive most of the benefits from this reduction.

Another measure that will benefit taxpayers is the elimination of so-called marriage penalty. The purpose of this measure is to give tax relief to working couples who are jointly paying higher income taxes than what each of them would pay if filing as a single taxpayer. About 100,000 married couples will benefit from this change. It will reduce their tax liability by about 17 percent, which is equivalent to an aggregate saving of \$80 million. This benefit will take effect for the 2001 tax year.

The Puerto Rico Treasury Department has implemented certain administrative programs, such as the Administrative Reform, that have transformed the organizational structure of the Department. This has entailed changing the management and reporting concept from bureaus that manage particular laws to bureaus that manage similar functional activities, as well as reorganizing the Island into five regions, and transferring the management of local collectors' offices to such regions.



SECRETARY OF THE TREASURY

Public Sector Debt

Historically, the Commonwealth has maintained, as a matter of fiscal policy, a prudent relationship between the growth of public sector debt and the growth of the economic base required to service that debt. The Commonwealth of Puerto Rico has also sought opportunities to realize debt service savings by refunding outstanding debt with obligations bearing lower interest rates. During fiscal years 1996, 1997 and 1998, however, public sector debt increased 26.6% while gross product increased 14.7%. During fiscal 2000, public sector debt increased 5.0% while gross product increased 2.7%. The trend of higher levels of growth of public sector debt relative to the growth in gross product is expected to continue during the next fiscal years as the level of public sector capital investment remains high.

As of June 30, 2000, outstanding short-term debt, relative to total debt, was 9.2%.

Health Reform Program

One of the goals of the Governor has been to change Puerto Rico's public health care system from one in which the government provides free health services to low income individuals through public health facilities owned and administered by the government, to one in which all medical services are provided by the private sector and the government provides comprehensive health insurance coverage for qualifying (generally low income) Puerto Rico residents. Under this new system, the Government selects, through a bidding system, one private health insurance company in each of several designated regions of the Island and pays that insurance company the insurance premium for each eligible beneficiary within such region. This new health insurance system was available in 77 of the Island's municipalities as of June 30, 2000, and the remaining municipality was added on July 1, 2000.

The Government's current privatization plan for health facilities provides for the transfer of ownership of all health facilities to private entities.

Prospects for the Future

The Governor implemented a new economic development program, based on the premise that the private sector should provide the primary impetus for economic development and growth. This program promotes changing the role of the government from one of being a provider of most basic services, to that of facilitator for private sector initiatives, and encourages private sector investment by reducing government-imposed regulatory constraints.



The New Economic Model contemplates the development of initiatives that will foster private investment and private management of sectors that are served more efficiently and effectively by private enterprise. One of the initiatives, as mentioned above, that has already been implemented is the adoption of a new tax code that is intended to expand the tax base, reduce the personal and corporate marginal tax rates and simplify the tax system.

Also, this Model seeks to identify and promote those areas in which Puerto Rico can compete more effectively in the global markets. In this regard, tourism was targeted as a priority because of its potential for job creation and increased contribution to the gross product, stemming from Puerto Rico's natural competitive advantage. As part of the initiatives directed at promoting the tourism sector, in 1993 a new Tourism Incentives Act was enacted to provide special tax incentives for the development of new hotel projects. Also, in November 1993, the Tourism Development Fund was created for the purpose of promoting capital investments and providing financing to entities that contribute to the development of the tourism industry. As a result of these initiatives, several new hotels have been constructed or are in the process of being constructed, increasing the number of total rooms on the Island from 8,415 at the end of fiscal 1992 to 11,928 by the end of fiscal 2000. Similar tax incentives have been enacted in other areas targeted by the New Economic Model as areas of opportunity for the promotion of local and foreign investment in Puerto Rico, such as agriculture, solid waste management and venture capital.

The New Economic Model is designed to help reduce the size of the government's direct contribution to gross domestic product. As part of this goal, the Government has transferred certain governmental operations and sold a number of its assets to private parties:

- The Electric Power Authority entered into power purchase agreements with private power producers, under which two cogenerating plants (with total capacity of approximately 874 megawatts) using fuel other than oil will be constructed, operated and owned by these producers.
- The Government has transferred to local sugar cane growers the sugar processing facilities formerly operated by the Sugar Corporation.
- Sale of Public Health Facilities

Furthermore, the major initiatives to improve and expand Puerto Rico's infrastructure to facilitate private sector development and growth include both the final phases of the construction of a modern light rail system for the San Juan metropolitan area that



To the Honorable Governor of Puerto Rico,
Members of the Legislature and People of Puerto Rico:
December 29, 2000
Page 9

will connect five densely populated sectors of the metropolitan area and the construction of a major water pipeline that supplies water to fifteen municipalities along the north coast of the Island. These two projects have significant social and economic impact.

Financial Information

The management of the Commonwealth is responsible for establishing and maintaining internal controls to ensure that the assets of the Commonwealth are protected from loss, theft or misuse, and that adequate accounting data is compiled for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal assistance, the Commonwealth is also responsible for ensuring that internal controls are in place to ensure that documents and processes are in compliance with applicable laws and regulations related to such federal financial assistance programs.

Certain departments, agencies and political subdivisions are subject to the requirements of the Single Audit Act of 1984, as amended. As a result, these entities are audited for compliance with the requirements of the federal financial assistance programs. These audits are performed at the department or agency level. The Commonwealth has provided for the possible cost disallowance that may arise from these audits, as well as from other audits that may be performed by federal grantors.

Budgetary Controls

The fiscal year of the Commonwealth begins each July 1. The Governor is constitutionally required to submit to the Legislature an annual balanced budget of capital improvements and operating expenses of the Central Government for the ensuing fiscal year.

The annual budget is prepared by the Office of Management and Budget, working with the Planning Board, the Treasury Department, and other government offices and agencies. Section 7 of Article VI of the Constitution provides that *"The appropriations made for any fiscal year shall not exceed the total revenues, including*



SECRETARY OF THE TREASURY

To the Honorable Governor of Puerto Rico,
Members of the Legislature and People of Puerto Rico:
December 29, 2000
Page 10

available surplus, estimated for said fiscal year unless the imposition of taxes sufficient to cover said appropriations is provided by law”.

The Commonwealth maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Legislature. Activities of the general fund and the debt service funds are included in the annual appropriated budget. Budgetary control resides at the departmental level. The Commonwealth also maintains an encumbrance accounting system as one method of maintaining budgetary control.

The annual budget, which is developed using elements of performance-based program budgeting and zero-based budgeting, includes an estimate of revenues and other resources for the ensuing fiscal year under laws existing at the time the budget is submitted and legislative measures proposed by the Governor and submitted with the proposed budget, as well as the Governor's recommendations as to appropriations that in his judgment are necessary, convenient, and in conformity with the four-year investment plan prepared by the Planning Board.

The Legislature may amend the budget submitted by the Governor, but may not increase any items that would cause a deficit without imposing additional taxes to cover such deficit. Once approved by the Legislature, the budget is referred to the Governor, who may decrease or eliminate any item but may not increase or insert any new item in the budget. The Governor may also veto the budget in its entirety and return it to the Legislature with his objections. The Legislature, by a two-thirds majority in each house, may override the Governor's veto. If a budget is not adopted prior to the end of the fiscal year, the annual budget for the preceding fiscal year, as originally approved by the Legislature and the Governor, is automatically renewed for the ensuing fiscal year until a new budget is approved by the Legislature and the Governor. This allows the Commonwealth to continue to pay its operating and other expenses until a new budget is approved.

General Government Functions

General governmental activities are accounted for in three governmental fund types. These funds are: general, debt service and capital project.

As a result of the initiatives implemented by the Government, such as the approval of the Tax Reform, the Administrative Reform of the Puerto Rico Treasury Department, the aggressive identification of old debts and tax evaders, and the expansion of the taxpayer base, income tax revenues increased to \$4,988 billion in fiscal 2000, from \$4,390 in fiscal 1999, or 12 percent.



SECRETARY OF THE TREASURY

Other increases in revenues are attributable to intergovernmental revenues, mainly composed of federal financial assistance programs.

Enterprise Operations

Comparative data for the Enterprise Funds for the past two fiscal years (expressed in thousands) follows:

	June 30, 2000	June 30, 1999	Increase (Decrease)
Operating Revenues	\$ 744,343	\$ 910,290	\$ (165,947)
Operating Expenditures	<u>581,158</u>	<u>1,185,622</u>	<u>(604,464)</u>
	<u>\$163,185</u>	<u>\$(275,332)</u>	<u>\$ 438,517</u>

The Enterprise Funds realized an operating income of \$163 million in 2000. The net loss for the fiscal year ended June 30, 1999 was \$275 million.

The overall decrease in operating losses of \$439 million can be attributed to the transfer of the remaining operations of the Health Facilities and Services Administration of Puerto Rico to governmental funds. Those operations lost \$423 million last year. Operating revenues of the Additional Lottery System increased by \$33 million in fiscal year 2000.

Fiduciary Operations

Fiduciary Funds are used to account for assets held by the Commonwealth in a trustee capacity or as an agent for individuals, private organizations, other governmental units or other funds. These include the expendable trust, pension trust and agency funds. Trust Funds are established through trust agreements specifying how the fund will operate. Agency Funds are custodial in nature and do not report fund balances. The Trust funds include the Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities, Puerto Rico Judiciary Retirement System, Puerto Rico System of Annuities and Pensions for Teachers, Unemployment Trust Fund and the Health Facilities and Services Administration of Puerto Rico Trust Fund.

Agency Funds include the Special Deposits Fund. This agency fund includes deposits under the custody of the Courts of Justice for alimony payments, deposits



To the Honorable Governor of Puerto Rico,
Members of the Legislature and People of Puerto Rico:
December 29, 2000
Page 12

under the custody of the Insurance Commissioner for escheated property and for insurance companies under bankruptcy.

Financial Advisor and Fiscal Agent

The principal functions of the Government Development Bank for Puerto Rico (GDB) are to act as financial advisor to and fiscal agent for the Commonwealth, its municipalities and public corporations, in connection with the issuance of bonds and notes, and to make loans to private enterprises to aid the economic development of Puerto Rico.

GDB was the first governmental entity in Puerto Rico to obtain a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report. It has received the award for the years ended June 30, 1994 through 1999. The Government Development Bank for Puerto Rico and Subsidiaries is presented as a discrete component unit.

Debt Administration

As of June 30, 2000, the Commonwealth had a number of debt issues outstanding. These issues included approximately \$5.3 billion in general obligation bonds and approximately \$1.7 billion in revenue bonds. The Commonwealth has maintained an **A** credit rating from Standard and Poor's Corporation and a **Baa1** from Moody's Investor Service on general obligation bond issues, and we expect that these classifications will be maintained or improved in future years.

The Constitution of the Commonwealth limits the amount of debt service that can be incurred with respect to issued or guaranteed debt to 15% of internal revenues, as therein defined. As of June 30, 2000, the Commonwealth is in compliance with the debt limitation requirement. See the Computation of the Legal Debt Margin, Page No. 3 in the Statistical Section.

Revenue bonds include outstanding bonds issued by one blended component unit, PBA, which had \$1.7 billion of revenue bonds outstanding at June 30, 2000.

Risk Financing

The Commonwealth purchases commercial insurance to cover casualty, theft, tort claims and other losses. The current insurance policies have not been canceled or terminated. As it relates to Workers' Compensation, the Commonwealth's presented



SECRETARY OF THE TREASURY

component unit, the State Insurance Fund Corporation, provides workers' compensation to both public and private employees.

Cash Management Policies and Practices

The Commonwealth maintains a cash pool for its cash and cash equivalents. The balance in the pooled cash accounts is available to meet current operating requirements and any excess is invested in various interest-bearing accounts in the GDB, a discretely presented component unit. In addition, the Puerto Rico Government Investment Trust Fund (Trust Fund), was created by the Commonwealth pursuant to Act No. 176 of August 11, 1995, and began operations on December 4, 1995.

The Trust Fund is a no-load diversified collective investment trust that was created for the purpose of providing eligible investors (mainly component units and the municipalities of Puerto Rico) with a convenient and economical way to invest in a professionally managed money market portfolio.

The deposits on hand and the investments purchased are not collateralized, secured or guaranteed by the Commonwealth or any of its agencies, instrumentalities or political subdivisions.

The Commonwealth's investment policy is to minimize credit and market risk while maintaining a competitive yield on its portfolio. The cash temporarily idle during this year was invested mainly in US Government securities, stocks, corporate bonds, repurchase agreements, Commonwealth securities, trading securities, and short-term investments. These are primary government investments that are restricted and unrestricted. The Statement of Investment Guidelines for the Government of Puerto Rico was approved by the GDB on February 22, 1996.

Other Information

Independent Audit

Commonwealth statutes require an annual audit by independent certified public accountants. The firm of Deloitte & Touche LLP was selected by the Commonwealth to perform the audit of the general-purpose financial statements in accordance with generally accepted auditing standards for the fiscal years 1996-97 through 1999-2000. The independent auditors' report on the general-purpose financial statements is included in the financial section of this report.



Improvements in Financial Reporting

The Commonwealth has significantly improved its financial reporting practices and policies during the past six years. The general-purpose financial statements, which used to take thirteen months to be released with several qualifications, are now prepared within six months after the close of the fiscal year. For fiscal years 1995-1996, 1996-1997 and 1997-1998, the general-purpose financial statements were issued on or before December 31 with an unqualified opinion in the Independent Auditors' Report. For fiscal year 1999, the first fiscal year under the new Central Accounting System (PRIFAS), the general-purpose financial statements were issued on January 14, 2000 with an unqualified opinion in the Independent Auditors' Report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the Commonwealth of Puerto Rico for its Comprehensive Annual Financial Report (CAFR) for the fiscal years ended on June 30, 1996, 1997, 1998 and 1999. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated efforts of Humberto Cuevas Figueroa and Joana Torres Russe from our accounting staff, as well as the rest of the personnel of the central government accounting area. In addition, the executive and finance directors of the component units and agencies provided support and information on a timely basis for the completion of the general purpose financial statements and the sections of this report; their efforts are most appreciated. Due credit should also be given to the Honorable Pedro Rosselló for his continuous support to better and improved fiscal



SECRETARY OF THE TREASURY

To the Honorable Governor of Puerto Rico,
Members of the Legislature and People of Puerto Rico:
December 29, 2000
Page 15

and administrative policies, to the President and staff of the Government Development Bank for Puerto Rico, and to the Director and staff of the Office of Management and Budget of Puerto Rico.

We would like to give special thanks to our independent auditors, Deloitte & Touche LLP, especially to Gilberto Del Valle, Pat Hardiman, Luis Rivera, Carlos Vázquez and Ivelisse Céspedes for their excellent advice and unwavering commitment.

Remember, Hacienda is at your service.

Respectfully submitted,



Xenia Vélez Silva
Secretary of Treasury



SECRETARY OF THE TREASURY

FINANCIAL ANALYSIS

Tax Revenue of the General Fund increased 10% while operating expenditures increased 12%. Therefore the General Fund completed the year with an unreserved fund balance deficit of \$97 million. Unrestricted cash and investments of the General Fund were \$446 million, 5.2% of total expenditures.

GENERAL FUND

Income tax revenues of the General Fund increased 13%, \$553 million. Total taxes rose 9%, \$585 million. However, total revenues growth of 5% was not sufficient to offset an 11% increase in total expenditures. Operating expenditures accounted for substantially all of the increase. Necessarily, the General Fund increased a current year operating deficit of \$367 million. Of this approximately \$166 million, almost half was caused by the transfer of the Health Facilities and Services Administration operations to the Department of Health at July 1, 1999.

	(in million)			
	1999	2000	CHANGE	
Tax Revenues				
Income	\$4,414	\$ 4,967	\$ 553	13%
Excise	1,701	1,724	23	1%
Other	79	88	9	11%
Total Taxes	\$6,194	\$ 6,779	\$ 585	9%
Charges for Services	\$ 17	\$ 379	\$ 162	75%
Intergovernmental	3,272	2,828	(444)	(14%)
Other	219	400	181	83%
Total Revenue	\$9,902	\$10,386	\$ 484	5%
Expenditure				
Operating	\$7,648	\$ 8,532	\$ 884	12%
Capital	27	18	(9)	(33%)
Debt Service	145	149	4	3%
Total Expenditures	\$7,820	\$ 8,699	\$ 879	11%

DEBT SERVICE FUND

Debt Service Fund payments increased 10% from \$649 million in fiscal year 1999 to 712 million in fiscal year 2000. The pace of such debt restructuring, slowed to \$55 million in fiscal year 2000 from \$118 million in fiscal year 1999.

CAPITAL PROJECTS FUNDS

Capital outlays increased almost one-third, \$287 million in fiscal year 2000. The balance of unexpended bond proceeds was \$576 million at year end.

	CAPITAL OUTLAYS			DEBT PROCEEDS		
	1999	2000	CHANGE	1999	2000	CHANGE
Commonwealth	\$379	\$492	\$113	\$480	\$474	\$(6)
Public Building Authority	134	253	119			
Office for the Improvements of the Public Schools	102	57	(45)			
	<u>\$615</u>	<u>\$802</u>	<u>\$187</u>	<u>\$480</u>	<u>\$474</u>	<u>\$(6)</u>

ENTERPRISE FUNDS

The lotteries comprise the enterprise funds. Effective July 1, 1999 the resource and activities of the Health Facilities and Services Administration of Puerto Rico were transferred to the General Fund. Lottery operations remained relatively stable in fiscal year 2000 generating a \$166 million net contribution to the Commonwealth.

TRUST AND AGENCY FUND

Trust and Agency Funds are substantially comprised of the Unemployment Trust Fund and the three Pension Trust Funds.

Unemployment Trust Fund revenue increased to \$453 million in fiscal year 2000 from \$289 million in 1999. The fund balance at June 30, 2000 was \$778 million.

	(in millions)	
	1999	2000
Unemployment Taxes	\$247	\$269
Other Revenues	42	184
Expenditure	\$365	\$323

The Pension Trust Fund net assets available for pension benefits grew to \$4,634 million at June 30, 2000 compared to \$4,245 million the prior year. The funded ratios of the plans, however, remained relatively constant because employer contribution rates are statutorily set at rates less than would be actuarially required.

	FUNDED RATIOS	
	1999	2000
Employees	22%	22%
Teachers	68%	68%
Judiciary	63%	63%

LONG-TERM DEBT

Commonwealth long-term debt increased \$1,751 million in fiscal year 2000 primarily because of the transfer of \$1,295 million, the long-term debt of the Health Facilities and Services Administration at July 1, 1999.

	(in million)		
	1999	2000	CHANGE
Debt payable to the component units	\$ 1,222	\$ 2,244	\$1,022
Bonds payable	6,808	6,983	175
Notes payable	45	44	(1)
Accrued compensated absences	811	1,013	202
Other long-term liabilities	646	968	322
Net pension obligation	2,356	2,388	32
Total	<u>\$11,888</u>	<u>\$13,640</u>	<u>\$1,752</u>

PUBLIC UNIVERISTY FUNDS

Revenues and expenditures in the Public University Fund remained relatively constant in fiscal year 2000.

	(in million)		
	1999	2000	CHANGE
Commonwealth Transfer	\$ 610	\$ 647	\$ 37
Other Revenues	311	294	(17)
	<u>\$ 921</u>	<u>\$ 941</u>	<u>\$20</u>
Expenditures and Transfer	<u>(938)</u>	<u>(897)</u>	<u>41</u>
Change in Fund Balance			
Unrestricted and Restricted	<u>\$ (17)</u>	<u>\$ 44</u>	<u>\$ 61</u>

COMPONENT UNITS

The Commonwealth relies extensively on its approximately 45 component units to carry out its responsibilities. Their activities are varied and complex. Assets rose from \$32,930 million at June 30, 1999 to \$32,930 million at end of fiscal year 2000 compared to liabilities of \$23,682 million and \$23,682 million respectively. Net income rose to \$161 million from \$95 million fiscal year 1999. This combined with the net results from governmental operations and other equity transactions increase combined retained earning to \$4,217 million. More than \$1,212 million was expended on the acquisition of capital assets.

GENERAL INFORMATION ABOUT PUERTO RICO

Geography and Population

Puerto Rico, the fourth largest of the Caribbean islands, is located approximately 1,600 miles southeast of New York City. It is approximately 100 miles long and 35 miles wide.

According to the United States Census Bureau, the population of Puerto Rico was approximately 3,522,037 as of April 1, 1990, compared to 3,196,520 in 1980. According to estimates of the Census Office in the Planning Board and the United States Census Bureau, the population of Puerto Rico increased to 3,808,610 April 1, 2000. As of July 1, 1999, the population of San Juan, the island's capital and largest city, was 439,604

History and Relationship with the United States

Columbus discovered Puerto Rico in 1493, and shortly thereafter the Island was conquered and settled by the Spaniards. It remained a Spanish possession for four centuries.

Puerto Rico came under United States sovereignty pursuant to the Treaty of Paris, signed on December 10, 1898, which ended the Spanish-American War. Puerto Ricans became citizens of the United States in 1917, with the approval of the Jones Act by the United States Congress. In 1950, after a long evolution toward greater self-government, Congress enacted Public Law 600 which provided that the existing political, economic and fiscal relationship between Puerto Rico and the United States would remain the same, but Puerto Rico would be authorized to draft and approve its own constitution, guaranteeing a republican form of government. The Constitution was drafted by a popularly elected constitutional convention, approved in a special referendum by the people of Puerto Rico, amended and ratified by the United States Congress, and subsequently approved by the President of the United States. Puerto Rico's constitutional status is that of a territory of the United States, and pursuant to the territorial clause of the Federal Constitution, the ultimate source of power over Puerto Rico is the United States Congress. The relationship between the United States and Puerto Rico is referred to herein as *Commonwealth* status.

Puerto Rico exercises virtually the same control over its internal affairs, as do the fifty states; however, it differs from the states in its relationship with the federal government. The people of Puerto Rico are citizens of the United States but do not vote in national elections. They are represented in Congress by a Resident Commissioner who has a voice in the House of Representatives and limited voting power. Most federal taxes, except Social Security and other similar taxes, are not levied in Puerto Rico. No federal income tax is collected from Puerto Rico residents on income earned in Puerto Rico, except for certain federal employees who are subject to taxes on their salaries. Income earned by Puerto Rico residents from sources outside of Puerto Rico, however, is subject

to federal income tax. Federal excise taxes on shipments of alcoholic beverages from Puerto Rico (which are \$13.25 per gallon through October 1, 1999 until December 31, 2001 and \$10.50 per gallon thereafter) and other taxes on shipments of tobacco products from Puerto Rico to the mainland are returned to the Puerto Rico Treasury Department.

The official languages of Puerto Rico are Spanish and English. Although the culture of Puerto Rico is primarily Hispanic, a considerable intermingling of Hispanic and United States cultures have occurred.

Governmental Structure

The Constitution of the Commonwealth of Puerto Rico provides for the separation of powers of the executive, legislative and judicial branches of government. The Governor is elected every four years. The Legislature consists of a Senate and a House of Representatives, the members of which are elected for four-year terms. The highest court within the local jurisdiction is the Supreme Court of Puerto Rico. Decisions of the Supreme Court of Puerto Rico may be appealed to the Supreme Court of the United States under the same terms and conditions as decisions from state courts. Puerto Rico constitutes a District in the Federal Judiciary System and has its own United States District Court. Decisions of this court may be appealed to the United States Court of Appeals for the First Circuit and from there to the Supreme Court of the United States.

COMMONWEALTH OF PUERTO RICO

PRINCIPAL OFFICIALS

Pedro J. Rosselló
Governor

Members of the Cabinet

Angel Morey
Chief of Staff

Angel Morey
Secretary of State

Angel E. Rotger Sabat
Secretary of Justice

Xenia Vélez Silva
Secretary of the Treasury

Víctor Fajardo
Secretary of Education

Aurea González
Secretary of Labor and
Human Resources

Carmen Feliciano de Melecio
Secretary of Health

Miguel A. Muñoz Muñoz
Secretary of Agriculture

Sergio González Quevedo
Secretary of Transportation and
Public Works

Xavier Romeu
Secretary of Economic
Development and Commerce

Antonio L. Pabón
Secretary of Family Affairs

Carlos González Sánchez
Secretary of Housing

Daniel Pagán Rosa
Secretary of Natural and
Environmental Resources

José A. Alicea
Secretary of Consumer Affairs

Eric R. Labrador Rosa
Secretary of Sports and Recreation

Zoe Laboy Alvarado
Secretary of Correction and
Rehabilitation

Pedro Toledo
Commissioner of Protection and
Public Safety

LEGISLATIVE OFFICERS

Charlie Rodríguez
President, Senate

Edison Mislá Aldarondo
Speaker, House of Representative

FISCAL OFFICERS

Jorge E. Aponte Hernández
Director, Office of Management and
Budget

Lourdes M. Rovira Rizek
President, Government Development
Bank of Puerto Rico

OTHERS OFFICERS

José R. Caballero Mercado
President, Planning Board

Alfonso Aguilar
Director, Federal Affairs Office

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Puerto Rico

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Anne Spray Kinney

President

Jeffrey L. Esser

Executive Director

FINANCIAL SECTION

**INDEPENDENT AUDITORS' REPORT**

The Honorable Governor of the
Commonwealth of Puerto Rico
San Juan, Puerto Rico

We have audited the accompanying general purpose financial statements of the Commonwealth of Puerto Rico (the Commonwealth) as of June 30, 2000, and for the year then ended, listed in the table of contents. These general purpose financial statements are the responsibility of the management of the Commonwealth. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Public University funds, and the following activities and component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the General fund, Public University funds and the following activities and component units, is based solely on the reports of the other auditors:

- Office for the Administration of the Assets of the Puerto Rico Urban Renewal and Housing Corporation, which represents 4% of total assets of the general fund.
- The Additional Lottery System, an enterprise fund, which represents 85% and 39%, respectively, of total assets and operating revenues of the enterprise funds.
- Entities identified in Note 2, that are presented as component units-other, which represent 57% and 67%, respectively, of the total assets and operating revenues of the component units-other column.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth of Puerto Rico as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component units-other for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19, certain changes were made to the reporting entity as presented in these general purpose financial statements and to accounting policies of certain discretely presented component units.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth. These financial statements and schedules are also the responsibility of the management of the Commonwealth. Such additional information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors referred to in the first paragraph, are fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

The introductory and statistical sections of this report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth. Such additional information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

December 29, 2000

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affixed to original.

COMMONWEALTH OF PUERTO RICO

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
 JUNE 30, 2000 (Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Type		Fiduciary Fund Types		Account Groups			Totals							
	General		Debt Service		Capital Projects		Enterprise		Trust and Agency		General		Long-Term Debt		Primary Government (Memorandum Only)				
ASSETS AND OTHER DEBITS																			
Assets:																			
Cash and cash equivalents	\$ 259,281	\$ 92,812	\$ 175,852	\$ 38,785	\$ 911,935	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents in governmental banks	187,090	332,495	389,895	18,587	614,557														
Investments		11,488	162,885		4,045,602														
Receivables, net:																			
Taxes	157,325				76,976														
Intergovernmental	104,435																		
Accounts	25,858	119,065	671	3,417	50,191														
Loans and advances	207,224	15,205	36		584,053														
Accrued interest	6,931	7,449	3		15,150														
Other	12,714		6,100		13,465														
Due from:																			
Other funds	68,161		49,323		6,356														
Primary government																			
Component units	24,595																		
Other governmental entities																			
Advances to:																			
Primary government																			
Component units																			
Other governmental entities																			
Inventories																			
Restricted assets																			
Cash and cash equivalents	611,778		77,206		2,806														
Other restricted assets																			
Housing units and land lots held for sale	79,727																		
Fixed assets, net																			
Other assets	297	5,547	12,007		21,710														
				3	30,302														
Other Debits:																			
Amount available in debt service funds																			
Amount to be provided for retirement of bonds and notes payable																			
Amount to be provided for payment of accrued compensated absences, and other long-term liabilities																			
TOTAL ASSETS AND OTHER DEBITS	\$ 1,745,416	\$ 584,061	\$ 873,978	\$ 320,357	\$ 6,373,103	\$ 2,772,062	\$ 13,640,057	\$ 26,309,034	\$ 1,914,924	\$ 35,958,438	\$ 6,846,397	\$ 64,182,296	\$ 1,832,046	\$ 1,750,130	\$ 10,678,979	\$ 230,708	\$ 207,436	\$ 5,828,361	\$ 1,832,046

See notes to general purpose financial statements. (Continued)

COMMONWEALTH OF PUERTO RICO

**COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2000 (Expressed in Thousands)**

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Component Units			Totals Reporting Entity (Memorandum Only)
	General	Debt Service	Capital Projects	Enterprise			Trust and Agency	General Fixed Assets	General Long-Term Debt	Government (Memorandum Only)	Public University	Other	
LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS													
Liabilities:													
Accounts payable and accrued liabilities	\$ 635,162	\$ 4,444	\$ 170,735	\$ 5,008	\$ 225,447	\$	\$	\$ 1,040,796	\$ 114,448	\$ 2,975,108	\$ 1,040,796	\$ 114,448	\$ 2,975,108
Tax refunds payable	80,873							80,873	3,653	4,364,637	80,873		4,368,290
Deposits													
Due to:													
Other funds	29,746	25,933	7	30,472	37,682			123,840			123,840		123,840
Primary government										37,984			37,984
Other governmental entities										1,444			1,444
Advances from:													
Primary government	35,504		132,087					167,591	74,929	618	167,591	74,929	618
Component units										2,007,305			2,249,825
Securities lending transactions and reverse repurchases										737,501			737,501
Interest payable	14,875	176,411		174				191,460	1,460	339,700	191,460	1,460	532,620
Deferred revenues				10,209				10,209		180,029	266,692		190,238
Lottery prizes payable				266,692				266,692			2,244,099		266,692
Debt payable to component units								2,244,099			643,691		2,244,099
Notes payable	600,000	319,400			24,845			643,691		1,919,981	7,326,976		2,563,672
Bonds payable	60,564			1,357				6,982,731		12,301,083	19,915,800		19,915,800
Accrued compensated absences								1,013,148		367,100	1,075,069		1,530,102
Deferred compensation payable	59,498	9,327	8,233	3,827	565,559			646,444	7	503,333	646,444	7	1,149,784
Other liabilities								968,048		15,446	968,048		983,494
Other long-term liabilities								2,388,340	2,676		2,388,340	2,676	2,391,016
Net pension obligation													
Total liabilities	1,516,222	535,515	311,062	317,739	853,533		13,640,057	17,174,128	603,049	25,842,425	17,174,128	603,049	43,619,602
Equity (Deficit) and Other Credits:													
Investment in general fixed assets								2,772,062	452,791	305,054	2,772,062	452,791	3,529,907
Contributed capital				3,943				3,943		5,588,522	3,943		5,592,465
Retained earnings (deficit)				(1,325)				(1,325)		1,993,676	(1,325)		1,992,351
Fund balances:													
Reserved for:													
Encumbrances	200,033		83,476		1,668			285,177	30,431	3,828	285,177	30,431	319,436
Debt service		48,546						48,546	35,630	63,776	48,546	35,630	147,952
Unemployment benefits					769,388			769,388		379,042	769,388		1,148,430
Employees' pension benefits					4,634,064			4,634,064	754,280		4,634,064	754,280	5,388,344
Advances and other specified purposes	46,839		479,440		94,880			621,159	18,733	1,712,511	621,159	18,733	2,352,403
Net assets in liquidation	79,727							79,727		69,604	79,727		79,727
Unreserved	(97,405)				19,570			(77,835)	20,010		(77,835)	20,010	11,779
Total equity (deficit) and other credits	229,194	48,546	562,916	2,618	5,519,570			9,134,906	1,311,875	10,116,013	9,134,906	1,311,875	20,562,794
TOTAL LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS	\$ 1,745,416	\$ 584,061	\$ 873,978	\$ 320,357	\$ 6,373,103		\$ 13,640,057	\$ 26,309,034	\$ 1,914,924	\$ 35,958,438	\$ 26,309,034	\$ 1,914,924	\$ 64,182,396

See notes to general purpose financial statements

(Concluded)

COMMONWEALTH OF PUERTO RICO

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)**

	Governmental Fund Types			Fiduciary Fund Type	Totals
	General	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
REVENUES:					
Taxes:					
Income	\$ 4,967,138	\$	\$	\$	\$ 4,967,138
Excise	1,723,633	12,906			1,736,539
Unemployment				268,696	268,696
Other	87,523				87,523
Charges for services	378,767	236,540	1,713	5,684	622,704
Revenue from global settlement agreement				90,571	90,571
Intergovernmental	2,827,836	105,907	37,785	17,767	2,989,295
Interest	55,217	8,791	27,517	44,930	136,455
Other	358,839		24,709	25,968	409,516
Total revenues	<u>10,398,953</u>	<u>364,144</u>	<u>91,724</u>	<u>453,616</u>	<u>11,308,437</u>
EXPENDITURES:					
Current:					
General government	853,040			887	853,927
Public safety	1,310,322			4,944	1,315,266
Health	972,757			2,904	975,661
Public housing and welfare	2,102,410			264,033	2,366,443
Education	2,436,267			961	2,437,228
Economic development	337,255			49,231	386,486
Intergovernmental	373,016				373,016
Capital outlay	18,207		815,390		833,597
Debt service:					
Principal	92,520	323,849			416,369
Interest and other	55,742	388,853			444,595
Total expenditures	<u>8,551,536</u>	<u>712,702</u>	<u>815,390</u>	<u>322,960</u>	<u>10,402,588</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,847,417</u>	<u>(348,558)</u>	<u>(723,666)</u>	<u>130,656</u>	<u>905,849</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from long-term debt issues			474,471		474,471
Proceeds from refunding bonds		54,645			54,645
Transfers-in from component units	73,922				73,922
Operating transfers-in from other funds	387,908	462,108	102,643	1,683	954,342
Operating transfers-out to other funds	(679,286)	(98,066)	(33,219)	(360)	(810,931)
Transfers-out to component units	(1,836,161)				(1,836,161)
Payment to refunded bond escrow agent		(54,645)			(54,645)
Total other financing sources (uses)	<u>(2,053,617)</u>	<u>364,042</u>	<u>543,895</u>	<u>1,323</u>	<u>(1,144,357)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(206,200)	15,484	(179,771)	131,979	(238,508)
FUND BALANCES AT BEGINNING OF YEAR (as restated)	<u>496,990</u>	<u>33,062</u>	<u>742,687</u>	<u>753,527</u>	<u>2,026,266</u>
RESIDUAL EQUITY TRANSFER	<u>(61,596)</u>				<u>(61,596)</u>
FUND BALANCES AT END OF YEAR	<u>\$ 229,194</u>	<u>\$ 48,546</u>	<u>\$ 562,916</u>	<u>\$ 885,506</u>	<u>\$ 1,726,162</u>

See notes to general purpose financial statements.

COMMONWEALTH OF PUERTO RICO

COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
BUDGET BASIS - BUDGETED GENERAL AND DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)

	Budgeted General Fund			Budgeted Debt Service Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
Income taxes	\$ 4,871,000	\$ 4,904,483	\$ 33,483	\$ 99,673	\$ 99,780	\$ 107
Intergovernmental taxes		1,131	1,131			
Excise taxes	1,698,000	1,627,222	(70,778)		12,905	12,905
Other taxes	77,000	76,930	(70)			
Charges for services	137,000	126,066	(10,934)			
Intergovernmental	55,000	50,231	(4,769)			
Interest	300	3,160	2,860		13,934	13,934
Other	204,603	87,641	(116,962)			
Total revenues	7,042,903	6,876,864	(166,039)	99,673	126,619	26,946
EXPENDITURES:						
Current:						
General government	534,364	488,406	45,958			
Public safety	1,335,774	1,314,027	21,747			
Health	300,879	292,950	7,929			
Public housing and welfare	334,699	311,546	23,153			
Education	1,507,131	1,495,318	11,813			
Economic development	117,608	116,103	1,505			
Intergovernmental	289,930	286,886	3,044			
Debt service:						
Principal	378,680	378,680		250,440	250,440	446
Interest and other	152,804	152,804		258,704	258,258	446
Total expenditures	4,951,869	4,836,720	115,149	509,144	508,698	446
Excess (deficiency) of revenues over (under) expenditures	2,091,034	2,040,144	(50,890)	(409,471)	(382,079)	27,392
OTHER FINANCING SOURCES (USES):						
Proceeds of refunding bonds						
Operating transfers-in from other funds	123,000	133,988	10,988		54,645	54,645
Transfers-in from component units	30,000	30,000		409,471	410,046	575
Operating transfers-out to other funds	(360,451)	(360,451)			(12,906)	(12,906)
Transfers-out to component units	(1,803,070)	(1,803,070)			(54,645)	(54,645)
Payment to refunded bond escrow agent						
Total other financing sources (uses)	(2,010,521)	(1,999,533)	10,988	409,471	397,140	(12,331)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$ 80,513	\$ 40,611	\$ (39,902)	\$	\$ 15,061	\$ 15,061

See notes to general purpose financial statements.

COMMONWEALTH OF PUERTO RICO

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)/FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)**

	<u>Proprietary Fund Type</u>	<u>Other Discretely Presented Component Units</u>
	Enterprise	
OPERATING REVENUES:		
Charges for services	\$ 744,343	\$ 3,892,346
Financing income		249,733
Investment earnings		509,949
Other		49,605
Total operating revenues	<u>744,343</u>	<u>4,701,633</u>
OPERATING EXPENSES:		
Cost of services	578,872	4,312,992
Interest		460,230
Depreciation and amortization	2,286	404,188
Other		7,349
Total operating expenses	<u>581,158</u>	<u>5,184,759</u>
OPERATING INCOME (LOSS)	<u>163,185</u>	<u>(483,126)</u>
NON-OPERATING REVENUES (EXPENSES):		
Intergovernmental		(3,724)
Interest income	789	289,777
Interest expense	(174)	(355,126)
Other, net	460	(141,426)
Total non-operating revenues (expenses)	<u>1,075</u>	<u>(210,499)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>164,260</u>	<u>(693,625)</u>
TRANSFERS:		
Operating transfers to other funds	(166,289)	
From primary government		922,583
Total transfers, net	<u>(166,289)</u>	<u>922,583</u>
NET INCOME (LOSS)	(2,029)	228,958
EXCESS OF REVENUES OVER EXPENDITURES FROM GOVERNMENTAL OPERATIONS		346,124
DEPRECIATION ON FIXED ASSETS ACQUIRED THROUGH CAPITAL CONTRIBUTIONS	<u>2,258</u>	<u>74,572</u>
INCREASE IN RETAINED EARNINGS/ FUND BALANCES	229	649,654
RETAINED EARNINGS (DEFICIT)/ FUND BALANCES AT BEGINNING OF YEAR (as restated)	(1,154,671)	3,786,799
RESIDUAL EQUITY TRANSFER	1,153,346	(5,342)
TRANSFERS TO CONTRIBUTED CAPITAL	<u>(229)</u>	<u>(208,674)</u>
RETAINED EARNINGS (DEFICIT)/ FUND BALANCES AT END OF YEAR	<u>\$ (1,325)</u>	<u>\$ 4,222,437</u>

See notes to general purpose financial statements.

COMMONWEALTH OF PUERTO RICO

COMBINED STATEMENT OF CASH FLOWS -

PROPRIETARY FUND TYPE AND SIMILAR DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)

	Proprietary Fund Type	Other Discretely Presented Component Units
	Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 163,185	\$ (483,126)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	2,286	404,188
Provision for uncollectible accounts		32,259
Amortization of debt discount		2,032
Net gain on disposition of fixed assets		(25,257)
Net gain on sale of investments and fixed assets		(57,300)
Contribution in lieu of taxes		(98,495)
Net cash flow effect of noncapital financing, capital and related financing and investing activities included in operating loss		(262,815)
Other	460	(59,142)
Change in assets and liabilities:		
Increase in:		
Receivables	(1,697)	(184,314)
Due from primary government		(3,603)
Inventories		(43,860)
Other assets		(40,296)
Accounts payable and accrued liabilities	586	258,117
Due to other funds	9,907	
Deposits		11,304
Interest payable		3,196
Deferred revenues		158
Lottery prizes payable	18,362	
Accrued compensated absences	261	2,081
Other liabilities		12,169
Decrease in:		
Receivables	19	11,845
Inventories		5,137
Other assets	220	12,201
Accounts payable and accrued liabilities	(6,667)	(44,071)
Deposits		(175)
Due to primary government		(5,031)
Interest payable		(249)
Deferred revenues	(151)	(12,993)
Lottery prizes payable	(1,676)	
Other liabilities		(950)
Total adjustments	<u>21,910</u>	<u>(83,864)</u>
Net cash provided by (used in) operating activities, (carried forward)	<u>\$ 185,095</u>	<u>\$ (566,990)</u>

See notes to general purpose financial statements.

(Continued)

COMMONWEALTH OF PUERTO RICO

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE AND SIMILAR DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)

	Proprietary Fund Type	Other Discretely Presented Component Units
	Enterprise	
Net cash provided by (used in) operating activities, (brought forward)	\$ 185,095	\$ (566,990)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from notes and loans		2,590,559
Principal paid on notes and loans		(2,290,792)
Interest paid on notes and loans		(358,906)
Operating grants received		91,553
Operating transfers-out to other funds	(170,504)	
Transfers-in from primary government		936,454
Transfers-out to primary government		(175,846)
Transfers from component units		6,827
Transfers to component units		(1,200)
Capital contributions		405,102
Net increase in securities lending transactions		21,418
Net cash provided by (used in) noncapital financing activities	(170,504)	1,225,169
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(252)	(1,212,023)
Proceeds from issuance of bonds and notes		1,239,656
Principal paid on bonds and notes		(517,090)
Interest paid on bonds and notes		(239,862)
Proceeds from sale of equipment		39,186
Capital contributions		82,035
Net cash used in capital and related financing activities	(252)	(608,098)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment securities	(18,690)	(17,182,478)
Proceeds from sales and maturities of investment securities		16,937,643
Purchases of units in the Puerto Rico Government Investment Trust fund		(146)
Redemptions of units in the Puerto Rico Government Investment Trust fund		3,659
Interest and dividends on investments	790	664,137
Principal collected on loans to:		
Public entities of the Commonwealth of Puerto Rico		1,175,111
Private sector		105,372
Loans originated to:		
Public entities of the Commonwealth of Puerto Rico		(1,937,631)
Private sector		(80,882)
Net cash used in investing activities	(17,900)	(315,215)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,561)	(265,134)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (as restated)	60,933	1,410,262
CASH AND CASH EQUIVALENTS FROM GOVERNMENTAL OPERATIONS		258,886
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 57,372	\$ 1,404,014

See notes to general purpose financial statements.

(Continued)

COMMONWEALTH OF PUERTO RICO

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE AND SIMILAR DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)

	<u>Proprietary Fund Type</u>	<u>Other Discretely Presented Component Units</u>
	Enterprise	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINED BALANCE SHEET:		
Cash and cash equivalents	\$ 38,785	\$ 230,708
Cash and cash equivalents in governmental banks	18,587	207,436
Cash and cash equivalents - restricted assets	<u> </u>	<u>965,870</u>
	<u>\$ 57,372</u>	<u>\$ 1,404,014</u>
RECONCILIATION OF BEGINNING CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents as of June 30, 1999, as previously reported		\$ 1,257,403
Investments considered cash equivalents under Governmental Accounting Standards Board No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting (GASB 9)		467,727
Cash and cash equivalents considered investments under GASB No. 9		(94,320)
Cash and cash equivalents from governmental operations		<u>(220,548)</u>
Cash and cash equivalents as of June 30, 1999, as adjusted		<u>\$ 1,410,262</u>
SCHEDULE OF NON-CASH TRANSACTIONS:		
Accretion of discount		\$ 71,657
Financing of property acquisition		\$ 52,909
Capitalized interest on loans		\$ 51,710
Decrease in fair value of investments		\$ 19,039
Accrued interest on capital appreciation bonds		\$ 17,300
Transfers of loans to finance sale of real estate owned		\$ 7,166
Payments made by the Puerto Rico Treasury Department on behalf of the Solid Waste Authority of Puerto Rico		\$ 3,000
Assets transferred and liabilities assumed		\$ 1,920

See notes to general purpose financial statements.

(Concluded)

COMMONWEALTH OF PUERTO RICO

COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS AVAILABLE FOR PENSION BENEFITS - PENSION TRUST FUND TYPES AND SIMILAR DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)

	Fiduciary Fund Type	Public University Fund
	Pension Trust Funds	University of Puerto Rico Retirement System
ADDITIONS:		
Contributions:		
Employer	\$ 378,417	\$ 49,652
Employees	289,300	22,384
Special	<u>22,148</u>	<u> </u>
Total contributions	<u>689,865</u>	<u>72,036</u>
Investment income:		
Interest	131,534	22,783
Dividends	25,002	3,401
Net appreciation of investments	<u>432,359</u>	<u>82,697</u>
Total investment income	588,895	108,881
Less investment expense	<u>(12,090)</u>	<u>(2,673)</u>
Net investment income	576,805	106,208
Other income	<u>17,060</u>	<u>4,108</u>
Total additions	<u>1,283,730</u>	<u>182,352</u>
DEDUCTIONS:		
Benefits	807,579	76,153
Refunds of contributions	25,477	
General and administrative	<u>61,778</u>	<u>2,214</u>
Total deductions	<u>894,834</u>	<u>78,367</u>
NET INCREASE	388,896	103,985
NET ASSETS AVAILABLE FOR PENSION BENEFITS AT BEGINNING OF YEAR	<u>4,245,168</u>	<u>650,295</u>
NET ASSETS AVAILABLE FOR PENSION BENEFITS AT END OF YEAR	<u>\$ 4,634,064</u>	<u>\$ 754,280</u>

See notes to general purpose financial statements.

COMMONWEALTH OF PUERTO RICO

COMBINED STATEMENT OF CHANGES IN FUND BALANCES -
PUBLIC UNIVERSITY FUNDS - UNIVERSITY OF PUERTO RICO
YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)

	Current Funds		Endowment and Similar Funds	Plant Funds			
	Unrestricted	Restricted		Loan Funds	Unexpended	Renewal and Replacement	Retirement of Indebtedness
REVENUES AND OTHER ADDITIONS:							
Unrestricted current fund revenues	\$ 647,793	\$	\$	\$	\$	\$	\$
Commonwealth of Puerto Rico appropriations, grants and contracts		49,791		810			
Federal grants and contracts		177,230		278			
Private gifts, grants and contracts		10,123	420				
Investment income		182	3,387	72		2,223	
Interest on loans receivable			655				
Expended for plant facilities				2,970	7,022		32,921
Retirement of indebtedness				356	20		14,652
Other		56,735		4,486	7,042	2,223	
Total revenues and other additions	647,793	294,061	3,807	4,486	7,042	2,223	47,573
EXPENDITURES AND OTHER DEDUCTIONS:							
Educational and general expenditures	579,499	305,739					
Auxiliary enterprises expenditures	10,181						
Refunded to grantors		1,468		41			
Loan cancellations and assignments				2,356			
Administrative and collection costs				6	6,964		4,071
Expended for plant facilities						14,652	
Retirement of indebtedness						18,021	
Interest on indebtedness							28,740
Disposal of plant facilities							216
Other				989			
Total expenditures and other deductions	589,680	307,207		3,392	6,964	32,673	33,027
TRANSFERS AMONG FUNDS-ADDITIONS (DEDUCTIONS):							
Mandatory:							
Principal and interest	(34,664)					34,664	
Restricted current fund matching grants	(6,030)	6,030					
Other transfers:							
Unrestricted current funds	(14,728)	12,448	15	1,604	(13)		
Total transfers	(55,422)	18,478	15	1,604	(13)	34,664	
NET INCREASE FOR THE YEAR	2,691	5,332	3,822	6,090	65	4,214	14,546
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	17,767	19,776	19,802	(11,210)	441	31,416	438,245
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 20,458	\$ 25,108	\$ 23,624	\$ (5,120)	\$ 506	\$ 35,630	\$ 452,791

See notes to general purpose financial statements.

COMMONWEALTH OF PUERTO RICO

COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES - PUBLIC UNIVERSITY FUNDS - UNIVERSITY OF PUERTO RICO YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 63,915	\$ 5,710	\$ 69,625
Transfers from primary government	566,226	55,435	621,661
Federal grants and contracts		177,230	177,230
Private gifts, grants and contracts		10,123	10,123
Sales and services of educational departments	823	35,163	35,986
Sales and services of auxiliary enterprises	7,156		7,156
Investment income	6,311	185	6,496
Other sources	3,362	15,859	19,221
Total current revenues	647,793	299,705	947,498
EXPENDITURES AND MANDATORY TRANSFERS:			
Educational and general:			
Instruction	252,627	25,132	277,759
Research	20,305	59,493	79,798
Public service	12,902	32,488	45,390
Academic support	67,338	5,930	73,268
Student services	33,381	2,800	36,181
Institutional support	105,492	5,280	110,772
Operation and maintenance of plant	80,675	442	81,117
Scholarships and fellowships	1,719	125,047	126,766
Hospitals		32,035	32,035
Independent operations	22	1,537	1,559
Other	5,038	15,555	20,593
Total educational and general expenditures	579,499	305,739	885,238
Mandatory transfers for:			
Principal and interest	34,664		34,664
Restricted current fund matching grants	6,030	(6,030)	
Total educational, general and mandatory transfers	620,193	299,709	919,902
Auxiliary enterprises - expenditures	10,181		10,181
Total expenditures and mandatory transfers	630,374	299,709	930,083
TRANSFERS AND ADDITIONS (DEDUCTIONS):			
Deficit of restricted receipts under transfers to revenues		(5,644)	(5,644)
Refunded to grantors		(1,468)	(1,468)
Nonmandatory transfers	(14,728)	12,448	(2,280)
Total other deductions	(14,728)	5,336	(9,392)
NET INCREASE IN FUND BALANCE	\$ 2,691	\$ 5,332	\$ 8,023

See notes to general purpose financial statements.

COMMONWEALTH OF PUERTO RICO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2000

1. SUMMARY OF SIGNILICANT ACCOUNTING POLICIES

The Commonwealth of Puerto Rico (the "Commonwealth") was constituted on July 25, 1952, under the provisions of its Constitution as approved by the people of Puerto Rico and the United States Congress. The Commonwealth's Constitution provides for the separation of powers of the executive, legislative and judicial branches of the government. The Commonwealth assumes responsibility for public safety, public health, public housing, welfare, education and economic development.

A. The Financial Reporting Entity

The accompanying general purpose financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. In addition, GAAP requires that the Commonwealth's proprietary activities apply GAAP as it is applied by similar business activities in the private sector. As a result, the financial statements of certain component units follow the specialized reporting practices for financial institutions, insurance companies, public utilities, colleges and universities, investment companies, and hospitals, as prescribed by the GASB and other authoritative sources, including pronouncements of the Financial Accounting Standards Board (FASB).

The accompanying general purpose financial statements include all departments, agencies and governmental entities whose funds are under the custody and control of the Secretary of Treasury, and the Commonwealth's component units pursuant to Act No. 230 of July 23, 1974, as amended, known as *Commonwealth of Puerto Rico Accounting Law*. The component units discussed below are included as part of the Commonwealth's reporting entity because they are financially accountable to the Commonwealth pursuant to GASB Statement No. 14, *The Financial Reporting Entity* ("GASB 14").

B. Component Units

GAAP defines component units as those entities which are legally separate organizations for which the Commonwealth's elected officials are financially accountable, or other organizations for which the nature and significance of their relationship with the Commonwealth are such that exclusion would cause the Commonwealth's general purpose financial statements to be misleading and incomplete. GAAP details two methods of presentation: blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the Commonwealth's balances and transactions; or discrete presentation of the component units' financial data in columns separate from the Commonwealth's balances and transactions.

The Commonwealth can impose its will on each of the component units through appointment of the governing authorities

The financial statements of the component units discussed below have been included in the financial reporting entity either as blended component units or as discretely presented component units in accordance with GAAP.

1. Blended Component Units:

The following entities, while legally separate from the Commonwealth, meet the criteria to be reported as part of the primary government because they provide services entirely or almost entirely to the Commonwealth.

Public Buildings Authority (PBA)

The Public Buildings Authority is governed by a seven-member board of which the Secretary of the Department of Transportation and Public Works ("DTPW") is a permanent member and the other six members are appointed by the Governor with the consent of the Senate. It is a legally separate entity, whose activities are blended within the primary government because it exists to construct, purchase or lease office, school, health, correctional, social welfare and other facilities for lease to the Commonwealth's departments, component units and instrumentalities. Bonds issued by PBA to finance such facilities are payable from lease collections, which are largely derived from Commonwealth appropriations and are generally secured by the Commonwealth's guarantee. (See Note 16).

Puerto Rico Maritime Shipping Authority (PRMSA)

The Puerto Rico Maritime Shipping Authority is governed by the President of the Government Development Bank for Puerto Rico. On March 3, 1995, the Commonwealth sold to private investors its maritime transportation business. The remaining operations of PRMSA are for the sole purpose of servicing the long-term liability to third parties that resulted from the aforementioned sale. The Commonwealth is required to annually appropriate funds in its general operating budget to provide for the payment of principal and interest on such debt. (See Note 15).

Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS)

The Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities is governed by a Board of Trustees which is composed of the Secretary of the Treasury, who is the President, the president of the Government Development Bank for Puerto Rico, the Insurance Commissioner, the Director of the Puerto Rico Central Office of Personnel Administration, two participating employees and one pensioner, who are appointed by the Governor. The Commonwealth reports ERS as a single-employer pension plan. ERS is the administrator of a defined benefit pension plan which covers all regular employees of the Commonwealth and its instrumentalities and of certain municipalities and component units not covered by their own retirement system. On September 24, 1999, an amendment to the Law that created ERS was enacted with the purpose of establishing a new plan (System 2000) for persons joining the government on or after January 1, 2000. (See Note 22).

Puerto Rico Judiciary Retirement System (JRS)

The Puerto Rico Judiciary Retirement System is governed by the same Board of Trustees as ERS. JRS is a single-employer defined benefit plan, administered by the Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities, which covers all individuals holding a position as Justice of the Supreme Court, Judge of the Superior Court or the District Court or Municipal Judges of the Commonwealth of Puerto Rico. (See Note 22).

Puerto Rico System of Annuities and Pensions for Teachers (TRS)

The Puerto Rico System of Annuities and Pensions for Teachers is governed by a five-member board comprised of the Secretary of Education, the Secretary of the Treasury, the President of the Teachers' Association and two members appointed by the Governor with the advice and consent of the Senate for four years, of which one must be a retiree and the other an active member. The Commonwealth reports TRS as a single-employer pension plan. TRS provides retirement benefits to all teachers of the Department of Education of the Commonwealth, all pensioned teachers, all teachers transferred to an administrative position in the Department of Education, teachers who work in the Teachers' Association of Puerto Rico, and those who practice in private institutions accredited by the Department of Education. TRS provides retirement, death and disability benefits. (See Note 22).

The Children's Trust

The Children's Trust (the "Trust") is governed by a seven-member board comprised by the Governor of Puerto Rico, who is the Chairman, the President of the Government Development Bank for Puerto Rico, the Director of the Office of Management and Budget, the Secretary of Justice and three private citizens appointed by the Governor with the consent of the Senate. The Trust was created for the purpose of developing programs aimed at promoting the well-being of children and youth of Puerto Rico, especially in the areas of education, recreation and health. The programs are to be financed with the monies to be received by the Commonwealth from a Global Settlement Agreement dated November 23, 1998, between certain tobacco companies and certain states, territories, and other jurisdictions of the United States of America, including the Commonwealth.

Complete financial statements of the blended component units can be obtained directly by contacting their respective administrative offices at:

Public Buildings Authority
PO Box 41029 Minillas Station
San Juan, PR 00940-1029

PR Maritime Shipping Authority
PO Box 362829
San Juan, PR 00936-2829

Employees' Retirement System of the
Government of Puerto Rico and its Instrumentalities
PO Box 42003 Minillas Station
Santurce, PR 00940

Puerto Rico Judiciary Retirement System
PO Box 364267
Santurce, PR 00940

Puerto Rico System of Annuities and
Pensions for Teachers
PO Box 19879
San Juan, PR 00919-1879

The Children's Trust
PO Box 42001
San Juan, PR 00940-2001

2. Discretely Presented Component Units:

The following component units, consistent with GASB 14, are discretely presented in the general purpose financial statements because of the nature of the services they provide and the Commonwealth's ability to impose its will. The public university fund's financial information is presented in a separate column due to its reporting model being different from that followed by the other component units.

Public University Funds

University of Puerto Rico (UPR)

The University of Puerto Rico is governed by a thirteen-member Board of Trustees of which ten members are appointed by the Governor with the consent of the Senate, one full-time student and two member professors. Board members are appointed for a period from four to eight years. The terms for the student and professors are one year.

University of Puerto Rico Retirement System (UPRRS)

The University of Puerto Rico Retirement System is the administrator of a single employer pension plan for the employees of the University of Puerto Rico. It is governed by the Board of Trustees of the University, and is reported as a component unit of the UPR. (See Note 22).

Component Units - Other

Government Development Bank for Puerto Rico and Subsidiaries (GDB)

The Government Development Bank for Puerto Rico and Subsidiaries are governed by a seven-member board appointed by the Governor. The Chief of Staff is the Chairman. GDB acts as the financial advisor and fiscal agent for the Commonwealth, its public corporations and municipalities in connection with the issuance of bonds and notes; and it also makes loans and advances funds to public corporations.

Puerto Rico Electric Power Authority (PREPA)

The Puerto Rico Electric Power Authority is governed by a nine-member board. Seven members are appointed by the Governor with the consent of the Senate, and the remaining two members are appointed by the Puerto Rico Consumer Affairs Department. PREPA is responsible for conserving, developing and utilizing the power resources of Puerto Rico and owns and operates the Commonwealth's electrical power generation and distribution system. PREPA is authorized, among others, to borrow money and issue revenue bonds for any of its corporate purposes and is required, under the terms of a 1947 Indenture and a 1974 Agreement, to determine and collect reasonable rates for its electrical power generation and distribution system in order to produce revenues sufficient to cover all operating and financing obligations.

Puerto Rico Highway and Transportation Authority (PRHTA)

The Puerto Rico Highway and Transportation Authority is governed by the Secretary of the DTPW, who is appointed by the Governor with the consent of the Senate. PRHTA has broad powers to carry out its responsibilities in accordance with the DTPW's overall transportation policies. These powers include, among other things, the complete control and supervision of any highway facilities constructed, owned or operated by PRHTA, the

ability to set tolls for the use of the highway facilities and the power to issue bonds, notes or other obligations. PRHTA plans and manages the construction of all major projects relating to the Commonwealth toll highway system, undertakes major repairs and maintains the tollways.

Puerto Rico Aqueduct and Sewer Authority (PRASA)

The Puerto Rico Aqueduct and Sewer Authority is governed by a seven-member board. Four members are appointed by the Governor, one is the Secretary of Transportation and Public Works and two members are appointed by the Puerto Rico Consumer Affairs Department. PRASA owns and operates the system of public water supply and sanitary sewer facilities. PRASA is authorized, among other powers, to borrow money and issue revenue bonds for any of its corporate purposes. PRASA is required, under the terms of its Trust Agreements, to determine and collect reasonable rates for water and sewer services to produce revenues sufficient to cover all operating and financing obligations. PRASA's capital is generated by non-reimbursable legislative appropriations from the Commonwealth, grants from various agencies of the Federal government, donations in-kind or other operating cash transfers from various governmental agencies and instrumentalities of the Commonwealth, other customers of PRASA, and internally generated funds. As discussed in Note 16, the Commonwealth guarantees the principal and interest payments of certain outstanding bonds and of all future bonds issued to refinance those outstanding bonds.

Puerto Rico Telephone Authority (PRTA)

The Puerto Rico Telephone Authority was governed by a five-member board appointed by the Governor with the consent of the Senate. PRTA was responsible for acquiring, developing and operating telephone, radio, cable or other communication systems through its wholly owned subsidiaries Puerto Rico Telephone Company, Inc. ("PRTC") and Celulares Telefónica, Inc. ("CT").

On April 7, 1997, the Commonwealth announced a plan to privatize PRTC and CT through a competitive bidding process. On July 21, 1998, after the conclusion of the bidding process, a consortium led by GTE Corporation (the "GTE Group") was awarded the right to purchase a controlling interest in PRTC and CT.

PRTA is, since the sale transaction described in Note 25, ascribed to the Government Development Bank for Puerto Rico, a discretely presented component unit and reports to its management.

Puerto Rico Government Investment Trust Fund (PRGITF)

The Puerto Rico Government Investment Trust Fund was created in fiscal 1996 and is governed by the Secretary of the Treasury of the Commonwealth, who is appointed by the Governor, with the consent of the Senate. The Government Development Bank for Puerto Rico is its trustee, custodian and administrator. PRGITF's main objective is to provide investment opportunities in a money market portfolio by investing, in high quality securities, with minimal credit risk.

Qualified investors include the Commonwealth's central government, its public corporations, instrumentalities and agencies, and the municipalities of Puerto Rico. PRGITF is neither subject to regulation under the Investment Company Act of 1940, nor is it required to register under the Securities and Exchange Act of 1933. (See Note 4).

Puerto Rico Housing Bank and Finance Agency (PRHBFA)

The Puerto Rico Housing Bank and Finance Agency is governed by the Secretary of Housing who is appointed by the Governor with the consent of the Senate. PRHBFA issues bonds and notes to provide interim and permanent financing for low-income housing projects and single-family home ownership programs. It is also engaged in insuring and servicing mortgages originated by the former Puerto Rico Urban Renewal and Housing Corporation which ceased operations effective August 9, 1991. PRHBFA obtains funds from legislative appropriations, sale of mortgages, collection of mortgage repayments, and other sources.

State Insurance Fund Corporation (SIFC)

The State Insurance Fund Corporation is governed by a five-member board appointed by the Governor with the consent of the Senate. SIEC provides workers' compensation and disability insurance to public and private employees.

Economic Development Bank for Puerto Rico (EDB)

The Economic Development Bank for Puerto Rico is governed by a nine-member board comprised of the President of the Government Development Bank for Puerto Rico, who is the Chairman, the Secretary of Agriculture, the Secretary of Economic Development and Commerce, the Economic Development Administrator, the Executive Director of the Tourism Company of Puerto Rico and four other members appointed by the Governor with the consent of the Senate. EDB is responsible for the promotion and development of the private sector economy of the Commonwealth. This purpose is to be met by granting direct loans, loan guarantees, and/or direct investments to any person or business organization devoted to manufacturing, agriculture, trade, tourism or other service enterprises, whose economic activity may have the effect of substituting imports.

Puerto Rico Industrial Development Company (PRIDCO)

The Puerto Rico Industrial Development Company is governed by the Economic Development Administrator who is appointed by the Governor with the consent of the Senate. PRIDCO administers the Commonwealth-sponsored economic development program by providing facilities, general assistance, and special incentive grants to manufacturing companies in Puerto Rico. PRIDCO has issued interim notes and revenue bonds to finance factories and other facilities. Rentals derived from the leasing of specified facilities of PRIDCO are pledged for the payment of PRIDCO's revenue bonds.

PRIDCO also administers the Special Incentives Program. This program provides governmental funds, appropriated by the Legislature, for reimbursement to manufacturers for allowable start-up costs or for improvement in infrastructure that result in better manufacturing facilities.

Puerto Rico Ports Authority (PRPA)

The Puerto Rico Ports Authority is governed by a five-member board consisting of the Secretary of Transportation and Public Works, who is the Chairman, the Secretary of Economic Development and Commerce, the Economic Development Administrator, the Executive Director of the Tourism Company of Puerto Rico and one private citizen appointed by the Governor with the consent of the Senate. The purpose of PRPA is to administer all ports and aviation transportation facilities of the Commonwealth and to render other related services.

Effective July 1, 1999, the assets, liabilities and equity of the ferries operations were separated from PRPA by Act No. 1 of January 1, 2000, to the Puerto Rico Maritime Transportation Authority. Net assets and contributed capital of approximately \$60 million were transferred.

Puerto Rico Municipal Finance Agency (PRMFA)

The Puerto Rico Municipal Finance Agency is governed by a five-member board comprised of the Secretary of the Treasury, the President of the Government Development Bank for Puerto Rico and three additional members appointed by the Governor with the consent of the Senate, one of whom shall be either the mayor or chief financial officer of a municipality. PRMFA was organized to create a capital market to assist the municipalities of Puerto Rico in financing their public improvement programs.

Puerto Rico Infrastructure Financing Authority (PRIFA)

The Puerto Rico Infrastructure Financing Authority was created by the Commonwealth. PRIFA is governed by the Secretary of the Treasury and six members of the board of the Government Development Bank for Puerto Rico. Its responsibilities are to provide financial, administrative, consulting, technical, advisory and other types of assistance to other component units and governmental instrumentalities of the Commonwealth which are authorized to develop infrastructure facilities, and to establish alternate means for financing them.

Sugar Corporation of Puerto Rico (SCPR)

The Sugar Corporation of Puerto Rico is administered by the Governing Board of the Land Authority of Puerto Rico consisting of the Secretary of Agriculture who is the Chairman, and four other members appointed by the Governor with the consent of the Senate. SCPR was created to consolidate ownership and management of the Commonwealth's interests in Puerto Rico's sugar industry. (See Note 27).

Puerto Rico School of Plastic Arts (SPA)

The Puerto Rico School of Plastic Arts is governed by a seven-member board elected by the Board of Directors of the Institute of Puerto Rican Culture (the "Institute"). Board members may not be employees of the SPA. Of these, three are elected from among the members of the Board of Directors of the Institute, one of whom will serve as president SPA was created to develop, promote, plan, and coordinate programs of study in higher education oriented to the plastic arts, teaching artistic techniques and to help students to develop humanistic values.

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

The Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority is governed by a seven-member board consisting of the Economic Development Administrator, the President of the Government Development Bank for Puerto Rico, the Executive Director of the Puerto Rico Aqueduct and Sewer Authority, the Executive Director of the Tourism Company of Puerto Rico, the President of the Environmental Quality Board and two private citizens appointed by the Governor with the consent of the Senate. AFICA is authorized to issue revenue bonds to finance industrial, pollution control, medical, and educational facilities in Puerto Rico and the

United States for use by private companies, non-profit entities or governmental agencies. The bonds are payable solely from collections from such private companies, non-profit entities or governmental agencies, and do not constitute debt of the Commonwealth or any of its other components units.

Caribbean Basin Projects Financing Authority (CBPFA)

The Caribbean Basin Projects Financing Authority is governed by a five-member board consisting of the Economic Development Administrator, the President of the Government Development Bank for Puerto Rico, the President of the Economic Development Bank for Puerto Rico and two private citizens appointed by the Governor with the consent of the Senate. CBPFA is authorized to issue revenue bonds and to loan the proceeds thereof to finance projects for the development of the Caribbean Basin countries that were authorized to receive investments of funds under the provisions of Section 936 of the US Internal Revenue Code. CBPFA did not issue revenue bonds during the year ended June 30, 2000.

Automobile Accident Compensation Administration (AACCA)

The Automobile Accident Compensation Administration is governed by a board comprised of one member of the Cabinet of the Governor and four members appointed by the Governor with the consent of the Senate. AACCA operates a system of compulsory insurance coverage for all registered motor vehicles and compensates citizens for injuries arising from motor vehicle accidents.

Puerto Rico Metropolitan Bus Authority (PRMBA)

The Puerto Rico Metropolitan Bus Authority is governed by the Secretary of Transportation and Public Works, who is appointed by the Governor with the consent of the Senate. The PRMBA provides transportation to passengers within the San Juan Metropolitan Area. This service is financed by Commonwealth and Federal government appropriations, and passenger fares.

Puerto Rico Public Broadcasting Corporation (PRPBC)

The Puerto Rico Public Broadcasting Corporation is governed by a board of directors comprised of four members from the public sector and five private citizens, appointed by the Governor with the consent of the Senate. PRPBC was created with the purpose of integrating, developing and operating the radio, television and electronic communication facilities that belong to the Commonwealth.

Puerto Rico Solid Waste Authority (PRSWA)

The Puerto Rico Solid Waste Authority is governed by the Secretary of Natural Resources, who is appointed by the Governor with the consent of the Senate. PRSWA provides alternatives for processing of solid waste and encourages recycling, reuse and recovery of resources from waste.

Tourism Company of Puerto Rico (TCPR)

The Tourism Company of Puerto Rico is governed by an eleven-member board comprised of the Secretary of Economic Development and Commerce, who serves as Chairman, the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Transportation and Public Works, the Secretary of Housing, the Economic Development Administrator, the President of the Planning Board, and four other members appointed by the Governor with the consent of the Senate. Its purpose is to promote the tourism industry of Puerto Rico.

Employment and Training Enterprises Corporation and Subsidiary (ETEC)

The Employment and Training Enterprises Corporation and Subsidiary is governed by a ten-member board comprised of the Corrections Administrator, the Administrator of Youth Correctional Institutions, the Secretary of Justice, the Secretary of Education, the Executive Director of the Right to Employment Administration, the Administrator of the Administration of Mental Health and Anti-Addiction Services, the Sub-Administrator for the Promotion of Puerto Rico Industries of the Economic Development Administration, the Director of the Volunteer Corps and two private citizens appointed by the Governor with the consent of the Senate. The purpose of ETEC is to provide training, management development and employment for inmates of the correctional institutions of the Commonwealth.

Industries for the Blind, Mentally Retarded and Other Disabled Persons of Puerto Rico

The Industries for the Blind, Mentally Retarded and Other Disabled Persons of Puerto Rico is governed by the Secretary of the Department of Family Affairs, who is its President. The purpose of the entity is to provide economic and social rehabilitation for the blind, mentally retarded and other disabled persons through job opportunities within public and private industries.

Institutional Trust of the National Guard of Puerto Rico (ITNGPR)

The Institutional Trust of the National Guard of Puerto Rico is administered by a seven-member board comprised of the Adjutant General of the Puerto Rico National Guard, the President of the Government Development Bank for Puerto Rico, the Secretary of Justice and four members of the Puerto Rico National Guard appointed by the Governor with the consent of the Senate. ITNGPR's purpose is to provide life insurance, retirement benefits and economic assistance to the active members of the Puerto Rico National Guard and their families.

Musical Arts Corporation and Subsidiaries (MAC)

The Musical Arts Corporation and Subsidiaries are governed by a seven-member board appointed by the Governor with the consent of the Senate. MAC was created to promote the development of the arts and cultural programs of the Commonwealth.

Puerto Rico Conservatory of Music Corporation (PRCMC)

The Puerto Rico Conservatory of Music Corporation is governed by the same board as the Musical Arts Corporation. PRCMC was created for the development, promotion, planning, coordination and operation of the Baccalaureate Program, the Children's Strings Program, the Artistic Varieties Program, and the Extension Program.

Corporation of Stocks and Deposits Insurance for the Savings and Loans Cooperatives (CSDISLC)

The Corporation of Stock and Deposits Insurance for the Savings and Loans Cooperatives is governed by a nine-member board consisting of the Commissioner of Financial Institutions of Puerto Rico, the Insurance Commissioner of Puerto Rico, the Administrator of the Cooperative Development Administration, the Secretary of the Treasury, the Director of the Office of Management and Budget, a representative of the Government Development Bank for Puerto Rico, two citizens representing the cooperative movement, and one private citizen. CSDISLC has the responsibility of providing to all the cooperatives and the Federation of Cooperatives of Puerto Rico, insurance coverage over the stocks and deposits, for monitoring the financial condition of the insured cooperatives, and of uninsured cooperatives when requested by the Commissioner of Financial Institutions of Puerto Rico.

Puerto Rico Land Administration (PRLA)

The Puerto Rico Land Administration is governed by an eleven-member board comprised of the Secretary of Economic Development and Commerce, who serves as Chairman, the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Transportation and Public Works, the Secretary of Housing, the Economic Development Administrator, the President of the Planning Board, and four other members appointed by the Governor with the consent of the Senate. PRLA acquires parcels of land on behalf of government instrumentalities through negotiation or expropriation.

Puerto Rico Health Insurance Administration (PRHIA)

The Puerto Rico Health Insurance Administration is governed by a seven member board comprised of the Secretary of Health, the Secretary of the Treasury, the Insurance Commissioner of Puerto Rico and four additional members appointed by the Governor, with the consent of the Senate. PRHIA was created for implementing, administering and negotiating a health insurance system, through contracts with insurance underwriters, to provide quality medical and hospital care to low income individuals.

Land Authority of Puerto Rico (LAPR)

The Land Authority of Puerto Rico is governed by a five-member board consisting of the Secretary of Agriculture and four members appointed by the Governor with the consent of the Senate. LAPR was created to carry out the provisions of the Land Law of Puerto Rico.

Fine Arts Center Corporation (FACC)

The Fine Arts Center Corporation is governed by a seven-member board of which five are appointed by the President of the Board of Directors of the Arts and Cultural Development Administration and two members are appointed by the President of the Board of Directors of the Institute of Puerto Rican Culture. FACC was created with the purpose of administering the Fine Arts Center.

Right to Employment Administration

The Right to Employment Administration is governed by an Administrator appointed by the Governor with the consent of the Senate. In addition, a Consultative Board comprised of the Secretary of Labor, the Secretary of Agriculture, the Secretary of Transportation and Public Works, the Secretary of Education and five additional members appointed by the Governor, with the consent of the Senate, will advise the Administrator on the implementation of the Right to Employment Act.

Farm Insurance Corporation of Puerto Rico (FICPR)

The Farm Insurance Corporation of Puerto Rico is governed by a five-member board consisting of the Secretary of Agriculture, the Director of the Agriculture Sciences Faculty of the Mayagüez Campus of the University of Puerto Rico, a representative of the Government Development Bank for Puerto Rico and two bona fide farmers appointed by the Governor with the consent of the Senate. The purpose of the FICPR is to provide insurance to farmers against losses in their farms caused by natural disasters.

Puerto Rico Medical Services Administration

The Puerto Rico Medical Services Administration is governed by the Secretary of Health who is appointed by the Governor with the consent of the Senate. It was created to plan, organize, operate and administer the centralized health services, provided in support of the hospital and other functions offered by the member institutions and users of the medical complex known as *Puerto Rico Medical Center*.

Puerto Rico and Caribbean Cardiovascular Center Corporation (PRCCCC)

The Puerto Rico and Caribbean Cardiovascular Center Corporation is governed by a seven-member board comprised of the Secretary of Health, the Director of the Medical Sciences Campus of the University of Puerto Rico, the Executive Director of the Puerto Rico Medical Services Administration and four additional members appointed by the Governor with the consent of the Senate, one of which should be from the Cardiology Society of Puerto Rico, and another a member of a cardiology foundation properly registered in the Department of State. The purpose of the PRCCCC is to provide special treatment to patients suffering from cardiovascular diseases.

Puerto Rico Exports Development Corporation (PREDC)

The Puerto Rico Exports Development Corporation, formerly, Commercial and Farm Credit and Development Corporation for Puerto Rico, is governed by a seven-member board comprised of the Secretary of Economic Development and Commerce, who is the Chairman, the Executive Director of the Puerto Rico Industrial Development Company, the President of the Economic Development Bank for Puerto Rico, the Executive Director of the Puerto Rico Ports Authority and three representatives of the private sector appointed by the other members of the Board. PREDC's purpose is to encourage the economic development of Puerto Rico by promoting the export of products and services of Puerto Rico to other countries and maintaining commercial facilities for lease to the public and private sector.

Recreational Development Company of Puerto Rico (RDCPR)

The Recreational Development Company of Puerto Rico is governed by the Secretary of Sports and Recreation, who is appointed by the governor with the consent of the Senate. The purpose of RDCPR is to develop a program for the construction and operation of recreational facilities, which shall contribute to the physical and mental development of communities, family welfare and improvement in the quality of life.

Agricultural Services and Development Administration

The Agricultural Services and Development Administration was created by Law No. 5 of July 1, 1994 to provide a wide variety of services and incentives to the agricultural sector. It is governed by the Secretary of Agriculture who is appointed by the Governor with the consent of the Senate.

Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks

The Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks is governed by the Secretary of Sports and Recreation, and one representative each from the government, the private sector, the advisory council and the trustees, all of which are appointed by the Governor with the consent of the Senate. The Trust shall develop, operate and provide maintenance to the national parks of Puerto Rico.

Puerto Rico Council on Higher Education (PRCHE)

The Puerto Rico Council on Higher Education was created as an entity independent from the University of Puerto Rico through Law No. 17 of June 16, 1993. Its purpose is to develop higher education, to administer the licensing and certification of institutions of higher education, and to administer scholarship funds. The PRCHE is comprised of eight members appointed by the Governor with the consent of the Senate and, the Secretary of Education as an ex-officio member.

Medical University Services, Inc. (MUS)

Medical University Services, Inc. is a non-profit corporation created to operate and administer three hospital facilities acquired by the University of Puerto Rico (UPR). MUS will become the primary medical education institution of the UPR and will offer health services to the people of the Commonwealth. MUS is a discretely presented component unit of the UPR because it is legally separated from UPR and governed by a separate board.

Puerto Rico Maritime Transportation Authority (PRMTA)

The Puerto Rico Maritime Transportation Authority was created by Law No. 1 of January 1, 2000 to administer and operate the maritime transportation services formerly operated by the Puerto Rico Ports Authority. PRMTA was separated from the Puerto Rico Ports Authority and the powers of PRMTA are under the control of the Secretary of Transportation and Public Works.

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

University of Puerto Rico
PO Box 364984
San Juan, PR 00936-4984

PR Government Investment Trust Fund
PO Box 42001 Minillas Station
San Juan, PR 00940

University of Puerto Rico Retirement
System
PO Box 21769
University Station
San Juan, PR 00931-1769

PR Housing Bank and Finance Agency
PO Box 345
San Juan, PR 00919-0345

Government Development Bank for
Puerto Rico and Subsidiaries
PO Box 42001
San Juan, PR 00940-2001

State Insurance Fund Corporation
PO Box 365028
San Juan, PR 00936-5028

PR Electric Power Authority
PO Box 363508
San Juan, PR 00936-4267

Economic Development Bank for PR
PO Box 2134
San Juan, PR 00922-2134

PR Highway and Transportation
Authority
PO Box 42007
San Juan, PR 00940-2007

PR Industrial Development Co.
PO Box 362350
San Juan, PR 00936-2350

PR Aqueduct and Sewer Authority
PO Box 7066
San Juan, PR 00916-7066

Puerto Rico Ports Authority
PO Box 362829
San Juan, PR 00936-2829

Puerto Rico Telephone Authority
PO Box 360998
San Juan, PR 00936-0998

PR Municipal Finance Agency
PO Box 42001
San Juan, PR 00940-2001

Puerto Rico Infrastructure
Financing Authority
PO Box 42001
San Juan, PR 00940-2001

Sugar Corporation of Puerto Rico
PO Box 9477
San Juan, PR 00908-9477

Puerto Rico School of Plastic Arts
PO Box 9021112
San Juan, PR 00902-1112

Puerto Rico Industrial, Tourist,
Educational, Medical and
Environmental Control Facilities
Financing Authority
PO Box 42001 Minillas Station
San Juan, PR 00940-2001

Caribbean Basin Projects Financing
Authority
PO Box 42001
San Juan, PR 00940-2001

Automobile Accident Compensation
Administration
PO Box 364847
San Juan, PR 00936-4847

PR Metropolitan Bus Authority
PO Box 195349
San Juan, PR 00919-5349

Puerto Rico Public Broadcasting
Corporation
PO Box 190-0909
San Juan, PR 00919-0909

PR Solid Waste Authority
PO Box 40285, Minillas Station
San Juan, PR 00940-0285

Tourism Company of Puerto Rico
PO Box 902-3960
Old San Juan Station
San Juan, PR 00902-3960

Employment and Training Enterprises
Corporation
PO Box 366505
San Juan, PR 00936-6505

Industries for the Blind, Mentally
Retarded and Other Disabled
Persons of PR
PO Box 13382
San Juan, PR 00908

Institutional Trust of the National
Guard of PR
PO Box 9023786
San Juan, PR 00902-3786

Musical Arts Corporation
PO Box 41227 - Minillas Station
San Juan, PR 00940-1227

PR Conservatory of Music Corporation
350 Lamar Street & Roosevelt Ave.
San Juan, PR 00918-2199

Corporation of Stocks and Deposits
Insurance for the Savings and
Loans Cooperatives
PO Box 195449
San Juan, PR 00919-5449

Puerto Rico Land Administration
PO Box 363767
San Juan, PR 00936-3767

Puerto Rico Health Insurance
Administration
PO Box 4264
San Juan, PR 00902-4264

Land Authority of Puerto Rico
PO Box 9745
San Juan, PR 00908-9745

Fine Arts Center Corporation
PO Box 41287 - Minillas Station
Santurce, PR 00940-1287

Right to Employment Administration
PO Box 364452
San Juan, PR 00936-4452

Farm Insurance Corporation of
Puerto Rico
PO Box 9200
San Juan, PR 00908-0200

Puerto Rico Medical Services
Administration
PO Box 2129
San Juan, PR 00922-2129

Puerto Rico and Caribbean
Cardiovascular Center Corporation
PO Box 366528
San Juan, PR 00936-6528

Puerto Rico Exports Development
Corporation
PO Box 195009
San Juan, PR 00936-5009

Recreational Development
Company of Puerto Rico
PO Box 9022089
San Juan PR 00902-2089

Agricultural Services and Development
Administration
PO Box 9200
San Juan, PR 00908-0202

Trust for the Conservation,
Operation and Maintenance of
the Puerto Rico National Parks
PO Box 363332
San Juan, PR 00936-3332

Puerto Rico Council on Higher
Education
PO Box 19900
San Juan, PR 00910-1900

Medical University Services, Inc.
PO Box 364984
San Juan, PR 00936-4984

Puerto Rico Maritime Transportation
Authority
PO Box 362829
San Juan, PR 00940-2001

The financial statements of the discretely presented component units have a year end of June 30, 2000 except for Sugar Corporation of Puerto Rico and Puerto Rico Telephone Authority, which have a year end of December 31, 1999.

C. **Basis of Presentation**

The Commonwealth reports its financial position and results of operations in funds and account groups, each of which is considered an independent fiscal entity, and discrete presentations of those component units which are not required to be blended. The operations of each fund are accounted for within a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. They are not considered funds because they do not report expendable available financial resources and related liabilities. For financial reporting purposes, the Commonwealth's reporting entity is divided into the primary government and its component units. Individual funds of the primary government are classified into three type categories: governmental funds, proprietary funds and fiduciary funds. Discretely presented component units are classified into public university funds, and component units - other.

The Commonwealth has established the following fund categories, fund types, account groups and discrete presentation of component units:

1. **Governmental Fund Types:**

Governmental funds are used to account for the general government functions of the Commonwealth. The following are the Commonwealth's governmental fund types:

General Fund - The general fund is the primary operating fund of the Commonwealth. It is used to account for all financial transactions, except those required to be accounted for in another fund.

Debt Service Funds - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs other than bonds payable from the operations of proprietary fund types, nonexpendable trust funds and discretely presented component units. Long-term debt and interest due on July 1 of the following fiscal year are accounted for as a fund liability if resources are available as of June 30 for its payment.

Capital Projects Funds - Capital projects funds are used to account for the financial resources used for acquisition or construction of major capital facilities not financed by proprietary fund types, nonexpendable trust funds and discretely presented component units.

2. **Proprietary Fund Type:**

Proprietary funds are used to account for activities that are similar to those found in the private sector where net income and capital maintenance are measured. The enterprise fund is the Commonwealth's only proprietary fund, and is used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

3. Fiduciary Fund Types:

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

Expendable Trust Funds - are used to account for trusts which principal and income may be expended for their designated purpose.

Pension Trust Funds - are used to account for the assets, liabilities and net assets available for pension benefits held in trust for the public employees retirement systems.

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

4. Account Groups:

Account groups establish control and accountability over the Commonwealth's general fixed assets and general long-term obligations.

General Fixed Assets Account Group - This account group is used to account for general fixed assets of the Commonwealth, and excludes the fixed assets held by the proprietary funds and discretely presented component units.

General Long-Term Debt Account Group - This account group is used to account for long-term obligations of the Commonwealth including bonds, appropriation and revenue bonds and long-term notes payable, obligations under lease/purchase agreements, net pension obligation, and other long-term liabilities excluding the liabilities of proprietary funds, public university funds and discretely presented component units.

5. Discretely Presented Component Units:

Discrete presentation of component units is used to present the financial information of entities that do not qualify to be blended, in accordance with GASB 14, with the funds and account groups of the primary government. The following are the Commonwealth's discrete presentation columns:

Public University Funds - are used to account for the activities of the University of Puerto Rico and the University of Puerto Rico Retirement System.

Component Units - Other - are used to account for the financial activities of the Commonwealth's discretely presented component units, excluding public university funds. The financial statements of these component units are presented in accordance with the appropriate accounting methods as discussed below.

D. Basis of Accounting

The basis of accounting determines when the Commonwealth recognizes revenues and expenditures or expenses and related assets and liabilities.

The modified accrual basis of accounting is followed by governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available to pay liabilities of the current period. Tax revenues, net of estimated overpayments (refunds), are recorded by the Commonwealth as taxpayers earn income (income and unemployment), as sales are made (consumption and use taxes) and as cash is received (miscellaneous taxes).

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. For the majority of grants, monies must be expended by the Commonwealth on the specific purpose or project before any amounts will be reimbursed. Revenues are, therefore, recognized as expenditures are incurred. For the other revenues, monies are virtually unrestricted and are generally revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria is met.

Expenditures and related liabilities are recorded in the accounting period in which the liability is incurred, except for (1) principal payment and interest on long-term obligations, which is recorded when due, except for principal and interest due in July I of the following fiscal year which is recorded when resources are available in the debt service funds and (2) vacation, sick leave, federal funds cost disallowances and amounts subject to judgments under litigation which are recorded in the general long-term debt account group.

The Commonwealth reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the Commonwealth has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods, when the revenue recognition criteria is met, or when the Commonwealth has a legal claim to the resources, the liability for deferred revenues is removed from the combined balance sheet and the revenue is recognized.

The accrual basis of accounting is used by proprietary fund types high education funds and all proprietary discretely presented component units pension trust funds. Under the accrual basis, revenue is recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The accrual basis is also used by the public university funds, except that depreciation of fixed assets is not required to be recorded.

The public university funds include the University of Puerto Rico, and the University of Puerto Rico Retirement System. The University reports using the AICPA Audit and Accounting Guide model defined by GASB Statement No. 15, *Governmental College and University Accounting and Financial Reporting Models*. Accordingly, the public university funds are an aggregate of the following funds: current funds - restricted and unrestricted; loan funds; endowment and similar funds; plant funds; agency funds; and the activities of the retirement system. The Retirement System is a defined benefit single employer retirement plan and, therefore, follows the accounting and reporting practices applicable to public employees' retirement systems.

The Commonwealth's primary government and the blended component units have elected not to follow FASB pronouncements issued subsequent to November 30, 1989 for its proprietary fund types, as allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. However, certain discretely presented component units have disclosed their election in their separately issued financial statements.

The component units - other follow GAAP as issued by the GASB, and the FASB as applicable to each component unit based on the nature of their operations. Certain discretely presented component units also follow specialized accounting and financial reporting practices, such as banking, insurance, public utilities and higher education. In addition, the Puerto Rico Government Investment Trust Fund adopted the GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

E. Statutory (Budgetary) Accounting

The Commonwealth's budget is adopted in accordance with a statutory basis of accounting, which is not in accordance with GAAP. Revenues are generally recognized when cash is received. However, revenues receivable for federal grants and reimbursements are recognized when related expenditures are incurred. Amounts due from certain political subdivisions of the Commonwealth are recognized when considered measurable and available at year end.

Expenditures are generally recorded when the related cash disbursement occurs. At year end, payroll is accrued and payables are recognized, to the extent of approved encumbrances, provided that the goods or services have been received by June 30. Available appropriations and encumbrances lapse three years after the end of the fiscal year. Amounts required to settle claims and judgments against the Commonwealth, and certain other liabilities are not recognized until they are encumbered or otherwise processed for payment.

Under the statutory basis of accounting, the Commonwealth uses encumbrance accounting to record the full amount of purchase orders, contracts and other commitments of appropriated resources as deductions from the appropriation prior to actual expenditure. In the governmental funds, encumbrance accounting is a significant aspect of budgetary control.

The combined statement of revenues and expenditures-budget and actual - budget basis-general and debt service funds, only present the information for those funds for which there is a legally adopted budget, as required by GAAP. See Note 3 for a reconciliation of the combined statement of revenues and expenditures - budget and actual - budget basis-general and debt service funds with the combined statement of revenues, expenditures and changes in fund balance (deficit), for the general and debt service funds.

F. Cash, Cash Equivalents and Short Term-Investments

The Commonwealth follows the practice of pooling cash and cash equivalents. The balance in the pooled cash accounts is available to meet current operating requirements and any excess is invested in various interest bearing accounts with the Government Development Bank for Puerto Rico, and with the Puerto Rico Government Investment Trust Fund.

Cash and cash equivalents include investments with original maturities of ninety days or less.

Cash and short-term investments, and cash equivalents of the component units are maintained in separate bank accounts, from those of the primary government, in their own names.

G. Securities Purchased Under Agreements to Resell

Certain component units of the Commonwealth enter into purchases of securities with simultaneous agreements to resell. The amounts advanced under these agreements generally represent short-term loans and are reflected as an asset with a corresponding liability. The securities underlying these agreements mainly consist of US Government obligations, mortgage-backed securities, and interest-bearing deposits with other banks.

H. Securities Lending Transactions

Certain component units of the Commonwealth enter into securities lending transactions in which governmental entities (lenders) transfer their securities to broker-dealers and other entities (borrowers) for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

I. Investments

As described in Note 5, investments include US Government and agencies obligations, mortgage-backed securities, repurchase agreements, commercial paper, local government obligations, investment contracts, and corporate debt and equity obligations. Investment securities are presented at fair value, except for money market investments and participating investment contracts with a remaining maturity at the time of purchase of one year or less and nonparticipating investment contracts, which are presented at cost. Changes in the fair value of investments are presented as a net increase (decrease) in the fair value of investments in the combined statement of revenues, expenditures and changes in fund balance. Fair value is determined based on quoted market prices. When securities are not listed on national exchanges, quotations are obtained from brokerage firms.

The Puerto Rico Government Investment Trust Fund is considered a 2a7-like external investment pool, and as such, reports its investments at amortized cost.

J. Receivables

Receivables are stated net of estimated allowances for uncollectible accounts, which are determined based upon past collection experience and current economic conditions. Intergovernmental receivables represent amounts owed to the Commonwealth for reimbursement of expenditures incurred pursuant to federally funded programs.

The loan funds of the public university funds are stated net of uncollectible amounts.

The accounts receivable from nongovernmental customers of the component units - other are net of estimated uncollectible amounts. These receivables arise primarily from service charges to users. Accounts receivable from the primary government and other component units that arise from service charges do not have allowances for uncollectible accounts.

K. Inventories

The proprietary fund types, public university funds and component units - other recognize an asset when the inventory is purchased and an expense when it is consumed. Inventories in proprietary fund types are primarily valued at the lower of cost or market using the first-in, first-out method.

L. Restricted Assets

Funds set aside by the general fund for payment and guarantee of notes and interest payable are classified as restricted assets since their use is limited for this purpose by applicable debt agreements. Restricted assets in the proprietary fund types mainly include amounts set aside for the payment of lottery prizes. Restricted assets in the public university funds and in the component units - other column are set aside primarily for the payment of bonds and notes for construction funds, and for other specific purposes. (See Note 10).

M. Housing Units and Land Lots Held for Sale

Housing units and land lots held for sale are stated at their estimated net realizable value determined by the management based on previous housing units sales, commitment or appraisal values.

N. Fixed Assets

For governmental fund types, general fixed asset acquisitions are recorded as expenditures in the acquiring fund and capitalized in the general fixed assets account group in the year purchased. General fixed assets are recorded at historical cost, or at estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at fair market value at the time of donation.

Interest costs are capitalized during the construction period. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Public domain general fixed assets (infrastructure) consisting of roads, bridges, streets, sidewalks, drainage and lighting systems are not capitalized as these assets are immovable and of value only to the government.

Fixed assets of the proprietary fund types and similar trust funds are stated at cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Interest costs are capitalized on projects during the construction period. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of fixed assets are as follows:

	Years
Buildings	25 - 50
Building improvements	10 - 20
Equipment, furniture, fixtures and vehicles	3 – 10

Fixed assets of the public university funds are stated at cost or fair value at the date of donation in the case of gifts. Interest costs are capitalized during the construction period. Depreciation on physical plant and equipment is not recorded, except for equipment of auxiliary enterprises of the University Pediatric Hospital.

The fixed assets of the component units - other are recorded in accordance with the applicable standards. Depreciation has been recorded when required by these standards based on the types of assets, use, and estimated useful lives of the respective assets and on the nature of each of the component unit's operations.

O. Tax Refunds Payable

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

P. Long-Term Debt

The liabilities reported in the general long-term debt account group include the Commonwealth's general obligation bonds and long-term notes, obligations under lease/purchase agreements and other long-term liabilities including vacation, sick leave, litigation, long-term liabilities to other governmental entities, net pension obligation, and noncurrent federal fund cost disallowances related to expenditures of federal grants. Long-term obligations financed by proprietary fund types, public university funds, and component units other are recorded as liabilities in those funds and discretely presented component unit columns.

Q. Reservations of Fund Balance

Reservations of fund balance represent portions of fund balances that are legally segregated for a specific future use or are not appropriate for expenditure. The Commonwealth has the following reservations of fund balance:

Encumbrances - Represents future expenditures under purchase orders and other commitments. These committed amounts represent a reservation of unexpired appropriations and generally will become liabilities in future periods as the goods or services are received.

Debt Service - Represents net assets available to finance future debt service payments.

Unemployment Benefits - Represents net assets available to fund future unemployment benefits payments.

Employee Pension Benefits - Represents the net assets available for pension benefits in the pension plans.

Advances and Other Specified Purposes - Represents the reservation of monies set aside for long-term receivables which are not considered current financing resources, the guarantee of notes payable, disability and drivers insurance, long-term assets, construction commitments, endowment and amounts available to fund various fiduciary arrangements.

Net Assets in Liquidation - The net assets in liquidation represent the dollar amount of the net assets available for sale or transfer, as required by GAAP applicable to entities under liquidation. As established on Law No. 106 of June 30, 1998, the Office for the Administration of the Accounts of the Puerto Rico Urban Renewal and Housing Corporation terminated its operations on June 30, 1998. All assets and liabilities were transferred to the Puerto Rico Housing Department (Public Housing) effective July 1, 1998.

R. Bond Premiums, Discounts and Issuance Costs

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges. Public university funds present bond premiums and discounts in the net investment in plant fund and are amortized using the interest method. Component units - other follow appropriate statements issued by the GASB.

S. Accounting for Pension Costs

For the purpose of applying the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* (SGAS 27), the Commonwealth's financial reporting entity is considered to be a participant in three single-employer defined benefits pension plans: Employees Retirement System of the Government of Puerto Rico and Its Instrumentalities (ERS); Puerto Rico Judiciary Retirement System (JRS); and the Puerto Rico System of Annuities and Pensions for Teachers (TRS). This is because substantially all the participants in the three pension trust funds are part of the financial reporting entity of the Commonwealth. For the purpose of the general purpose financial statements, and as disclosed in Note 22, the Commonwealth's annual pension cost, measured on the accrual basis of accounting, for the year ended June 30, 2000 amounted to approximately \$897 million. However, the amount recognized as pension expenditure in the governmental funds, (excluding blended component units) was recorded under the modified accrual basis, and amounted to approximately \$585.3 million. The excess of the annual required contribution over the statutorily required contributions of approximately \$31.9 million increased the net pension obligation at June 30, 2000 to approximately \$2.4 billion. This amount is presented in the general long-term debt account group at June 30, 2000.

For purposes of the stand-alone financial statements of each of the blended and discretely presented component units - other, the entities accounted for pension costs from the standpoint of a participant in a multiple-employer cost sharing plan. Accordingly, pension costs recognized are equal to the statutorily or contractually required contributions, with a liability recorded for any unpaid required contributions. The basis of accounting used by the component units was either modified accrual basis or accrual basis, depending upon individual fund structure and type of entity. Most component units did not have pension-related assets or liabilities at transition because they have contributed the statutorily required contributions.

In addition, the University of Puerto Rico, which is reported in the public university funds, applied the provisions of SGAS 27 as it is applicable to an entity with a single-employer defined benefits pension plan.

T. Deferred Compensation Plan

The University of Puerto Rico offers certain employees a non-qualified deferred compensation plan, which was created pursuant to Certification No. 94 of the Council of Higher Education, dated February 13, 1984. The plan, managed by independent plan administrators, permits employees to defer a portion of their salary until future years. At the employee's election, such amounts may be invested in mutual funds which represent varying levels of risk and return. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plans, all property

and rights purchased with those amounts, and all income attributable to these amounts, are (until paid or made available to the employee or other beneficiary) solely the property and rights of the University (without being restricted to the provisions of benefits under the plan), subject only to the claims of the University's general creditors.

Participant's rights under the plan are equal to those of general creditors of the University in an amount equal to the fair market value of the deferred account for each participant. It is the opinion of the University's legal counsel that the University has no liability for the losses under the plan but does have the duty of care that would be required of an ordinary prudent investor. The University believes that it is unlikely that it will use the assets of the plan to satisfy the claims of general creditors in the future.

U. Postemployment Benefits

In addition to the pension benefits described in Note 22, the Commonwealth provides postemployment health care benefits and a Christmas bonus for its retired employees in accordance with local law. Substantially all of the employees may become eligible for these benefits if they reach normal retirement age while working for the Commonwealth. Health care benefits are provided through insurance companies whose premiums are paid by the retiree with the Commonwealth providing a matching share of not more than \$40 per month for each retiree. During the year ended June 30, 2000, the cost of providing health care benefits amounted to approximately \$31.9 million for approximately 66,000 retirees. The Christmas bonus paid to the retired employees during the year ended June 30, 2000 was \$250 per retiree and the total amount was approximately \$25.7 million for approximately 95,000 retirees. These benefits are recorded as expenditures when paid in the general fund.

V. Compensated Absences

The vacation policy of the Commonwealth generally provides for the accumulation of 2.5 days per month, except for the teachers who accrue 4 days per month. Vacation time accumulated is fully vested to the employees from the first day of work up to a maximum of 60 days. Employees accumulate sick leave generally at a rate of 1.5 days per month up to a maximum of 90 days. Upon retirement, an employee receives compensation for all accumulated unpaid leave at the current rate, if the employee has at least ten years of service with the Commonwealth.

Compensated absence accumulation policies for the blended component units, the public university funds, and component units - other vary from entity to entity based on negotiated agreements and other factors agreed upon between the management of these entities and its employees.

The *Public Service Personnel Law* requires certain component units and the executive agencies of the Commonwealth to annually pay the employees the accumulated vacation and sick leave earned in excess of the limits mentioned above.

W. Interfund and Intra-Entity Transactions

The Commonwealth has the following types of transactions among funds:

Operating Transfers - Legally required transfers that are reported when incurred as "Operating transfers-in" by the recipient fund and as "Operating transfers-out" by the disbursing fund.

Interfund Payments (Quasi-external Transactions) - Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and as expenditures or expenses of the disbursing fund.

Intra-Entity Transactions - There are three types of intra-entity transactions. First are transactions between the primary government and its component units, and among the component units. Transfers between the primary government and its other funds are reported as interfund transfers with receivables and payables presented as amounts due to and due from other funds. Balances and transfers between the primary government and discretely presented component units (and among those component units) are reported separately from balances with blended component units.

Second are intra-entity balances that do not represent available/demands on current financial resources of governmental funds and are generally of intermediate terms. These balances are reported as interfund advances.

Third are intra-entity balances between the primary government funds and component unit other entities that are tantamount to long-term bond financing. The primary government's liability is reported in the long-term debt account group, the proceeds in the primary government's fund balances, and the asset in the component unit-other.

Residual Equity Transfers - These are nonrecurring or nonroutine transfers of equity between funds.

X. Lottery Revenues and Prizes

The revenues, expenses and prizes awarded by the Lottery of Puerto Rico, and the Additional Lottery System, are reported within the enterprise funds and are recognized as drawings are held. Monies collected prior to June 30 for tickets related to drawings to be conducted subsequent to June 30 are reported as deferred revenues. Unpaid prizes awarded as of June 30 are reported as a fund liability. For prizes payable in installments, the Commonwealth purchases annuities through the Government Development Bank for Puerto Rico, which are reported as restricted assets and lottery prizes payable.

Y. Public University Funds

Financial activities of the University of Puerto Rico (UPR) and the University of Puerto Rico Retirement System (the System) are reported in the public university funds. Such funds are discretely presented in a separate column in the general purpose financial statements and represent the combination of the following funds of the UPR:

Current Funds - Account for resources that may be used for any purpose in carrying out the primary objectives of the UPR.

Loan Funds - Account for resources available for loans to students, faculty, or staff of the UPR.

Endowment and Similar Funds - Account for endowment and quasi-endowment transactions. These funds are similar to trust funds and the UPR must comply with the terms of any applicable agreement.

Plant Funds - Account for transactions involving physical facilities of the UPR. The investment in plant accounts for funds expended and, thus, invested for property and any related outstanding debt.

Agency Funds - Account for resources held by the UPR as custodian or agent for others.

The combined statement of current funds revenues, expenditures and other changes - public university funds is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

The public university funds measurement focus is based upon determination of resources received and used. Current funds used to finance plant assets are accounted for as (1) expenditures, for normal replacement of movable equipment and library books; (2) mandatory transfers, for required provisions for debt amortization/interest and equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases.

Public university funds record expenditures when they acquire fixed assets and capitalize those assets within the plant funds. These funds capitalize interest expenditures during construction but do not record depreciation.

Z. Use of Estimates

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

AA. Future Adoption of Accounting Pronouncements

The GASB has issued the following statements which the Commonwealth, or its component units, have not yet adopted.

Statement No.		Adoption required in fiscal year
33	Accounting and Financial Reporting for Nonexchange Transactions	2001
34	Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments	2002
35	Basic Financial Statements - and Management's Discussion Analysis - for Public Colleges and Universities - an amendment of GASB No. 34	2002
36	Recipient Reporting for Certain Shared Nonexchange Revenues - an amendment of GASB No. 33	2001

The impact of these statements on the Commonwealth's financial statements has not yet been determined.

In addition, the FASB issued FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that an entity recognizes all derivatives as either assets or liabilities in the statement of condition and measures those instruments at fair value. This statement, as amended, is effective for fiscal years beginning after June 15, 2000. The effect of implementing this statement on the Commonwealth's financial condition and results of operations has not been determined.

BB. Risk Financing

The Commonwealth purchases commercial insurance to cover for casualty, theft, tort claims and other losses. The current insurance policies have not been canceled or terminated. For workers' compensation, the Commonwealth has a discretely presented component unit, the State Insurance Fund Corporation, which provides workers' compensation to both, public and private employees.

In the past three years, the Commonwealth has not settled claims that exceed insurance coverage.

Most component units carry commercial insurance as part of their risk financing programs. Certain other component units combine commercial insurance with internal self-insurance funds covering specific risks related to their specialized operations.

CC. Reclassifications

Certain reclassifications have been made to the information presented in the separately issued financial statements of certain component units included within the debt service, capital projects, enterprise, expendable trust and pension trust funds; public university, and other discretely presented component units to conform to the accounting classifications used by the Commonwealth in the general purpose financial statements.

DD. Totals Columns (Memorandum Only)

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present consolidated financial position, results of operations, or cash flows in conformity with GAAP. Such data is not comparable to a consolidation since interfund eliminations have not been made.

2. COMPONENT UNITS

The Commonwealth follows the provisions of GASB 14. The general purpose financial statements include the financial statements of the following component units that were audited by other auditors:

Agricultural Services and Development Administration
Automobile Accident Compensation Administration
Employment and Training Enterprises Corporation and Subsidiary
Farm Insurance Corporation of Puerto Rico
Fine Arts Center Corporation
Industries for the Blind, Mentally Retarded and Other Disabled Persons
of Puerto Rico
Institutional Trust of the National Guard of Puerto Rico
Land Authority of Puerto Rico
Medical University Services, Inc.
Musical Arts Corporation and Subsidiaries
Puerto Rico Aqueduct and Sewer Authority
Puerto Rico Council on Higher Education
Puerto Rico and Caribbean Cardiovascular Center Corporation
Puerto Rico Electric Power Authority
Puerto Rico Highway and Transportation Authority
Puerto Rico Housing Bank and Finance Agency
Puerto Rico Industrial Development Company
Puerto Rico Maritime Transportation Authority
Puerto Rico Medical Services Administration
Puerto Rico Metropolitan Bus Authority
Puerto Rico Ports Authority
Puerto Rico Public Broadcasting Corporation
Puerto Rico School of Plastic Arts
Recreational Development Company of Puerto Rico
Right to Employment Administration
Puerto Rico Solid Waste Authority
Sugar Corporation of Puerto Rico
Tourism Company of Puerto Rico
Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks
University of Puerto Rico
University of Puerto Rico Retirement System

Condensed financial information of the major discretely presented component units-other are presented on the following two pages (expressed in thousands).

Balance Sheet	Government Development Bank for Puerto Rico and Subsidiaries	Puerto Rico Highway and Transportation Authority	Puerto Rico Electric Power Authority	Puerto Rico Aqueduct and Sewer Authority	Puerto Rico Infrastructure Financing Authority	Puerto Rico Municipal Finance Agency	State Insurance Fund Corporation	Puerto Rico Housing Bank and Finance Agency	Economic Development Bank for Puerto Rico	Total Component Units Other
Assets and Other Debits										
Current assets	\$ 859,408	\$ 58,818	\$ 796,403	\$ 122,145	\$ 1,524	\$ 64,182	\$ 98,455	\$ 173,005	\$ 153,288	\$ 733,157
Investments	3,682,946						789,141	12,961	769,581	5,828,361
Due from:										
Primary government Component units		21,593			1,463	1,722				21,431
Other governmental entities										6,853
Advances to:										959
Primary government Component units	869,553		44,251						13,534	913,804
Other governmental entities	2,082,324									2,095,858
	377,166									377,166
Restricted assets:										
Cash and cash equivalents		116,201	265,994	43,039	52,810			238,805		249,021
Other restricted assets	408,562	829,040	367,501		1,215,483	1,506,658	262,262	630,996		286,589
Housing units and land lots held for sale										127,606
Fixed assets, net		1,259,931	3,965,741	4,111,976	8,788		160,935	867	13,412	1,922,238
Amount available in debt service funds		379,042			42,619			20,328		869
Amount to be provided for the retirement of bonds and notes payable		3,793,182			1,031,495					40,678
Amount to be provided for payment of accrued compensated absences and other long-term debt										
Total	\$ 8,279,959	\$ 6,494,001	\$ 5,439,890	\$ 4,277,160	\$ 2,354,182	\$ 1,572,562	\$ 1,310,793	\$ 1,306,786	\$ 949,815	\$ 3,973,290
										276,175
										\$ 35,958,438
Liabilities and Fund Equity										
Current liabilities	\$ 3,918,055	\$ 269,748	\$ 865,516	\$ 407,301	\$ 96,282	\$ 38,269	\$ 1,150,958	\$ 268,702	\$ 742,572	\$ 1,206,672
Due to:										
Primary government Component units								12,943		25,041
Other governmental entities										1,444
Advances from:										
Primary government Component units		270,000	263,000	694,839	83,028			34,522	13,839	618
Notes payable	1,525,610	3,973,157	130,000	102,993			46,451		98,606	2,007,305
Bonds payable	1,161,673		3,743,268	411,035	991,085	1,086,458		635,132	299,275	1,919,981
Other liabilities	27,472	3,520					50,820		9,344	12,301,083
Other long-term liabilities		18,000						3,342		91,156
Net pension obligation			15,446			417,581			64,410	503,333
Total liabilities	6,632,810	4,534,425	5,017,230	1,616,168	1,170,395	1,542,308	1,248,229	954,641	855,017	2,271,202
Fund equity	1,647,149	1,959,576	422,660	2,660,992	1,183,787	30,254	62,564	352,145	94,798	1,702,088
Total	\$ 8,279,959	\$ 6,494,001	\$ 5,439,890	\$ 4,277,160	\$ 2,354,182	\$ 1,572,562	\$ 1,310,793	\$ 1,306,786	\$ 949,815	\$ 3,973,290
										\$ 35,958,438

Statement of Operations	Government Development Bank for Puerto Rico and Subidiaries										Total Component Units	
	Puerto Rico Highway and Transportation Authority	Puerto Rico Electric Power Authority	Puerto Rico Aqueduct and Sewer Authority	Puerto Rico Infrastructure Financing Authority	Puerto Rico Municipal Finance Agency	State Insurance Fund Corporation	Puerto Rico Housing Bank and Finance Agency	Economic Development Bank for Puerto Rico	Other Entities			Other
Operating revenues	\$ 463,453	\$ 1,987,336	\$ 328,269	\$ 69,101	\$ 76,858	\$ 529,822	\$ 61,377	\$ 81,435	\$ 1,101,030	\$ 4,701,633		
Operating expenses	363,386	1,679,916	479,925		64,056	500,229	47,076	85,838	1,944,409	5,184,759		
Operating income (loss)	100,067	307,420	(151,656)	69,101	12,802	29,593	14,301	(4,403)	(843,379)	(483,126)		
Non-operating revenues (expenses)	2,433	(286,012)	(24,089)		(34,316)	46,729		7,801	76,955	(210,499)		
Income (loss) before operating transfers	102,500	21,408	(175,745)	69,101	(21,514)	76,322	14,301	3,398	(766,424)	(693,625)		
Transfers from (to):												
Primary government			75,000			(25,556)			873,139	922,583		
Net income (loss)	102,500	21,408	(100,745)	69,101	(21,514)	50,766	14,301	3,398	106,715	228,958		
Excess of revenues over expenditures from governmental operations							577		(47,546)	346,124		
Depreciation on fixed assets acquired through contributed capital				(137,965)								
Increase (decrease) in retained earnings (deficit) fund balance	102,500	21,408	(33,910)	(68,864)	(21,514)	50,766	14,878	3,398	65,525	649,654		
Retained earnings (deficit) fund balance at beginning of year (as restated)	1,524,149	261,269	192,781	1,243,861	51,768	11,798	193,684	26,464	(132,889)	3,786,799		
Transfers to contributed capital									(44,090)	(208,674)		
Residual equity transfer									(5,342)	(5,342)		
Retained earnings (deficit) fund balances at end of year	\$ 1,626,649	\$ 282,677	\$ 158,871	\$ 1,174,997	\$ 30,254	\$ 62,564	\$ 208,562	\$ 29,862	\$ (116,796)	\$ 4,222,437		

Condensed financial statements of the public university funds are as follows (expressed in thousands):

	University of Puerto Rico	Retirement System	Total
ASSETS			
Current assets	\$ 80,196	\$ 789,116	\$ 869,312
Due from primary government	18		18
Restricted assets:			
Cash and cash equivalents	34,439		34,439
Other restricted assets	194,969	234	195,203
Fixed assets - net	815,462	490	815,952
	<hr/>		
Total Assets	\$ 1,125,084	\$ 789,840	\$ 1,914,924
	<hr/>		
LIABILITIES AND FUND EQUITY			
Current liabilities	\$ 84,186	\$ 35,375	\$ 119,561
Advances from component units	74,929		74,929
Bonds payable	287,741		287,741
Other liabilities	117,957	185	118,142
Net pension obligation	2,676		2,676
	<hr/>		
Total Liabilities	567,489	35,560	603,049
	<hr/>		
Fund Equity	557,595	754,280	1,311,875
	<hr/>		
Total Liabilities and Fund Equity	\$ 1,125,084	\$ 789,840	\$ 1,914,924
	<hr/>		

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Control

The Governor is constitutionally required to submit to the Legislature an annual balanced budget of the Commonwealth for the ensuing fiscal year. The annual budget is prepared by the Office of Management and Budget, and takes into consideration the advice provided by the Planning Board (annual economic growth forecasts; four year capital improvements plan), the Department of the Treasury (revenue estimates; accounting records and the comprehensive annual financial report), the Government Development Bank for Puerto Rico (fiscal agent) and other governmental offices and agencies. Section 7 of Article VI of the Constitution of Puerto Rico provides that *"The appropriations made for any fiscal year shall not exceed the total revenues, including available surplus, estimated for said fiscal year unless the imposition of taxes sufficient to cover said appropriations is provided by law"*.

The annual budget, which is developed utilizing elements of performance-based program budgeting and zero-based budgeting, includes an estimate of revenues and other resources for the ensuing fiscal year under (i) laws existing at the time the budget is submitted and (ii) legislative measures proposed by the Governor and submitted with the proposed budget, as well as the Governor's recommendations as to appropriations that in his judgment are necessary, convenient, and in conformity with the four-year investment plan adopted by the Planning Board.

The Legislature may amend the budget submitted by the Governor but may not increase any items so as to cause a deficit without imposing taxes to cover such deficit. Upon approval by the Legislature, the budget is referred to the Governor who may decrease or eliminate any line item but may not increase or insert any new line item in the budget. The Governor may also veto the budget in its entirety and return it to the Legislature with his objections. The Legislature, by two-thirds majority in each house, may override the Governor's veto. If a budget is not adopted prior to the end of the fiscal year, the annual budget for the preceding fiscal year, as approved by the Legislature and the Governor, is automatically renewed for the ensuing fiscal year until a new budget is approved by the Legislature and the Governor. This permits the Commonwealth to continue making payments for its operating and other expenses until the new budget is approved. The Legislature made several special budgetary appropriations to the general fund throughout the year, which amounted to approximately \$3.1 billion.

The Office of Management and Budget (OMB) has authority to amend the budget within an agency without legislative approval.

For budgetary purposes, encumbrance accounting is used. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year end are reported as reservations of budgetary appropriations and GAAP fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The unencumbered balance of any appropriation at the end of the fiscal year will lapse three years after the end of such fiscal year or at the date prescribed by the Secretary of the Treasury. Others are continuing accounts for which the Legislature has authorized that an unspent balance from the prior year be carried forward and made available for current spending.

In addition, the Legislature may direct that certain revenues be retained and made available for spending within a specific appropriation account.

Generally, expenditures may not exceed the level of spending authorized for an individual department. However, the Commonwealth is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

Appropriations are enacted for certain departments included in the combined balance sheet of the general fund, and the debt redemption fund. For these funds, a Combined Statement of Revenues and Expenditures - Budget and Actual - Budget Basis - Budgeted General and Debt Service Funds is included.

Appropriations for capital projects are made for each bond issue and the authorization continues for the expected construction period. The Commonwealth's Treasury Department and OMB have the responsibility to ensure that budgetary spending control is maintained on an individual department basis. The OMB may transfer part or all of any unencumbered balance within a department to another department subject to Legislative approval. Budgetary control is exercised through the Puerto Rico Integrated Financial Accounting System (PRIFAS). PRIFAS ensures that encumbrances or expenditures are not processed if they exceed the department's total available spending authorization, which is considered its budget. The legal level of budgetary control is at the individual department level for general fund expenditures, principal and interest due for the year for the debt service fund, and by bond authorization for capital expenditures.

B. Budget/GAAP Reconciliation

The following schedule presents comparisons of the legally adopted budget with actual data on a budget basis. Because accounting principles applied for purposes of developing data on a budget basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of entity timing and basis differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 2000 is presented below for the general and debt service funds (expressed in thousands):

	General	Debt Service
Excess of revenues and other sources over expenditures and other uses - budget basis	\$ 40,611	\$ 15,061
Entity differences:		
Deficiency of revenues and other sources over expenditures and other uses for:		
Non-budgeted amounts	(228,719)	
Inclusion of blended component units		(561)
Timing differences:		
Adjustment for encumbrances	113,852	
Expenditure against prior year encumbrances	(82,304)	
Basis of accounting differences:		
Net increase in taxes receivable	5,127	984
Net decrease in other receivables and other assets	(32,771)	
Net increase in accounts payable and other liabilities	(21,996)	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ (206,200)</u>	<u>\$ 15,484</u>

C. Deficit Fund Equity

The following funds and component units reflect a deficit fund balance or retained earnings at June 30, 2000 (expressed in thousands):

Primary Government

Additional Lottery System	\$	1,365
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Component Units - Other:

Sugar Corporation of Puerto Rico	\$	318,717
Tourism Company of Puerto Rico		239,612
Puerto Rico Maritime Transportation Authority		207,327
Land Authority of Puerto Rico		160,281
Puerto Rico Metropolitan Bus Authority		48,033
Medical University Services, Inc.		14,887
Puerto Rico Exports Development Corporation		6,422
Corporation of Stocks and Deposits Insurance for the Savings and Loan Cooperatives		5,983
Employment and Training Enterprises Corporation and Subsidiary		5,952
Agricultural Services and Development Administration		4,845
Puerto Rico Medical Services Administration		2,464
Puerto Rico and Caribbean Cardiovascular Center Corporation		1,744

In the past, the Commonwealth and the component units have provided financial resources and capital investments to support these activities. The Tourism Company of Puerto Rico is implementing plans to liquidate properties and to increase revenues. Sugar Corporation of Puerto Rico is in the process of transferring certain assets, liabilities and operations for a nominal value to the sugar cane farmers. (See Note 27).

4. **PUERTO RICO GOVERNMENT INVESTMENT TRUST FUND (PRGITF)**

The Puerto Rico Government Investment Trust Fund (PRGITF), was created by the Secretary of the Treasury of the Commonwealth pursuant to Act No. 176, of August 11, 1995, and began operations on December 4, 1995. PRGITF is a no-load diversified collective investment trust administered by the Government Development Bank for Puerto Rico, a discretely presented component unit, that was created for the purpose of providing eligible governmental investors of Puerto Rico with a convenient and economical way to invest in a professionally managed money market portfolio. The deposits on hand and the investments purchased are not collateralized, secured or guaranteed by the Commonwealth or any of its agencies, instrumentalities or political subdivisions.

PRGITF is considered a 2a7 like external investment pool, and as such, reports its investment at amortized cost.

The investment securities on hand at June 30, 2000 consisted of bankers' acceptances, certificates of deposit, bank notes, corporate obligations, commercial paper and US Government and agencies obligations, all of which may be considered highly-liquid. However, the participants' investments are subject to the ability of the PRGITF to receive payment from the securities' issuer when due. The liquidity of certain investments, and changes in interest rates, may affect PRGITF's yield and the fair value of its investments.

The dollar amount of the deposits on hand at June 30, 2000, at \$1.00 per unit of participation, was reported in the individual component units financial statements of each of the participants, and combined in the general purpose financial statements as follows (expressed in thousands):

	Balance Outstanding	Percentage of Total
<u>Primary Government:</u>		
Commonwealth	\$ 239,399	43.81%
Public Buildings Authority	67,954	12.44%
Office for the Improvement of the Public Schools	49,385	9.04%
Employees Retirement System of the Government of PR and Its Instrumentalities	4,881	.89%
Total for primary government	<u>361,619</u>	<u>66.18%</u>
<u>Public University Funds:</u>		
University of Puerto Rico	<u>233</u>	<u>.04%</u>
<u>Discretely Presented Component Units:</u>		
Recreational Development Company of Puerto Rico	65,646	12.01%
Puerto Rico Land Administration	47,892	8.77%
State Insurance Fund Corporation	19,121	3.50%
Puerto Rico Housing Bank and Finance Agency	12,943	2.37%
Puerto Rico Council on Higher Education	3,169	.58%
Government Development Bank for PR and Subsidiaries	30,347	5.55%
Institutional Trust of the National Guard of PR	2,773	.51%
Corporation of Stocks and Deposits Insurance for the Savings and Loans Cooperatives	2,288	.42%
Puerto Rico Plastic Arts School	130	.02%
Puerto Rico Ports Authority	249	.05%
Total for discretely presented component units	<u>184,558</u>	<u>33.78%</u>
Total for all participants	<u>\$ 546,410</u>	<u>100%</u>

The deposits at June 30, 2000 were invested in securities with a cost which approximates fair value, plus accrued interest, for approximately \$546.4 million.

5. DEPOSITS AND INVESTMENTS

Under Commonwealth statutes, 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's agents in the Commonwealth's name. In addition, the Commonwealth maintains deposits with the Government Development Bank for Puerto Rico (GDB) and the Economic Development Bank for Puerto Rico (EDB), two discretely presented component units, and the United States Government (for unemployment insurance).

Cash, cash equivalents and investments of the primary government at June 30, 2000 consist of (expressed in thousands):

Primary Government

	Unrestricted	Included in Debt Service	Included in Capital Projects	Included in Trust and Agency	Included in Restricted Assets	Total
Cash and cash equivalents	\$ 298,066	\$ 92,812	\$ 175,852	\$ 911,935	\$	\$1,478,665
Cash and cash equivalents in governmental banks	205,677	332,495	389,895	614,557	614,584	2,157,208
Investments	<u> </u>	<u>11,488</u>	<u>162,885</u>	<u>4,045,602</u>	<u>251,563</u>	<u>4,471,538</u>
Total	<u>\$ 503,743</u>	<u>\$ 436,795</u>	<u>\$ 728,632</u>	<u>\$5,572,094</u>	<u>\$ 866,147</u>	<u>\$8,107,411</u>

The Commonwealth's bank balance of deposits with financial institutions is categorized to provide an indication of the level of collateral risk assumed by the Commonwealth at year end. Risk categories are described as follows:

Category 1: Insured or collateralized with securities held by the Secretary of the Treasury's agents in the Commonwealth's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Commonwealth's name.

Category 3: Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Commonwealth's name).

The carrying amount of deposits with financial institutions of the primary government at June 30, 2000 consists of (expressed in thousands):

Carrying amounts of deposits in governmental banks	\$ 1,917,808
Carrying amount of deposits in commercial banks	1,010,164
Carrying amount of deposits in US Government	467,683
Investments disclosed as cash equivalents for GASB 9	<u>240,218</u>
Total carrying amount of deposits as reported on the combined balance sheet	<u>\$ 3,635,873</u>
Bank balance of deposits in commercial banks:	
Category 1	\$ 926,114
Category 3	<u>121,936</u>
Total bank balance of deposits in commercial banks	<u>\$ 1,048,050</u>

The amount of the bank balance of deposits in commercial banks uninsured or uncollateralized at June 30, 2000 shown above, belongs mainly to the Puerto Rico Public Building Authority.

The bank balance of deposits in governmental banks, which as of June 30, 2000, is uninsured and uncollateralized, is approximately \$2,250 million. Such deposits are maintained in the Government Development Bank for Puerto Rico and the Economic Development Bank for Puerto Rico.

Deposits of approximately \$468 million with the US Government represent unemployment insurance taxes collected from employers which are transferred to the Federal Unemployment Insurance Trust Fund in the United States Treasury.

Deposits in governmental banks represent the balance of interest and non-interest bearing accounts in GDB and EDB. The deposit liability at GDB is substantially related to deposits from other component units and of the Commonwealth. The deposit liability does not agree with the governmental cash balances shown because of reconciling items such as outstanding checks and deposits in transit.

The bank balance of GDB's deposits at June 30, 2000 is broken down as follows (expressed in millions):

Primary government	\$ 2,245
Other discretely presented components units	<u>732</u>
Total reporting entity	2,977
Effect of the inclusion of financial statements of a component unit with different date of financial statements	(17)
Municipalities of Puerto Rico	401
Other non-governmental entities	99
Certificates of indebtedness	198
Escrow accounts	<u>87</u>
Total deposits per GDB	<u>\$ 3,745</u>

On February 22, 1996, the Board of Directors of the Government Development Bank for Puerto Rico adopted the *Statement of Investment Guidelines for the Government of Puerto Rico*. These guidelines promulgate a uniform investment policy for the Government of Puerto Rico. The guidelines under this statement are to be followed by municipalities, agencies and public corporations, public insurance companies and public retirement plans. These guidelines include the allowable and the prohibited assets in which each governmental entity may invest, except for the Government Development Bank for Puerto Rico and the Economic Development Bank for Puerto Rico, which may establish their own investment policy with the approval of the Board of Directors of the Government Development Bank.

Pursuant to the Statement of Investment Guidelines, the agencies and public corporations may invest in obligations of the Commonwealth, obligations of the United States, certificates of deposit, commercial paper, bankers' acceptances, or in pools of obligations of the municipalities of Puerto Rico, among others.

The retirement systems may invest in stocks, corporate bonds, obligations of the United States, mortgage loans, private equity and others.

The Commonwealth's investments are categorized to provide an indication of the level of collateral risk assumed by the Commonwealth at year end. Risk categories are described as follows:

- Category 1: Insured or registered, or securities held by the Commonwealth or its agent in the Commonwealth's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Commonwealth's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commonwealth's name.

Collateral risk classification for short-term investments and investments of the primary government are as follows (expressed in thousands):

	1	Category 3	Carrying Amount
<u>Unrestricted</u>			
Stocks	\$3,095,563	\$	\$ 3,095,563
US Government and agencies securities	411,732	11,092	422,824
Corporate bonds	429,578		429,578
Foreign and municipal bonds		19,744	19,744
Mortgage-backed securities		5,183	5,183
Commercial paper		1,349	1,349
Short-term investments		<u>2,190</u>	<u>2,190</u>
Subtotal	<u>3,936,873</u>	<u>39,558</u>	<u>3,976,431</u>
Investments not subject to categorization:			
PR Government Trust Fund			307,004
Limited partnership/private equity			66,541
Mortgage loans			<u>2,631</u>
Total - unrestricted			<u>4,352,607</u>
<u>Restricted</u>			
US Government and agencies Securities		44,528	44,528
Negotiable certificates of deposit		<u>5,104</u>	<u>5,104</u>
Subtotal		<u>49,632</u>	<u>49,632</u>
Investments not subject to categorization:			
Annuity contracts			251,563
Investment pool			49,385
Limited partnership/private equity			<u>8,569</u>
Total – restricted			<u>359,149</u>
Total	<u>\$3,936,873</u>	<u>\$ 89,190</u>	<u>\$ 4,711,756</u>

The following schedule reconciles the carrying amount of investments as disclosed above to the combined balance sheet (expressed in thousands):

Carrying amount of investments	\$ 4,711,756
Investments disclosed as cash equivalents for GASB 9	(240,218)
Other restricted assets	<u>77,206</u>
Investments reported on the combined balance sheet	<u><u>\$ 4,548,744</u></u>

Unrestricted investments include approximately \$239 million of deposits from the Commonwealth that are invested in the Puerto Rico Government Investment Trust Fund (See Note 4). Such amount has been included as cash and cash equivalents in the combined balance sheet.

Annuity contracts included as restricted investments are purchased from the Government Development Bank for Puerto Rico to fund Lotto prizes of \$200 thousand or more, payable on an installment basis. Investments in zero coupon US Treasury strips (with maturity dates that coincide with pay-out schedules of the Lotto prizes) constitute collateral for the annuities. As of June 30, 2000, the fair value of such collateral amounts to approximately \$259.6 million. Annuity contracts are recorded at present value of future installment prize payments. Interest earned is not recognized as revenue, but credited to obligations for unpaid prize awards.

Local laws require that annuity contracts be held until maturity, unless the prizes to which they relate are not claimed within the statutory period. If not claimed, the annuities are canceled and proceeds thereof are transferred to the General Fund.

Public University Funds

Cash and investments of the public university funds at June 30, 2000 consist of (expressed in thousands):

	Unrestricted	Restricted	Total
Cash in commercial banks	\$ 122,673	\$ 34,439	\$ 157,112
Cash in governmental banks	70		70
Investments	<u>630,643</u>	<u>89,788</u>	<u>720,431</u>
Total	<u><u>\$ 753,386</u></u>	<u><u>\$ 124,227</u></u>	<u><u>\$ 877,613</u></u>

As of June 30, 2000, cash mainly includes certificates of deposit, demand and interest bearing accounts in commercial and governmental banks. The carrying amount and the bank balance of deposits at June 30, 2000 consists of (expressed in thousands):

	Carrying Amount	Bank Balance
Commercial banks	\$ 95,827	\$ 136,779
Governmental banks	63,339	<u>63,268</u>
Total	<u>\$ 159,166</u>	<u>\$ 200,047</u>
Bank balances of deposits in commercial banks:		
Category 1		\$ 136,573
Category 3		<u>206</u>
Total bank balance of deposits in commercial banks		<u>\$ 136,779</u>

The bank balance of deposits in governmental banks is uninsured and uncollateralized. Such deposits are maintained in the Government Development Bank for Puerto Rico.

The following schedule reconciles the carrying amount of deposits as disclosed above to the combined balance sheet (expressed in thousands:)

Carrying amount of deposits	\$ 159,166
Cash equivalents disclosed as investments for GASB 9	<u>(1,984)</u>
Deposits as reported on the combined balance sheet	<u>\$ 157,182</u>

The uninsured bank balance mainly includes deposits with Government Development Bank for Puerto Rico and Economic Development Bank for Puerto Rico.

Investments of the public university funds are as follows (expressed in thousands):

	Category 1	Carrying Amount
<u>Unrestricted</u>		
Stocks	\$ 412,063	\$ 412,063
US Government and agencies securities	71,875	71,875
Corporate bonds	58,110	58,110
Mortgage-backed securities	30,530	30,530
Foreign securities certificates	23,298	23,298
Foreign and municipal bonds	23,047	23,047
Negotiable certificates of deposit	1,457	1,457
Subtotal	620,380	620,380
Investments not subject to categorization:		
Limited partnerships/private equity		9,162
Mortgage loans		1,101
Total-unrestricted		630,643
<u>Restricted</u>		
US Government and agencies securities	43,987	43,987
Stocks	9,143	9,143
Corporate bonds	3,885	3,885
Subtotal	57,015	57,015
Investments not subject to categorization:		
Mutual funds		30,202
Real estate		350
PR Government Investment Trust Fund		234
Mortgage loans		3
Total-restricted		87,804
Total	\$ 677,395	\$ 718,447

The following schedule reconciles the carrying amount of investments as disclosed above to the combined balance sheet (expressed in thousands):

Carrying amounts of investments	\$ 718,447
Other restricted assets	105,415
Cash equivalents disclosed as investments for GASB 9	1,984
Investments as reported on the combined balance sheet	\$ 825,846

Unrestricted investments mainly belong to the University of Puerto Rico Retirement System. Such investments have been presented in the general purpose financial statements at their fair value, which as of June 30, 2000 amounts to approximately \$631 million.

The fair value of investments held in foreign currencies are translated into US dollars generally using current rates of exchange. The related translation adjustments and the unrealized appreciation (depreciation) in fair value of investments are recorded in the statement of changes in fund balances as investment income.

Component Units – Other

Cash, cash equivalents and investments of the component units - other at June 30, 2000 consist of (expressed in thousands):

	Unrestricted	Restricted	Total
Cash and cash equivalents	\$ 438,144	\$ 965,870	\$ 1,404,014
Investments	5,828,361	5,507,091	11,335,452
Total	<u>\$ 6,266,505</u>	<u>\$ 6,472,961</u>	<u>\$ 12,739,466</u>

Cash and cash equivalents consist of demand deposits, interest bearing accounts, certificates of deposit and bank investment contracts.

Information of carrying amounts and bank balances for deposits with financial institutions and bank investment contracts is as follows (expressed in thousands):

	Carrying Amount	Bank Balance
Deposits in commercial banks	\$ 1,540,626	\$ 1,570,601
Deposits in Governmental banks	409,250	361,406
Total	<u>\$ 1,949,876</u>	<u>\$ 1,932,007</u>

Bank balance of deposits in commercial banks:

Category 1	\$ 753,193
Category 3	817,408

Total bank balance of deposits in commercial banks \$ 1,570,601

The bank balance of deposits in Governmental banks is uninsured and uncollateralized. Such deposits are maintained with the Government Development Bank for Puerto Rico and with the Economic Development Bank for Puerto Rico.

The following schedule reconciles the carrying amount of deposits as disclosed above to the combined balance sheet (expressed in thousands):

Carrying amount of deposits	\$ 1,949,876
Cash equivalents disclosed as investments for GASB 9	(1,013,589)
Investments disclosed as cash equivalents for GASB 9	467,727
Deposits as reported on the combined balance sheet	<u>\$ 1,404,014</u>

Collateral risk classification for short-term investments and investments of component units – other are as follows (expressed in thousands):

	1	Category 2	3	Carrying Amount
<u>Unrestricted</u>				
US Government and agencies Securities	\$2,018,778	\$	\$	\$ 2,018,778
Mortgage-backed securities	1,180,238		57,444	1,237,682
Stocks	518,523			518,523
Repurchase agreements	336,607		9,273	345,880
Corporate bonds	282,531			282,531
Negotiable certificates of deposit	115,071		53,506	168,577
Commercial paper	35,935			35,935
Foreign and municipal bonds	13,732			13,732
Subtotal	4,501,415		120,223	4,621,638
Investments not subject to categorization:				
Limited partnership/private equity				286,673
Securities lending underlying securities				142,687
PR Government Investment Trust Fund				61,518
Guaranteed investment contracts				30,218
Investment pool				19,121
Total – unrestricted				5,177,292
<u>Restricted</u>				
US Government and agencies Securities	2,343,171	2,024	65,826	2,411,021
Foreign and municipal bonds	1,011,834			1,011,834
Mortgage-backed securities	255	389,953		390,208
Repurchase agreements	44,762		329,208	373,970
Commonwealth securities			91,178	91,178
Short term investments			62,927	62,927
Negotiable certificates of deposit	25,243	1,108		26,351
Commercial paper			22,082	22,082
Corporate bonds			5,000	5,000
Stocks	36			36
Subtotal	3,425,301	393,085	576,221	4,394,607
Investments not subject to categorization:				
Guaranteed investment contracts				584,906
Securities lending underlying securities				193,496
PR Government Investment Trust Fund				191,868
Certificates of indebtedness				135,173
Limited partnership/private equity				953
Money market funds				19
Total - restricted				5,501,022
Total	\$7,926,716	\$ 393,085	\$ 696,444	\$10,678,314

The following schedule reconciles the carrying amount of investments as disclosed above to the combined balance sheet (expressed in thousands):

Carrying amounts of investments	\$ 10,678,314
Cash equivalents disclosed as investments for GASB 9	1,013,589
Investments disclosed as cash equivalents for GASB 9	(467,727)
Other assets disclosed as investment for GASB 9	<u>111,276</u>
Investments as reported on the combined balance sheet	<u>\$ 11,335,452</u>

Unrestricted investments do not include approximately \$540 million of interest bearing deposits, which have been classified as investments in the combined balance sheet. Such amount has been categorized as deposits with financial institutions.

Restricted investments do not include approximately \$232 million of interest bearing deposits, which have been classified as investments in the combined balance sheet. Such amount has been categorized as deposits with financial institutions.

In addition, contributions made by the Government Development Bank for Puerto Rico and Subsidiaries to the Puerto Rico Government Investment Trust Fund amounting to approximately \$2.9 million are included as investments in the combined balance sheet.

Unrestricted repurchase agreements of approximately \$337 million belong to the Economic Development Bank for Puerto Rico. As of June 30, 2000, the fair value of the collateral for the repurchase agreements amounted to approximately \$343 million and consisted primarily of investment securities held in custody by EDB's agent.

Restricted repurchase agreements of approximately \$250 million correspond to the Puerto Rico Housing Bank and Finance Agency and are funded through obligations under reverse repurchase agreements. As of June 30, 2000, the fair value of the underlying securities amounted to approximately \$250 million and mainly consisted of US government obligations and mortgage backed securities held by the broker, or his agent, with whom the agreement is transacted.

During the year ended June 30, 2000, the Economic Development Bank for Puerto Rico (EDB) entered into investment transactions in commercial paper. Information related to these transactions is as follows (expressed in thousands):

Carrying amount as of June 30, 2000	\$ 30,950
Maximum amount outstanding at any month-end	\$ 198,624
Average amount outstanding during the year	\$ 120,687
Weighted average interest rate for the year	5.97%
Weighted average interest rate at year end	6.80%

6. SECURITIES LENDING TRANSACTIONS

During the year the State Insurance Fund Corporation and the Automobile Accident Compensation Administration, two discretely presented component units, entered into securities lending transactions.

State Insurance Fund Corporation (SIFC)

The SIFC securities custodian, as agent of SIFC, manages the securities lending program and receives cash collateral, securities or irrevocable bank letters of credit as collateral. The collateral securities cannot be pledged or sold by SIFC unless the borrower defaults. The collateral requirement is equal to 102% of the fair value of the security lent for securities issued in the United States and 105% for securities issued outside of the United States. Additional collateral has to be provided by the next business day if its value falls to less than 100% of the fair value of the securities lent. At year-end, SIFC has no credit risk exposure to borrowers because the amounts SIFC owes the borrowers exceed the amounts the borrowers owe SIFC. Contracts with the lending agents require them to indemnify SIFC if the borrowers fail to return the securities or fail to pay SIFC for income distributions by the securities' issuers while the securities are on loan.

All security loans can be terminated on demand by either SIFC or the borrower, although the average term of the loans is two weeks. In lending securities, the term to maturity of the securities loans is matched with the term to maturity of the investments of the cash collateral. Such matching existed at year-end.

Securities lending obligations for which cash was received as collateral as of June 30, 2000 consist of (expressed in thousands):

Securities Lent	Fair Value of Underlying Securities
U.S. Government and agencies obligations	\$ 74,746
Corporate bonds and notes	8,006
Equity securities	<u>3,274</u>
	<u>\$ 86,026</u>

Cash collateral received amounted to \$88.6 million and it was invested as follows, \$4.9 million in interest bearing deposits, \$78.7 million in repurchase agreements and \$5 million in corporate bonds and notes.

In addition, SIFC had the following securities lending obligations collateralized by securities as of June 30, 2000 (expressed in thousands):

Securities Lent	Fair Value of Underlying Securities	Securities Collateral Received
U.S. Government and agencies obligations	<u>\$ 87,614</u>	<u>\$91,138</u>

Securities lending transactions collateralized by securities that cannot be pledged or sold unless the borrower defaults, do not have to be reported as assets and liabilities in the combined balance sheet.

Automobile Accident Compensation Administration (AACCA)

Under the provisions of Commonwealth statutes and AACCA's Board of Directors, AACCA lends securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The custodial bank manages the securities lending program and receives cash, government securities and letters of credit as collateral. The collateral securities cannot be pledged or sold by AACCA unless the borrower defaults. The securities lending program provides for an initial minimum collateralization of 102% of the fair value of the securities on loan plus accrued income. Additional collateral has to be provided by the close of the next business day if its value falls to less than 100%. The contract with the custodial bank requires that should a collateral deficiency occur beyond the custodian's responsibilities, the deficiency shall be allocated pro rata among all client lenders within the program.

All securities loans can be terminated at any time by either the custodian bank or the borrower. Collateral received consists of an investment in the lending agent's investment pools. The relationship between maturities of the investment pool and AACCA's loans cannot be determined.

The following represent the balances relating to the securities lending transactions as of June 30, 2000 (expressed in thousands):

Securities Lent	Fair Value of Underlying Securities	Securities Collateral Received
US Treasury bills, bonds and notes	\$ 50,602	\$ 51,556
Common stocks and preferred stocks	6,514	6,695
Corporate bonds	4,146	4,236
US agencies	3,591	3,659
Foreign government bonds	<u>436</u>	<u>457</u>
Totals	<u>\$ 65,289</u>	<u>\$ 66,603</u>

Securities lending transactions collateralized by securities that cannot be pledged or sold unless the borrower defaults do not have to be reported as assets and liabilities in the combined balance sheet.

7. INVESTMENT IN LIMITED PARTNERSHIPS

Pursuant to the *Statement of Investment Guidelines for the Government of Puerto Rico*, the Pension Trust Funds, the University of Puerto Rico Retirement System and a component unit invested \$32.8 million in limited partnerships during the fiscal year ended June 30, 2000. The investments were as follows:

- \$17.5 million was invested in Guayacán Funds of Funds, L.P., a Delaware limited partnership, organized by Grupo Guayacán, Inc. as General Partner, that has total commitments of \$55.5 million of which \$50 million are from public pension funds and the remaining balance from the private corporate investors. This fund invests in United States and international private equity partnerships that in turn invest in private companies.
- \$4.0 million was invested in Guayacán Private Equity Fund, L.P., a Delaware limited partnership, organized by Advent/Morro Partners as General Partner, that has total commitments of \$41.9 million of which \$32.5 million are from the government pension funds and the remaining balance from the private corporate investors in Puerto Rico. This fund invests in Puerto Rico private equity.
- \$11.3 million was invested in Guayacán Fund of Funds II, L.P., a Delaware limited partnership, organized by Grupo Guayacán as General Partner, that has total commitments of \$62 million of which \$56 million are from the government pension funds and the remaining balance from the private corporate investors in Puerto Rico. The fund invests in a broad range of United States and international private equity investment partnerships that, in turn, will make equity and equity related investments primarily in private businesses.

The allocations of net gain and net loss to the limited partners are based on certain percentages, as established in the Limited Partnership Agreements.

As of June 30, 2000 the primary government and discretely presented component units had capital commitments and contributions as follows (expressed in thousands):

Guayacán Funds of Funds, LP

	Public Sector Commitments	Fiscal Year Contributions	Cummulative Contributions
<u>Primary Government</u>			
Employee's Retirement System of the Government of Puerto Rico	\$ 25,000	\$ 8,750	\$19,504
Annuity and Pension System for the Teachers of Puerto Rico	20,000	7,000	15,603
<u>Public University Fund</u>			
University of Puerto Rico Retirement System	<u>5,000</u>	<u>1,750</u>	<u>3,901</u>
Subtotal	<u>50,000</u>	<u>17,500</u>	<u>39,008</u>
Guayacán Fund of Funds II, LP			
<u>Primary Government</u>			
Employee's Retirement System of the Government of Puerto Rico	25,000	5,063	5,063
Annuity and Pension System for the Teachers of Puerto Rico	25,000	5,063	5,063
<u>Public University Fund</u>			
University of Puerto Rico Retirement System	<u>6,000</u>	<u>1,215</u>	<u>1,215</u>
Subtotal	<u>56,000</u>	<u>11,341</u>	<u>11,341</u>
Guayacán Private Equity Fund, LP			
<u>Primary Government</u>			
Employee's Retirement System of the Government of Puerto Rico	5,000	612	2,073
Annuity and Pension System for the Teachers of Puerto Rico	5,000	612	2,073
<u>Public University Fund</u>			
University of Puerto Rico Retirement System	2,500	306	1,037
<u>Component Units - Other</u>			
Government Development Bank for Puerto Rico	<u>20,000</u>	<u>2,447</u>	<u>8,292</u>
Subtotal	<u>32,500</u>	<u>3,977</u>	<u>13,475</u>
Total	<u>\$ 138,500</u>	<u>\$ 32,818</u>	<u>\$63,824</u>

8. RECEIVABLES

Receivables in the general fund include approximately \$136.8 million of accrued income and excise taxes and \$104 million of receivables from the Federal government. In addition, the Trust and Agency funds include \$75.5 million of accrued unemployment and disability taxes.

9. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2000 are summarized as follows (expressed in thousands):

Due from/to other funds:

Receivable fund	Payable fund	Amount
General	Unemployment Trust Fund	\$ 1,835
	The Additional Lottery System	15,123
	Lottery of Puerto Rico	15,349
	Capital projects	7
Capital projects	Debt service	25,933
	General	23,390
General	Pension	35,847
Fiduciary	General	6,356
Total		<u>\$123,840</u>

Due from/to primary government and component units:

Receivable Entity	Payable Entity	
Public University Funds	General	<u>\$ 18</u>
Puerto Rico Highway and Transportation Authority	General	\$ 21,593
Tourism Company of Puerto Rico	General	1,781
Puerto Rico Health Insurance Administration	General	167
Land Authority of Puerto Rico	General	8,495
Puerto Rico Maritime Transportation Authority	General	3,603
Puerto Rico Conservatory of Music Corporation	General	7,385
Puerto Rico Infrastructure Financing Authority	General Fund	1,463
		<u>\$ 44,487</u>
Puerto Rico Metropolitan Bus Authority	Puerto Rico Highway and Transportation Authority	\$ 5,435
Puerto Rico Municipal Finance Agency	Government Development Bank	1,722
Puerto Rico Industrial, Tourist, Educational Medical and Environmental Control Facilities Financing Authority	Puerto Rico Infrastructure Financing Authority	1,418
		<u>\$ 8,575</u>

Advances to/from primary government and component units

Receivable Entity	Payable Entity	Amount
Government Development Bank for Puerto Rico	General Fund	\$ 880,281
	Puerto Rico Aqueduct and Sewer Authority	694,839
	Puerto Rico Highway and Transportation Authority	270,000
	Puerto Rico Electric Power Authority	263,000
	Puerto Rico Ports Authority	222,468
	Tourism Company of Puerto Rico	129,718
	Puerto Rico Infrastructure Financing Authority	83,028
	University of Puerto Rico	75,187
	Land Authority of Puerto Rico	74,297
	Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority	64,318
	Sugar Corporation of Puerto Rico	59,924
	Puerto Rico Housing Bank and Finance Agency	34,522
	Puerto Rico Metropolitan Bus Authority	18,493
	Public Finance Corporation	16,669
	Puerto Rico Industrial Development Company	15,582
	Economic Development Bank for Puerto Rico	13,839
	Agricultural Services and Development Administration	10,062
	Medical University Services, Inc.	9,635
	Solid Waste Authority of Puerto Rico	5,084
	Puerto Rico Medical Services Administration	5,000
	Institutional Trust of the National Guard of Puerto Rico	3,826
	Puerto Rico Land Administration	1,420
	Fine Arts Center Corporation	685
Economic Development Bank for Puerto Rico	Puerto Rico Exports Development Corporation	13,534
Puerto Rico Electric Power Authority	General Fund	44,251
		<u>\$ 3,009,662</u>

The immaterial difference between due and advances to/from arise due to timing differences in the recognition of transactions between various component units and the primary government. Certain component units reflect inter-entity loans as advances in their separately issued financial statements, principally the Government Development Bank for Puerto Rico.

10. RESTRICTED ASSETS

Restricted assets included in the general purpose financial statements at June 30, 2000 consist of cash, investments and other assets to be used for the following purposes (expressed in thousands):

Primary Government

Debt service and sinking fund requirements	\$ 604,179
Payment of lottery prizes	251,563
Other restricted assets of the Public Building Authority	77,206
Renewal and replacement fund	10,059
Purchase of assets	<u>346</u>
Total for the primary government	<u>\$ 943,353</u>

Public University Funds

Construction funds	\$ 45,476
Retirement plan	30,221
Donations	24,147
Renewal and replacement funds	18,582
University future development funds	3,544
General reserved funds	2,022
Debt service and sinking fund requirements	235
Other restricted assets	<u>105,415</u>
Total for public university funds	<u>\$ 229,642</u>

Component Units - Other

Debt service and sinking fund requirements	\$	3,699,476
Trust fund		1,202,949
Construction funds		656,853
Payment of reverse repurchase agreements		269,856
Collateral for underlying securities		262,262
Pension plan		178,213
Production and personnel		108,668
Maintenance reserve fund		27,504
Payment of incentive to farmers		18,254
Special revenue fund		14,456
Federal grants		9,732
Severance payment		5,898
Purchase of assets		5,001
Malpractice professional development		3,157
Renewal and replacement funds		3,009
Life and funeral insurance fund		2,611
EDA reserve fund		1,753
Court order restriction		1,730
Death, catastrophe and disability funds		637
Educational fund		580
Reserve for reinsurance claims		349
Training		10
General reserve fund		3
		<hr/>
Total for component units - other	\$	<u>6,472,961</u>

11. FIXED ASSETS

Primary Government

Activity in the general fixed assets account group for the fiscal year ended June 30, 2000, was as follows (expressed in thousands):

	Balance		Retirements	Balance
	July 1, 1999	Additions	Transfers	June 30, 2000
Land	\$ 70,143	\$ 341,447	\$	\$ 411,590
Buildings and improvements	1,578,846	184,234	120,453	1,642,627
Equipment	103,259	145,686	4,350	214,595
Construction in progress	401,686	101,564		503,250
	<hr/>			
Total	\$ 2,528,137	\$ 368,728	\$ 128,802	\$2,772,062

As discussed in Note 19, the general fixed assets account group additions reflect the transfers of the Health Facilities and Services Administration of Puerto Rico.

Fixed assets for the proprietary and fiduciary fund types as of June 30, 2000, were as follows (expressed in thousands):

	Enterprise Funds	Fiduciary Funds
Land	\$	\$ 969
Buildings and improvements		20,635
Equipment	14,711	13,065
Other fixed assets	313	
	<hr/>	
Total	15,024	34,669
Less: accumulated depreciation	7,022	12,959
	<hr/>	
Fixed assets, net	\$ 8,002	\$ 21,710

Discretely Presented Component Units

	Public University Funds	Component Units - Other
Land	\$ 34,096	\$ 366,776
Buildings and improvements	410,028	11,409,087
Equipment	248,210	648,945
Construction in progress	122,570	3,389,940
Other fixed assets	2,424	308,410
	<hr/>	
Total	817,328	16,123,158
Less accumulated depreciation and amortization	1,376	4,679,270
	<hr/>	
Fixed assets, net	\$ 815,952	\$ 11,443,888

12. OBLIGATIONS UNDER LEASE/PURCHASE ARRANGEMENTS

The Commonwealth and its component units are obligated under capital leases with third parties that expire through 2018 for buildings and equipment. At June 30, 2000, the capitalized cost of the buildings and equipment amounted to approximately \$326 million and is included in the general fixed assets account group. The present value of future minimum capital lease payments as of June 30, 2000, included in other long-term liabilities in the general long-term debt account group is as follows (expressed in thousands):

Year Ending	Amount
June 30,	
2001	\$ 40,479
2002	38,663
2003	37,166
2004	30,587
2005	25,973
Thereafter	<u>322,431</u>
Total minimum lease payments	495,299
Less: amount representing interest	<u>169,651</u>
Present value of minimum lease payments	<u>\$ 325,648</u>

The Commonwealth and its component units are also committed under numerous operating leases, excluding those with the Public Buildings Authority, covering real property and equipment. Rental expenditures within the general fund for the year ended June 30, 2000, under such operating leases were approximately \$206 million. Management believes that future minimum rental commitments under noncancelable real property and equipment leases with terms exceeding one year is not significant.

13. ADVANCES FROM COMPONENT UNITS TO PRIMARY GOVERNMENT

General Fund

Advances from component units in the general fund of \$35.5 million include (expressed in thousands):

Correction Department loan	\$ 24,775
Natural Resources Department	<u>10,729</u>
Total	<u>\$ 35,504</u>

The Correction Department loan consists of three lines of credit with the Government Development Bank for Puerto Rico to pay the Puerto Rico Aqueduct and Sewer Authority outstanding invoices for aqueduct and sewer service for several prisons for the years 1988 through 1997.

On November 10, 1999, the Natural Resources Department obtained from GDB a line of credit for permanent improvement projects. The line of credit bears interest at a variable rate and has \$10.7 million outstanding as of June 30, 2000.

Capital Projects Funds

The loans from the Government Development Bank for Puerto Rico represent a construction line of credit as part of the construction financing activities of the Public Buildings Authority (PBA). At June 30, 2000, PBA had an authorized line of credit of approximately \$881 million. Advances outstanding under the line of credit amounted to approximately \$132 million bearing interest at 5.61%.

14. NOTES PAYABLE

Notes payable in the general fund include \$600 million of tax revenue anticipation notes plus accrued interest due on July 30, 2000. The proceeds of the tax revenue anticipation notes were used to cover a temporary cash deficiency resulting from the timing differences between tax collections and the payment of current expenditures.

15. LONG-TERM DEBT

Governmental Funds Operations

Summary of General Long-Term Debt

The following schedule shows the changes in the general long-term debt account group for the year ended June 30, 2000 (expressed in thousands):

	Balance at July 1, 1999 (As restated)	Debt Issued	Debt paid or defeased	Other Net Increases	Balance at June 30, 2000
Bonds payable	\$ 6,808,362	\$ 530,911	\$ 394,028	\$ 37,486	\$ 6,982,731
Notes payable	44,813			(1,122)	43,691
Debts payable to component units	1,222,283		91,909	1,113,725	2,244,099
Compensated absences	811,173			201,975	1,013,148
Net pension obligation	2,356,439			31,901	2,388,340
Other long-term liabilities	<u>645,883</u>	<u> </u>	<u> </u>	<u>322,165</u>	<u>968,048</u>
Total	<u>\$11,888,953</u>	<u>\$ 530,911</u>	<u>\$ 485,937</u>	<u>\$1,706,130</u>	<u>\$ 13,640,057</u>

As discussed in Note 19, other net increases in the general long-term debt group include the effect of the transfer of the Health Facilities and Services Administration of Puerto.

Total debt issued includes approximately \$2 million of bond issuance costs, discounts and premiums. Total debt paid or defeased includes approximately \$15 million of bonds premiums and discounts.

A. Debt Limitation

The Constitution authorizes the contracting of debts as determined by the Legislature. Nevertheless, the Constitution provides that direct obligations of the Commonwealth evidenced by bonds or notes and backed by the full faith, credit and taxing power of the Commonwealth, shall not be issued if the amount of the principal of, and interest on, such bonds and notes and

on all such bonds and notes issued thereafter which is payable in any fiscal year, together with any amount paid by the Commonwealth in the preceding fiscal year on account of bonds or notes guaranteed by the Commonwealth, exceed 15% of the average annual revenues raised under the provisions of Commonwealth legislation and conveyed into the Treasury (hereinafter "internal revenues") in the two fiscal years preceding the then current fiscal year. Section 2, Article VI of the Constitution does not limit the amount of debt that the Commonwealth may guarantee so long as the 15% limitation is not exceeded. Internal revenues consist principally of income taxes and excise taxes. Certain revenues, such as federal excise taxes on offshore shipments of alcoholic beverages, tobacco products and customs duties, which are collected by the United States Government and resumed to the Commonwealth, and motor vehicle fuel taxes and license fees, which are allocated to the Puerto Rico Highway and Transportation Authority, a discrete component unit, are not included as revenues for the purpose of calculating the debt limit, although they may be available for the payment of debt service. At June 30, 2000, the Commonwealth is in compliance with the debt limitation requirement.

B. Bonds Payable

The Constitution of the Commonwealth provides that public debt will constitute a first claim on the available revenues of the Commonwealth. Public debt includes general obligations and notes of the Commonwealth and any payment required to be made by the Commonwealth under its guarantees of bonds issued by blended or discretely presented component units. The good faith, credit and taxing power of the Commonwealth are irrevocably pledged for the prompt payment of the principal and interest of the general obligation bonds.

Law No. 83 of August 30, 1991, as amended, provides for the levy of an annual special tax of 1.03% of the assessed value of all real and personal property not exonerated from taxation. The levy is made by the Municipal Revenues Collection Center (MRCC), a municipal corporation, not a component unit of the Commonwealth. MRCC is required to remit the 1.03% of property tax collected to the Commonwealth to be used by the Commonwealth's debt service funds for payment of debt service on general obligations and notes of the Commonwealth. During the year ended June 30, 2000, the total amount remitted and receivable to the Commonwealth amounted to approximately \$86.9 million and \$70.5 million, respectively.

For financial reporting purposes, long-term bonds are carried at their face amount, without premium or discount. The outstanding amount represents the total principal to be repaid; for capital appreciation bonds, it represents total principal and accreted interest to be repaid.

Bonds payable outstanding at June 30, 2000 are as follows (expressed in thousands):

	General Obligation	Revenue Bonds	Total
Term bonds payable through 2028; interest payable semiannually at rates varying from 3% to 8%	\$ 2,020,580	\$ 808,865	\$2,829,445
Serial bonds payable through 2024; interest payable semiannually at rates varying from 4.25% to 7.5%	2,289,090	629,490	2,918,580
Capital appreciation bonds payable through 2019; no interest rate, yield ranging from 4.42% to 7.8%. Net of unaccreted discount of \$248 million	440,797	127,948	568,745
Appropriation Refunding Bonds for Low Income Housing payable through 2005, interest payable at rates varying from 6.9% to 8%	98,460		98,460
Bond payment obligation payable through 2008; interest payable at rates varying from 3.5% to 5.5%	33,450		33,450
Bond payment obligation payable through 2009; interest payable at rates varying from 3.5% to 5.5%	44,240		44,240
Bond payment obligation payable through 2010; interest payable at rates varying from 1.5% to 5.5%	48,220		48,220
Auction rate notes payable from 2007 through 2008; and from 2015 through 2020; interest payable in arrears from 2007 through 2008 at rates varying from 2.65% to 11.564%, and from 2015 through 2020 at rates varying from 2.65% to 11.662%	136,600		136,600
Yield curve notes payable from 2007 through 2008; no interest rate, yield of 8.914%	26,700		26,700
Yield curve notes payable from 2015 through 2020; no interest rate, yield of 9.012%	94,900		94,900
Tax-exempt components maturing through 2007 and 2008, interest at rates ranging from 5.5% to 5.6%		72,160	72,160
Deferred interest bonds payable through 2002; interest payable semiannually at 8%	50,000		50,000
Indexed inverse floaters maturing through 2016 with interest at 5.70%		46,000	46,000
Inverse rate securities payable from 2009 through 2011, at an interest rate of 6%	<u>15,000</u>		<u>15,000</u>
Total	5,298,037	1,684,463	6,982,500
Savings Bonds	<u>231</u>		<u>231</u>
Total bonds payable	<u>\$ 5,298,268</u>	<u>\$1,684,463</u>	<u>\$6,982,731</u>

The appropriation refunding bonds for low income housing is the balance of bonds payable assumed by the Commonwealth pursuant to Law No. 134 dated December 13, 1994. This Law authorized the assumption of bonds payable by the former Puerto Rico Urban Renewal and Housing Corporation. The Commonwealth had been funding this liability.

During the year ended June 30, 2000, the following changes occurred in the bonds payable (expressed in thousands):

	Outstanding July 1, 1999	Issued	Discount Accretion (Redeemed)	Outstanding June 30, 2000
Term bonds	\$ 2,691,200	\$ 210,935	\$ (72,690)	\$2,829,445
Serial bonds	2,902,895	315,900	(300,215)	2,918,580
Capital appreciation bonds	539,168	4,076	25,501	568,745
Appropriation refunding bonds	107,598		(9,138)	98,460
Auction rate notes	136,600			136,600
Bond payment obligations	125,910			125,910
Yield curve notes	121,600			121,600
Tax-exempt components	72,160			72,160
Deferred interest bonds	50,000			50,000
Indexed inverse	46,000			46,000
Inverse rate notes	15,000			15,000
Savings bonds	231			231
Total	<u>\$ 6,808,362</u>	<u>\$ 530,911</u>	<u>\$ (356,542)</u>	<u>\$6,982,731</u>

Maturities of general obligations and of revenue bonds payable, including accrued interest of capital appreciation bonds are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest	Total
2001	\$ 347,016	\$ 380,206	\$ 727,222
2002	351,091	357,498	708,589
2003	287,764	419,482	707,246
2004	248,562	407,464	656,026
2005	314,312	327,031	641,343
Thereafter	<u>5,219,830</u>	<u>3,731,125</u>	<u>8,950,955</u>
Total	6,768,575	<u>\$5,622,806</u>	<u>\$ 12,391,381</u>
Plus accreted discount	<u>214,156</u>		
Total	<u>\$ 6,982,731</u>		

C. Notes Payable

The note payable of approximately \$21.4 million is a special promissory note, which bears interest at rates ranging between 5.875% and 8%. It represents the amount paid for insurance premiums by the Commonwealth on behalf of the municipalities of Puerto Rico which was not financed as part of the property tax settlement loan (See D below). The note is payable from property tax collections that the municipalities of Puerto Rico shall remit to the Secretary of the Treasury over a period not to exceed fifteen (15) years.

In addition, note payable at June 30, 2000 consisted of approximately \$22.3 million mortgage notes payable to the Farmers Home Administration and the US Department of Housing and Urban Development, secured by land. The notes are due in monthly installments of varying amounts, including interest at 3% to 11% through the year 2032.

Future amounts required to pay principal balances at June 30, 2000 are as follows (expressed in thousands):

2001	\$ 614
2002	662
2003	724
2004	709
2005	767
Thereafter	<u>18,797</u>
Total	<u>\$ 22,273</u>

D. Debt Payable to Component Units

The Commonwealth financed certain long-term liabilities through the Government Development Bank for Puerto Rico (GDB), and the Puerto Rico Public Finance Corp., (PFC), a component unit of GDB. The Commonwealth considers these loans long-term because the term and repayment structure is tantamount to bonded debt. The proceeds were used for the following purposes (expressed in thousands):

The remaining outstanding balance on the financing provided by GDB is comprised of the following:

Health Facilities loan	\$ 452,055
Health Care Reform loan	231,550
Disaster assistance loan	43,021
Police Department loan	15,910
Total with GDB	<u>742,536</u>

The remaining outstanding balance on the financing provided by PFC is comprised of the following:

Health Facilities and Services Administration of Puerto Rico	546,959
Public schools infrastructure improvement loan	370,315
Promissory note of the Puerto Rico Maritime Shipping Authority	285,334
Property tax settlement loan	158,744
Total provided by PFC	<u>1,361,352</u>
Note payable to Puerto Rico Electric Power Authority	<u>44,251</u>
Health Facilities agreement payable to the Medical Science Campus of the UPR	95,960
Total	<u>\$ 2,244,099</u>

As of July 1, 1999 two outstanding revolving lines of credit of the Health Facilities and Services Administration (HFSA) with GDB for approximately \$444 million were transferred to the General Fund. The lines of credit bear interest at rates between 8% and 8.15%, and are due between September 30, 2000 and September 30, 2003. As of June 30, 2000 there were approximately \$452 million outstanding.

On February 5, 1997, Treasury Department entered into a revolving line of credit agreement for the Health Care Reform with the Government Development Bank for Puerto Rico (GDB) which provided for borrowings up to \$332 million. Borrowings outstanding under this revolving line of credit bear interest at variable rates and are payable quarterly, before the tenth (10) day of July, October, January and April. Advances under the revolving line of credit were made only upon the authorization of the Director of the Office of Management and Budget of the Commonwealth of Puerto Rico. The line of credit was used solely for the purpose of implementing the Health Care Reform. As of June 30, 2000, approximately \$232 million were still outstanding.

The disaster assistance loan of approximately \$93.9 million was used to repay a debt for such amount to the Federal Emergency Management Agency, which funded the Commonwealth's share of the relief grants for the residents of Puerto Rico affected by Hurricane Hugo in 1989. Debt service requirements in future years are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest	Total
2001	\$ 10,000	\$ 2,155	\$ 12,155
2002	10,500	1,655	12,155
2003	11,025	1,130	12,155
2004	11,496	579	12,075
Total	\$ 43,021	\$ 5,519	\$ 48,540

As of June 30, 2000, the balance outstanding for the loan to the Police Department to pay for the lawsuit of Rivera Correa and others vs. Betancourt Lebron and the Commonwealth of Puerto Rico and related expenses was approximately \$20.3 million. Debt service requirements in future years are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest	Total
2001	\$ 4,850	\$ 980	\$ 5,830
2002	5,292	507	5,799
2003	5,768	404	6,172
Total	\$ 15,910	\$ 1,891	\$ 17,801

The public schools infrastructure improvement loan provided additional funds for major repairs and improvements of the public schools in Puerto Rico. This activity is administered by the Office for the Improvement of the Public Schools of Puerto Rico (OIPS), included as part of the capital project fund of the primary government. The loan is repaid by the Commonwealth using annual legislative appropriations, beginning with appropriations made in fiscal year 1999-2000.

As of June 30, 2000, OIPS outstanding indebtedness to GDB under the Loan Agreement totaled \$370.3 million. Act 85 of the Legislature of Puerto Rico, approved on June 13, 1998 (the Act), authorized OIPS to obtain from GDB a new loan in a principal amount not to exceed \$425 million and bearing interest at a maximum rate of 8%. The Act provided that the proceeds of the loan will be used to refinance OIPS existing loan (\$284.9 million) as well as all closing costs associated with the loans.

As of July 1, 1999, approximately 565 million of a promissory note of the HFSA with PFC were transferred were transferred to the general fund. Principal and interest on the note are payable solely from legislative appropriations to be made pursuant to Act Number 223. The Act provides that the Office of Management and Budget shall include in the budget of the Commonwealth submitted annually to the Legislature of Puerto Rico and amount equal to \$56.5 million for the fiscal year 1998-99, and for the next succeeding fifteen fiscal years the amount necessary to pay the principal of and interest on the note, up to a maximum annual

amount of \$57.7 million. As of June 30, 2000, approximately \$547 million were still outstanding.

On June 25, 1998, GDB, OIPS and PFC entered into a Debt Restructuring and Assignment Agreement whereby, (i) GDB made the loan available to OIPS in order to refinance and restructure OIPS's existing loan and fund the undisbursed portion of the existing line of credit facility; (ii) OIPS executed a Note to evidence its obligation under the new loan, and (iii) PFC purchased the Note from GDB, without recourse to GDB. Minimum payments in future years, of principal and interest, are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest	Payments
2001	\$ 7,010	\$ 18,862	\$ 25,872
2002	7,410	18,462	25,872
2003	7,835	18,045	25,880
2004	8,285	17,595	25,880
2005	8,755	17,125	25,880
Thereafter	<u>331,020</u>	<u>225,634</u>	<u>556,654</u>
Total	<u>\$ 370,315</u>	<u>\$ 315,723</u>	<u>\$ 686,038</u>

The promissory note payable of approximately \$285.3 million is the liability owed by the Puerto Rico Maritime Shipping Authority (PRMSA) to GDB that was assumed by the Commonwealth in connection with the sale of the maritime operations of PRMSA. GDB, through one of its component units, issued bonds to restructure this liability, and pledged the note receivable for the payment of the bonds. The promissory note payable bears interest at a variable rate not to exceed 12% (7.2% at June 30, 2000). Debt service requirements in future years are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest	Total
2001	\$ 5,935	\$ 18,210	\$ 24,145
2002	6,325	17,817	24,142
2003	6,770	17,387	24,157
2004	7,235	16,921	24,156
2005	7,730	16,426	24,156
Thereafter	<u>243,819</u>	<u>261,671</u>	<u>505,490</u>
Total	277,814	<u>\$ 348,432</u>	<u>\$ 626,246</u>
Plus accreted discount	<u>7,520</u>		
Total	<u>\$ 285,334</u>		

During fiscal year 1996, the Commonwealth refinanced the liability for the settlement of the property taxes owed to the municipalities of Puerto Rico. GDB, through one of its subsidiaries, issued bonds to restructure this liability. The new financing was for approximately \$183 million, bearing interest at rates ranging from 5.87% to 7.25%. Debt service requirements in future years are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest	Total
2001	\$ 9,200	\$ 8,685	\$ 17,885
2002	9,850	8,032	17,882
2003	10,550	7,333	17,883
2004	11,185	6,699	17,884
2005	12,415	5,596	18,011
Thereafter	105,544	79,175	184,719
Total	\$ 158,744	\$ 115,520	\$ 274,264

As of July 1, 1999, approximately 102 million from various agreements with the University of Puerto Rico and the Puerto Rico Medical Services Administration in relation to outstanding debt accumulated in prior years were transferred to the General Fund. As of June 30, 2000, approximately \$95.9 million are outstanding.

The note payable is to the Puerto Rico Electric Power Authority (PREPA), a discretely presented component unit, and consists of approximately \$44.3 million of fuel adjustment subsidy.

The rural irrigation system cost reimbursement debt was repaid by the Commonwealth by offsetting certain contributions in lieu of taxes that PREPA must remit to the Commonwealth. The yearly amortization will vary depending on the gross electric sales for the year. The amortized amount for the year ended June 30, 2000 was approximately \$6.5 million.

E. Compensated Absences

General long-term debt includes approximately \$571.6 million of accrued sick leave benefits, and approximately \$441.5 million of accrued vacation benefits, representing the Commonwealth's commitment to fund such costs from future operations.

F. Net Pension Obligation

The amount presented as net pension obligation of approximately \$2.4 billion represents the cumulative amount owed by the Commonwealth to the pension plans for the unfinanced prior years actuarially required pension contribution. (See Note 22).

G. Other Long-Term Liabilities

The remaining long-term liabilities include (expressed in thousands):

Provisions for legal claims and judgments	\$ 350,000
Provision for federal cost disallowances	172,988
Advances for construction	118,919
Obligations under capital lease	325,648
Other	<u>493</u>
Total	<u>\$ 968,048</u>

Changes in the provision for legal claims and judgments for the current and prior fiscal year were as follows (expressed in thousands):

	2000	1999
Provisions for legal claims and judgments - July 1	\$ 352,361	\$ 361,000
Incurred Claims and Changes in Estimates	21,520	12,243
Payments for Claims and Adjustment Expenses	<u>(23,881)</u>	<u>(20,882)</u>
Provision for legal claims and judgments - June 30	<u>\$ 350,000</u>	<u>\$ 352,361</u>

H. Advance Refunding and Defeased Bonds

The Commonwealth advance refunded certain general obligation bonds through the issuance of approximately \$55.9 million of general obligation public improvements refunding bonds during the year ended June 30, 2000. The Commonwealth used approximately \$55.8 million from the net proceeds of the issued bonds to purchase US Government securities which were deposited in an irrevocable trust fund with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the liabilities have therefore been removed from the general long-term debt account group. As a result of this advance refunding, the Commonwealth decreased current year debt service payments and has taken advantage of lower interest rates, and it has decreased its aggregate debt service payments by approximately \$1.5 million over the next 7 years and obtained an economic gain (the difference between the present values of the debt service payments of the refunded and refunding bonds) of approximately \$1.3 million. At June 30, 2000 approximately \$55.9 million of the bonds refunded remain outstanding and are considered defeased.

In prior years, the Commonwealth also defeased certain general obligation and other bonds by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At June 30, 2000 approximately \$1.1 billion of bonds outstanding from prior years advance refundings are considered defeased.

In addition, the Public Buildings Authority (PBA) a blended component unit, has defeased certain revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old debts. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the general purpose financial statements. As of June 30, 2000, approximately \$1.2 billion of PBA bonds are considered defeased.

I. Pension Trust Funds

On August 1, 1996, the Puerto Rico System of Annuities and Pensions for Teachers (TRS) entered into a loan agreement with the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (AFICA), a discretely presented component unit, to secure the Authority's issuance of \$26.9 million of Industrial Revenue Term Bonds. The bonds were issued under a trust agreement and are secured by a pledge of certain marketable securities of the System.

The proceeds from the sale of the bonds were lent by AFICA to TRS to finance the acquisition of certain buildings and related facilities and to pay certain expenses incurred in connection with the issuance and sale of the bonds.

Bonds payable outstanding at June 30, 2000 are as follows (expressed in thousands):

Term Bonds Series A payable through 2011; interest payable on a monthly basis at rates varying from 6.3% to 6.65%	\$ 9,635
Term Bonds Series B payable through 2021; interest payable semiannually at 5.50%	<u>15,210</u>
Total	<u><u>\$ 24,845</u></u>

Maturities of the Term Bonds are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest	Total
2001	\$ 625	\$ 1,438	\$ 2,063
2002	665	1,394	2,059
2003	710	1,346	2,056
2004	755	1,300	2,055
2005	805	1,246	2,051
Thereafter	<u>21,285</u>	<u>12,744</u>	<u>34,029</u>
Totals	<u><u>\$ 24,845</u></u>	<u><u>\$ 19,468</u></u>	<u><u>\$ 44,313</u></u>

The Series A and Series B Bonds at the time outstanding maturing on or after July 1, 2006 and July 1, 2016, respectively, are subject to redemption, at the option of the System, in whole or in part on July 1, 2006, or any date thereafter at the determined redemption prices, plus accrued interest to the redemption date as follows:

July 1, 2006	Through June 30, 2007	102%
July 1, 2007	Through June 30, 2008	101%
July 1, 2008	And thereafter	100%

J. Discretely Presented Component Units

Public University Funds

The University of Puerto Rico has issued revenue bonds designated as *University System Revenue Bonds*, the proceeds of which have been used mainly to finance new activities in connection with its educational facilities construction program and to cancel and refinance previous debts.

Revenue bonds outstanding at June 30, 2000, were approximately \$287.7 million net of discounts of approximately \$31.2 million with interest rates varying from 3% to 5.75% and a final maturity date of 2025. Future amounts required to pay principal and interest on University System Revenue Bonds at June 30, 2000, are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest	Total
2001	\$ 15,340	\$ 14,402	\$ 29,742
2002	16,075	13,671	29,746
2003	16,850	12,886	29,736
2004	17,685	12,059	29,744
2005	13,615	11,018	24,633
Thereafter	208,176	140,335	348,511
Totals	<u>\$ 287,741</u>	<u>\$ 204,371</u>	<u>\$ 492,112</u>

The bonds are general obligations of the University and are collateralized by the pledge of, and a first charge on, all revenues derived or to be derived by the University, except for appropriations and contributions, as defined in the Trust Agreement governing the bonds issued. In the event that the pledged revenues are insufficient to pay the principal of, and the interest on, the bonds, the University agrees to provide any additional required monies from other funds available to the University for such purposes, including funds appropriated by the Commonwealth.

In prior years, the University defeased certain revenue bonds by placing the proceeds in irrevocable trusts to provide for all future debt service payments. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the public university funds. At June 30, 2000, the bonds issues defeased were called for redemption.

Component Units - Other

Bonds and notes payable are those liabilities that are paid out of resources pledged by the other component units. These notes and revenue bonds do not constitute a liability or debt of the Commonwealth. Bonds payable and notes payable outstanding at June 30, 2000 are as follows (expressed in thousands):

	Final Maturity Date	Interest Rates	Balance
<u>Bonds Payable:</u>			
Puerto Rico Highway and Transportation Authority	2039	2.85% to 7.7%	\$ 3,973,157
Puerto Rico Electric Power Authority	2028	3.8% to 7.6%	3,743,268
Government Development Bank for Puerto Rico	2021	Variable	1,161,673
Puerto Rico Municipal Finance Agency	2012	4.4% to 9.25%	1,086,458
Puerto Rico Infrastructure Financing Authority	2009	Variable	991,085
Puerto Rico Housing Bank and Finance Agency	2029	5.75% to 7.37%	635,132
Puerto Rico Aqueduct and Sewer Authority	2035	Variable	411,035
Puerto Rico Industrial Development Company	2016	3.88% to 8.27%	195,189
Puerto Rico Ports Authority	2021	5% to 7.3%	<u>104,086</u>
Total bonds payable			<u>\$ 12,301,083</u>

	Final Maturity Date	Interest Rates	Balance
<u>Notes Payable:</u>			
Government Development Bank for Puerto Rico	1999	Variable	\$1,525,610
Puerto Rico Electric Power Authority	Not fixed	Variable	130,000
Puerto Rico Aqueduct and Sewer Authority	2001	2% to 5.75%	102,993
State Insurance Fund Corporation	2019	Variable	46,451
Economic Development Bank for Puerto Rico	2001	Variable	98,606
Puerto Rico Industrial Development Corp.	1998	7.125%	14,415
Tourism Company of Puerto Rico	2002	7.85% to 8.35%	1,400
Automobile Accident Compensation Administration	1999	4.7% to 6.63%	195
Corporation of Stocks and Deposit Insurance for the Savings and Loans Cooperatives	2003	N/A	<u>311</u>
Total notes payable			<u>\$1,919,981</u>

Notes payable of \$130 million of the Puerto Rico Electric and Power Authority include \$125 million from a note payable that has no fixed maturity date and variable interest rates.

Fixed maturities required to pay principal and interest on other component units bonds and notes payable with fixed maturities at June 30, 2000, were as follows (expressed in thousands):

Bonds Payable			
Year Ending			
June 30,	Principal	Interest	Total
2001	\$ 512,069	\$ 690,100	\$ 1,202,169
2002	435,132	577,318	1,012,450
2003	434,963	559,472	994,435
2004	420,466	538,985	959,451
2005	411,613	471,496	883,109
Thereafter	10,349,001	6,117,861	16,466,862
Total	12,563,244	8,955,232	21,518,476
Discounts	(262,161)		(262,161)
Total	\$ 12,301,083	\$ 8,955,232	\$ 21,256,315

Notes Payable			
Year Ending			
June 30,	Principal	Interest	Total
2001	\$ 1,434,689	\$ 5,686	\$ 1,440,375
2002	11,159	5,432	16,591
2003	8,242	5,409	13,651
2004	5,964	5,247	11,211
2005	40,009	3,937	43,946
Thereafter	356,971	23,700	380,671
Total	1,857,034	49,411	1,906,445
Discounts	(62,053)		(62,053)
Total	\$ 1,794,981	\$ 49,411	\$ 1,844,392

The Puerto Rico Highway and Transportation Authority (PRHTA), has defeased certain revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old debts. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the general purpose financial statements. As of June 30, 2000, approximately \$643.2 million are considered defeased.

During 2000 and in prior years, the Puerto Rico Electric Power Authority (PREPA) has refunded in advance certain Power Revenue Bonds and Electric Revenue Bonds (the "Power Revenue Bonds") by placing the proceeds of new debt in an irrevocable trust to provide for future debt service payments on such bonds. Accordingly, the trust accounts, assets, and liabilities for the defeased bonds are not included in PREPA's financial statements. At June 30, 2000, \$1.16 billion of Power Revenue Bonds series M, N, O, P, R, T, and X, which remain outstanding, are considered defeased.

During 1996 and in prior years, the Puerto Rico Aqueduct and Sewer Authority (PRASA) defeased certain revenue bonds by placing the proceeds of new bonds in irrevocable trusts invested in U.S. Treasury Securities to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the PRASA's financial statements. PRASA has \$15.2 million of bonds outstanding at June 30, 2000 which are considered defeased, and which mature from July 1, 1999 through July 1, 2003.

16. GUARANTEED AND APPROPRIATION DEBT

Guaranteed Debt

The Commonwealth may provide guarantees for the repayment of certain borrowings of component units to carry out designated projects. At June 30, 2000, the following component unit debts are guaranteed by the Commonwealth (expressed in thousands):

	Maximum Guarantee	Outstanding Balance
Public Buildings Authority	\$ 2,100,000	\$ 1,689,961
Puerto Rico Aqueduct and Sewer Authority	400,340	375,080
Government Development Bank for Puerto Rico	550,000	267,000
Puerto Rico Housing Bank and Finance Agency	325,000	24,320
	<hr/>	<hr/>
Total	\$ 3,375,340	\$ 2,356,361

Law 45 of July 28, 1994, states that the Commonwealth guarantees the payment of principal and interest of all outstanding bonds at the date the Law was enacted and of all future bond issues to refinance those outstanding bonds of the Puerto Rico Aqueduct and Sewer Authority (PRASA). During December 1995, PRASA issued refunding bonds to refinance all outstanding bonds amounting to approximately \$400.3 million.

The Puerto Rico Housing Bank and Finance Agency (Housing Bank) insures mortgages granted to low and moderate income families through its mortgage loan insurance program. The Commonwealth guarantees up to \$75 million of such mortgage loans. As of June 30, 2000, the mortgage loan insurance program was insuring loans aggregating \$360 million and had not issued any debenture bonds. Currently, the Commonwealth has not been called to make any direct payments pursuant to these guarantees.

During the fiscal year ended June 30, 1995, Housing Bank created a new loan insurance program to provide mortgage credit insurance to low and moderate-income families for the purchase of land lots. The program began with an initial contribution of \$500 thousand from Housing Bank's Governmental Funds. In addition, the programs are to be financed by further legislative appropriations from the Commonwealth, and proceeds from mortgage insurance premiums and any other income derived from the insurance activity. Under this program, Housing Bank is authorized to commit the good faith and credit of the Commonwealth for up to \$5 million in connection with the issuance of debenture bonds.

The Commonwealth guarantees the Adjustable Refunding Bonds, Series 1985, issued by the Government Development Bank for Puerto Rico, a discretely presented component unit.

The Commonwealth has guaranteed the payments of rentals of its departments, agencies and component units to the Public Buildings Authority (PBA), a blended component unit, under various lease agreements executed pursuant to the law that created PBA. Such rental payments include the amounts required by PBA for the payment of principal and interest on the guaranteed debt as authorized by law. The rental commitment to cover principal and interest on the guaranteed debt as of June 30, 2000 for the next five years and thereafter follows (expressed in thousands):

Year Ending June 30,	Principal	Interest
2001	\$ 69,645	\$ 97,718
2002	70,077	95,305
2003	70,595	92,786
2004	57,352	90,048
2005	61,250	89,900
Thereafter	1,355,544	730,010
Total	\$ 1,684,463	\$ 1,195,767

Appropriation Debt

At June 30, 2000, the outstanding balances of debt payable by government appropriations and which are included in the individual financial statements of these entities are as follows (expressed in thousands):

Component Units - Other:

Puerto Rico Infrastructure and Financing Authority	\$ 377,597
Puerto Rico Housing Bank and Finance Agency	173,060
Puerto Rico Aqueduct and Sewer Authority	192,737
Sugar Corporation of Puerto Rico	52,409
Agricultural Services and Development Administration	10,000
Puerto Rico Metropolitan Bus Authority	18,493
Puerto Rico Land Authority	16,495
Puerto Rico Solid Waste Authority of Puerto Rico	5,084
Puerto Rico Land Administration	1,420
Tourism Company of Puerto Rico	1,400
Institutional Trust of the National Guard	3,826
Rural Development Corporation	3,822

17. CONDUIT DEBT OBLIGATIONS

From time to time, certain of the Commonwealth's component units issue revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of transportation, environmental, industrial, tourism, commercial facilities, and Caribbean Basin projects deemed to be in the public interest and that are expected to provide benefits to Puerto Rico. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the Commonwealth, nor any political subdivision or component unit thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the financial statements of the issuing entities.

As of June 30, 2000, conduit debt obligations consisted of the following bonds issued by component units (expressed in thousands):

Issuing Entity	Issued To Date	Amount Outstanding
Discretely Presented Component Units:		
Caribbean Basin Projects Financing Authority	\$ 676,000	\$ 553,900
Puerto Rico Ports Authority	\$ 155,410	\$ 155,410
Puerto Rico Highway and Transportation Authority	\$ 117,000	\$ 165,855
Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority	\$ 5,063,000	\$ 2,843,000

Caribbean Basin Projects Financing Authority (CBPFA)

Pursuant to the loan agreements covering the issuance of these bonds, the proceeds from the sales were borrowed from CBPFA by corporations and partnerships operating in qualified Caribbean Basin countries. The revenue bonds are special and limited obligations of CBPFA and, except to the extent payable from bond proceeds and investments thereof, will be payable solely from and secured by a pledge and assignment of the amounts payable under the loan agreements between the CBPFA and the borrowers. Furthermore, payment of the principal and interest on the revenue bonds is unconditionally guaranteed by the borrowers, their parent companies and/or letters of credit from major United States banks or United States branches of international banks. The revenue bonds do not constitute a debt or a pledge of the good faith and credit of CBPFA or the Commonwealth or any political subdivision thereof. Since inception and up to June 30, 2000, CBPFA has issued revenue bonds aggregating \$676 million of which \$553.9 were outstanding at June 30, 2000.

Puerto Rico Ports Authority

The Puerto Rico Ports Authority (PRPA) issued Special Facilities Revenue Bonds (1993 Series A) under the provisions of a Trust Agreement between PRPA and a private bank. The proceeds from the sale of the bonds were used to finance the construction of facilities, acquisition of equipment, and improvements to the Luis Muñoz Marín International Airport, for the benefit of a major private airline. The property is owned by PRPA and leased to the private company. Pursuant to the agreement between PRPA and the private company, the bonds will be paid from the rent collected from the airline in amounts sufficient to pay principal, premium (if any), and interest on the bonds. The airline has guaranteed these payments.

Puerto Rico Highway and Transportation Authority (PRHTA)

In March 1992, PRHTA issued Special Facility Revenue Bonds for approximately \$117 million for the construction of a toll bridge. The proceeds from the sale of these bonds were transferred by PRHTA to a private entity, pursuant a signed agreement for the construction, transfer and operation of the bridge. The bonds shall be paid from the proceeds received by the private entity from the operations of the bridge. However, under certain circumstances, the private entity may have the right of terminating the agreement and PRHTA will assume the obligation to pay the bonds. At June 30, 2000, the outstanding debt balance, including accrued interest, amounted to approximately \$165.8 million and the sinking fund balance amounted to \$3.5 million.

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

The revenue bonds of the Authority are used to finance facilities for environmental control, development of industrial and commercial companies, tourism projects, hospitals, and educational facilities. Pursuant to the loan agreements, the proceeds from the sales were borrowed by corporations and partnerships operating in Puerto Rico. The bonds are limited obligations of the Authority and, except to the extent payable from bond proceeds and investment thereof, will be payable solely from and secured by a pledge and assignment of the amounts payable under the loan agreements between the Authority and each borrower. Furthermore, payment of the principal and interest on the revenue bonds is unconditionally guaranteed by each of the borrowers, their parent companies or letters of credit from major US banks or US branches of international banks. Since inception and up to June 30, 2000, the Authority has issued revenue bonds aggregating \$5,063 million, of which \$2,843 million were outstanding as of June 30, 2000.

18. CONTRIBUTED CAPITAL

The changes in the government's contributed capital accounts for its enterprise funds and discretely presented component units were as follows (expressed in thousands):

	Enterprise Funds	Component Units Other
Contributed capital, at beginning of year, as previously reported	\$ 5,969	\$ 6,593,721
Contributing sources (uses):		
Transfer to retained earnings (See Note 19)		(1,381,970)
Capital asset appropriations from the Commonwealth		95,648
Capital projects assistance from Federal Government		184,903
Transfer of ferries operations to the Puerto Rico Maritime Transportation Authority (See Note 19)		-
Transfer to transportation projects		167,402
Depreciation on equipment acquired through capital contributions	(2,258)	(78,951)
Contributions from cooperatives		3,911
Net assets transferred from a component unit		3,383
Payments for acquisition of fixed assets	<u>232</u>	<u>475</u>
Contributed capital, at end of year	<u>\$ 3,943</u>	<u>\$ 5,588,522</u>

19. CHANGES IN THE REPORTING ENTITY, POLICIES AND OTHER EQUITY CHANGES

- A. Certain changes were made to the entities reported for the fiscal year ended June 30, 2000.
- Health Facilities and Services Administration of Puerto Rico ceased operations as an enterprise fund effective July 1, 1999. Resources and continuing operations were transferred to the General Fund, General Fixed Asset Account Group and Long-term Debt Account Group. (Also, see Note 28 for an explanation of the residual equity transfer.)
 - The Children's Trust was created by Act 173 on July 30, 1999 to develop programs aimed at promoting the well being of children and youth of Puerto Rico. These programs are to be financed from the proceeds of a Global Settlement Agreement between certain tobacco companies and certain states and territories reported as discretely presented component units.
 - The Puerto Rico Ports Authority transferred \$60 million of certain marine operations to the Puerto Rico Maritime Transportation Authority effective January 2000 that is also presented as a discretely presented component unit.
 - The Commercial and Farm Credit and Development Corporation for Puerto Rico, a discretely presented component unit at June 30, 1999 was consolidated with the Economic Development Bank for Puerto Rico, also a discretely presented component unit. This increased EDB equity by \$5 million.
- B. The GDB changed its policy of reporting permanent capital and transferred \$1,305 million from contributed capital to retained earnings. Also, the Ports Authority reclassified \$77 million of balances from contributed capital to retained earnings.
- C. Certain other discretely presented component units restated beginning retained earnings/fund balances.

	Component Units-Other
Beginning retained earnings/fund balances, as previously reported	\$ 2,396,955
Restatements:	
Recreational Development Company of Puerto Rico	8,036
Trust for the Conservation and Maintenance of the Puerto Rico National Parks	730
Musical Arts Corporation	(649)
Medical University Services, Inc.	(243)
	<hr/>
Beginning retained earnings/fund balances, as restated	<u>\$ 3,786,799</u>

The Recreational Development Company of Puerto Rico adjusted the beginning fund balance for approximately \$8.4 million of revenues and \$400 thousand of expenditures not recorded in prior years.

The Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks adjusted the beginning fund balance for approximately \$1.5 million of expenditures duplicated during 1999 and approximately \$(768) thousand of revenues duplicated during 1999.

The Musical Arts Corporation adjusted the beginning fund balances for approximately \$(649) thousand to record the net pension obligation for the musicians retirement system plan.

The Medical University Services, Inc. adjusted the beginning fund balances for approximately \$(243) thousand to record expenditures not recorded in prior year.

20. RISK MANAGEMENT

The following describes the risk management programs administered by the University of Puerto Rico, the Puerto Rico Electric Power Authority, the Puerto Rico Aqueduct and Sewer Authority and the State Insurance Fund Corporation.

Public University Funds

The University of Puerto Rico (UPR) is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Through January 1993 UPR was insured under claims-made insurance policies with respect to medical malpractice risks for \$250 thousand per occurrence up to an annual aggregate of \$500 thousand. Subsequent to such date UPR was unable to obtain insurance at a cost it considered to be economically justifiable. Consequently, UPR is now self-insured for such risks. Under Law Number 98 of August 24, 1994, the responsibility of UPR on medical malpractice claims is limited to a maximum amount of \$75 thousand per person, or \$150 thousand if it involves actions for damages to more than one person or where a single injured party is entitled to several causes of action. Self-insured risks liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in the claims liability amount for the current and prior fiscal year were as follows (expressed in thousands):

	2000	1999
Claims payable - July 1	\$ 11,789	\$ 8,855
Incurred Claims and Changes in Estimates	2,682	5,302
Net Payments for Claims and Adjustment Expenses	(1,116)	(2,368)
	<hr/>	<hr/>
Claims payable - June 30	<u>\$ 13,355</u>	<u>\$ 11,789</u>

UPR continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Puerto Rico Electric Power Authority (PREPA)

The Puerto Rico Electric Power Authority (PREPA) is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under the property and casualty insurance program PREPA provides coverage, among others, for up to a maximum of \$250 thousand for each general and liability claim, and \$2 million, for each boiler and machinery and property liability claim. In addition, the property liability policy imposes windstorm and earthquake deductibles at 2% and 5% of the locations value subject to

a maximum deductible of \$25 million per occurrence. PREPA purchases commercial insurance for claims in excess of coverage provided through the property and casualty insurance program. PREPA considers its Self-Insurance Fund adequate to provide for its self-insurance risk. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

PREPA has a cost plus health insurance program covering substantially all employees. PREPA entered into contracts with two plan administrators for the processing, approval and payment of claims at cost plus an administrative fee. The accrual includes claims processed and an estimate for claims incurred but not reported.

In addition, PREPA is self-insured for damage to its transmission and distribution lines since June 1993. Transmission and distribution lines amounted to approximately \$2.7 billion at June 30, 2000. The Authority Self-Insurance Fund provides for its self insurance risk. This fund represents, principally retained earnings and restricted assets set aside for self insurance amounting to approximately \$68.9 million as of June 30, 2000.

Changes in the balances of the health insurance program and other self-insurance risks for the current and prior fiscal year were as follows (expressed in thousands):

	2000	1999
Claims payable - July 1	\$ 37,804	\$ 35,289
Incurred claims	85,173	65,959
Claim payments	<u>(82,056)</u>	<u>(63,444)</u>
Claims payable - June 30	<u>\$ 40,921</u>	<u>\$ 37,804</u>

Puerto Rico Aqueduct and Sewer Authority (PRASA)

The Puerto Rico Aqueduct and Sewer Authority (PRASA) is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under the property insurance program PRASA has a \$200 million blanket insurance on all real and personal property. The deductible for windstorm and flood is 2% and 5% for earthquake with a maximum amount of \$2 million and \$5 million, respectively. All other perils have a deductible of \$100 thousand per occurrence except underground perils which have a \$1.5 million deductible.

The Comprehensive General liability and Automobile liability has basic limits of \$3 million and the umbrella is \$50 million per occurrence. The general liability coverage has a deductible of \$100 thousand subject to an annual stop loss limit of \$2.25 million.

The Boiler and Machinery Policy has a \$12.5 million aggregate and the Director and Officers Liability policy has a \$12 million aggregate.

Also, Crime Insurance Policy is provided with \$1 million fidelity bond, and an insurance coverage of \$500 thousand for the premises, transit, and depositors forgery. There is a sublimit of \$10 thousand for money orders and counterfeit currency coverages.

PRASA's insurance program is carried out by insurance brokers in coordination with the PRASA's Insurance Office. Claims and liabilities are accounted for when it is probable that a claim has occurred and the amount of loss can be reasonably estimated.

PRASA has a cost plus health insurance program covering its managerial employees. The plan administrator has a contract for the processing, approval and payment of claims at cost plus an administrative fee. The Authority incurred health insurance claims including an estimate for incurred but not reported claims of approximately \$3.0 million for the year ended June 30, 2000.

State Insurance Fund Corporation (SIFC)

The SIFC provides workers' compensation insurance to public and private employees. This insurance covers workers against injuries, disability or death because of work or employment related accidents, or because illness suffered as a consequence of their employment.

SIFC establishes liabilities for incurred but unpaid benefits and benefit adjustment expenses based on the ultimate cost of settling the benefits.

The following table provides a reconciliation of the beginning and ending liability for incurred but unpaid benefits and benefit adjustment expenses for the years ended June 30, 2000 and 1999 (expressed in thousands):

	2000	1999
Liability for incurred but unpaid benefits and benefit adjustment expenses, beginning of year	\$ 913,892	\$ 879,618
Incurred benefits related to:		
Insured events of the current year	439,301	430,692
Insured events of prior years	(89,194)	15,974
Total incurred benefits	350,107	446,666
Benefit payments related to:		
Insured events of the current year	204,068	201,061
Insured events of prior years	189,474	211,331
Total benefit payments	393,542	412,392
Liability for incurred but unpaid benefits and benefit adjustment expenses, end of year	\$ 870,457	\$ 913,892

The liability for compensation benefits is based on historical claims experience data and assumptions and projections as to future events, including claims frequency, severity, persistency and inflationary trends determined by an independent actuary. The liability for benefits and expenses payable has been discounted at 6% in 2000 and 1999. The actuarial study considered the experience of SIFC from fiscal years 1983-84 to 1999-00, and included estimates for cases reported that have not been adjudged and cases incurred but not reported. The actuarial study also included estimates for medical benefits, benefit adjustment expenses and reimbursement of premiums. The assumptions used in estimating and establishing the liability are reviewed annually based on current circumstances and any adjustments resulting thereof are reflected in operations in the current period.

21. COMMITMENTS AND CONTINGENCIES

Primary Government

The Commonwealth is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Under Act No. 104 of June 25, 1955, as amended, persons are authorized to sue the Commonwealth only for causes of actions set forth in said Act to a maximum amount of \$75 thousand or \$150 thousand if it involves actions for damages to more than one person or where a single injured party is entitled to several causes of action. Under certain circumstances, as provided in Act No. 9 of November 26, 1975, as amended, the Commonwealth may provide its officers and employees with legal representation, as well as assume the payment of any judgment that may be entered against them. There is no limitation on the payment of such judgment.

With respect to pending and threatened litigation, excluding the litigation mentioned in the following paragraph, the Commonwealth has reported liabilities of approximately \$350 million for awarded and anticipated unfavorable judgments. This amount was included as other long-term liabilities in the general long-term debt account group and represents the amount estimated as a probable liability or a liability with a fixed or expected due date which will require future available financial resources for its payment and includes approximately \$200 million related to the complaints filed in 1979 by the inmates of the correctional facilities in Puerto Rico (see Note 26). Management believes that the ultimate liability in excess of amounts provided, if any, would not be significant.

The Commonwealth and various component units are defendants in a lawsuit alleging violations of civil rights. Preliminary hearings and discovery proceedings are in progress. The amounts claimed exceed \$50 billion; however, the ultimate liability cannot be presently determined. It is the opinion of management that the claim is excessive and exaggerated. No provision for any liability that may result upon adjudication of this lawsuit has been recognized in the financial statements by the Commonwealth.

During the year ended June 30, 2000, Public Building Authority, a blended component unit, sold four health facilities with a carrying value of approximately \$26.4 million for \$19.2 million.

The Commonwealth's escheat bank account regulations require financial institutions doing business in Puerto Rico to remit to the Commonwealth all balances in deposit accounts under their custody that have been inactive for a period of five years. The Commonwealth shall reimburse any claims received from the owners of those accounts for a period of 10 years from the date of receipt from the financial institution. The balance of unclaimed escheat bank accounts as of June 30, 2000 is approximately \$45.6 million. No liability has been recorded at June 30, 2000 because subsequent payments are estimated to be immaterial.

The minimum annual payments related to unpaid awards for The Additional Lottery System, an enterprise fund, during the next five years is approximately \$27.1 million during 2001, \$27.0 million during 2002, \$26.9 million during 2003, 2004 and 2005 and \$261.1 million thereafter. Imputed interest amounts to approximately \$144.8 million at June 30, 2000.

The Commonwealth receives financial assistance from the federal government in the form of grants and entitlements. Non-cash federal financial assistance programs received by the Commonwealth amounted to approximately \$ 15.3 million. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations,

including the expenditure of resources for eligible purposes. Substantially all grants are subject to audit under the Single Audit Act of 1984, as amended, all of which are performed at the individual agency level. Disallowances as a result of these audits may become liabilities of the Commonwealth. At June 30, 2000, based on an evaluation of pending disallowances, the Commonwealth has recorded approximately \$172.9 million as other long-term liabilities in the general long-term debt account group for this purpose.

Construction commitments at June 30, 2000 for the Public Buildings Authority, a blended component unit amounted to approximately \$229 million.

Public University Funds

The University of Puerto Rico (UPR) capital construction program for educational facilities for the fiscal year ended on June 30, 2000 amounts to approximately \$7.1 million. This program is intended to be permanently financed with a future bond issuance.

UPR participates in a number of federal financial assistance programs. These programs are subject to audits in accordance with the provisions of the Single Audit Act of 1984 as amended, and U.S. Office of Management and Budget Circular A-133, "*Audits of State, Local Governments, and Non-Profit Organizations*", or to compliance audits by grantor agencies. Although these programs have been audited through June 30, 2000 under the Single Audit Act of 1984, as amended, and through various dates by grantor agencies, the resolution of certain previously identified questioned costs has not been resolved. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although, UPR's management expects such amounts, if any, will be immaterial.

Component Units - Other

In the normal course of their operations the various component units-other are subject to actions brought by third parties seeking damages or enter into commitments. Such actions are disclosed in the separately issued reports of the component units and are summarized below if material to the Commonwealth's reporting entity.

Government Development Bank for Puerto Rico and Subsidiaries (GDB)

At June 30, 2000, GDB has financial guarantees for public entities for approximately \$141.3 million and for private sector of approximately \$645 million. In addition, standby letters of credit to public entities were approximately \$138.2 million and to private sector were approximately \$23.7 million. Commitments to extend credit to public entities were approximately \$2.5 billion, and to private sector were approximately \$100.5 million.

GDB enters into sales of securities under agreements to repurchase. These agreements generally represent short-term debts and are presented as a liability in the general purpose financial statements. The securities underlying these agreements, are usually held by the broker, or its agent, with whom the agreement is transacted. As of June 30, 2000 the carrying amount of those *investments was approximately \$19.8 million. During the year, the average amount outstanding was approximately \$29.8 million; the maximum amount outstanding at any month-end was approximately \$149.9 million; and the weighted average interest rate for the year and at year end was approximately 5.64% and 6.45%, respectively.

GDB issues commercial paper in the United States taxable and tax exempt commercial paper markets, the Euro-dollar commercial paper market and to corporations that have tax exemption under the Commonwealth's Industrial Incentives Act and qualify for benefits provided by the US Internal Revenue Code Section 936. Commercial paper represents unsecured obligations of GDB. The carrying amount of commercial paper at June 30, 2000 was approximately \$1.4 billion, the maximum amount outstanding at any month-end was approximately \$1.6 billion, the weighted average amount outstanding during the year was approximately \$1.3 billion, and the weighted average interest rate for the year and at year end was approximately 3.72% and 3.84%, respectively.

During 1996 GDB designated certain real estate for the site to be known as the Puerto Rico Art Museum. The Museum has been organized as a nonprofit organization, which will have a separate board of directors. GDB intends to invest approximately \$55 million in refurbishing the property. The amount incurred in connection with the project and charged to operations during the year ended June 30, 2000 was approximately \$46.3 million.

Puerto Rico Electric Power Authority (PREPA)

The Puerto Rico Electric Power Authority is required to make contributions to the Commonwealth, and to the municipalities, to the extent net revenues (as defined by the bond indentures of PREPA), are available. For the year ended June 30, 2000, PREPA contributed approximately \$14.7 and \$83.8 million; to the Commonwealth and to the municipalities of Puerto Rico, respectively.

Facilities and operations of PREPA are subject to regulations under numerous Federal and Commonwealth environmental laws, including the Clean Air Act, Clean Water Act, and the National Pollutant Discharge Elimination System. In February 1992, the Environmental Protection Agency (EPA) performed an inspection of various facilities of PREPA and noted deficiencies in various areas. Since 1993, the EPA, the Federal Department of Justice (DOJ) and PREPA have been involved in negotiations to pursue a comprehensive settlement of the case and assure future compliance with applicable regulatory provisions. Among other things, the settlement proposal considers investment in capital improvements and Supplemental Environmental Projects.

In October 1994, PREPA signed a contract with AES Puerto Rico, L.P. (AES) for the purchase of up to 454 megawatts of electrical power generated from a coal fluidized bed combustion facility. PREPA will pay its purchased power based on energy and dependable capacity delivered, as more fully explained in the contract. The term of the agreement is for twenty-five years. This project is currently in its final stages.

In March 1995, PREPA signed a contract with EcoEléctrica to purchase power from a 507 megawatt gas-fired combined cycle power plant. The term of the agreement is for twenty-two years. This plant has commenced generating power.

As of June 30, 2000, PREPA has commitments of approximately \$357.5 million on active construction, maintenance and engineering services contracts.

Puerto Rico Highway and Transportation Authority (PRHTA)

Construction commitments at June 30, 2000 for the Puerto Rico Highway and Transportation Authority amounted to approximately \$966.1 million.

Puerto Rico Aqueduct and Sewer Authority (PRASA)

PRASA is a defendant or co-defendant in various claims for damages and lawsuits. Most of the cases are pending trial or final judgment. Management of PRASA and legal counsel are of the opinion that any liability that may result from such claims and lawsuits would not have a material adverse effect on PRASA's financial position as of June 30, 2000.

Facilities and operations of PRASA's water and sewer system are subject to regulation under numerous Federal and Commonwealth environmental laws. Under agreements with the Federal Government, acting on behalf of the Environmental Protection Agency ("EPA"), PRASA and the Commonwealth are subject to consent decrees to enforce compliance with environmental laws. Accordingly, PRASA is assessed stipulated non-compliance penalties.

During the year ended June 30, 2000, such penalties amounted to \$1.9 million. In addition, PRASA has committed to perform environmental projects, in lieu of penalties, in the amount of \$2.0 million as of June 30, 2000. As of June 30, 2000, PRASA has a deposit with the Government Development Bank for Puerto Rico, a discretely presented component unit, amounting to \$700 thousand in escrow for environmental projects. In addition, PRASA also subscribed an Administrative Order for the construction of sludge treatment facilities at June 30, 2000 which require a capital cost of \$30 million.

On May 26, 1995, PRASA and Professional Services Group, Inc. (PSG) entered into an agreement (Agreement) for the operation, management, repair and maintenance of PRASA's aqueduct, sewer and customer services systems (System). The Agreement commenced on September 1, 1995 for a five-year term. This Agreement was amended and restated on September 15, 1998.

On March 1, 1999, PRASA, Compagnie Generale Des Eaux-Sahide ("CGE"), and Aqua Alliance Inc. ("AA"), as assignee of PSG, entered into a Second Amended and Restated Agreement ("the New Agreement") for the operation, management, repair and maintenance of the System. PSG changed its name to Compañía de Aguas de Puerto Rico, Inc. ("CAPR"). The New Agreement covers contract years commencing on September 1, 1998 and expires on August 31, 2001, unless terminated earlier pursuant to the provisions of the New Agreement. Payments under the contract for management fees and administrative expenses amounted to \$153 million for the year ended June 30, 2000.

CGE guarantees performance of the New Agreement, and the Government Development Bank for Puerto Rico, a discretely presented component unit, guarantees the full payment and collection of the management fee and incentives earned by CAPR pursuant to the New Agreement.

PRASA, pursuant to the New Agreement will make payments to CGE for each contract year (from September 1 through August 31) as follows:

Contract Year	Management Fee	Operational Costs	Water Trucking	Electricity	Chemicals	Training	Total
2000	\$ 19.2	\$ 46.3	\$ 7.0	\$ 51.5	\$17.2	\$2.7	\$143.9
2001	<u>19.2</u>	<u>46.3</u>	<u>7.0</u>	<u>51.5</u>	<u>17.2</u>	<u>2.7</u>	<u>143.9</u>
	<u>\$ 38.4</u>	<u>\$92.6</u>	<u>\$14.0</u>	<u>\$ 103.0</u>	<u>\$34.4</u>	<u>\$5.4</u>	<u>\$287.8</u>

The Federal Government has made various audits in which it claims that PRASA should reimburse the Federal Government for grants used in the construction of projects which it considers are ineligible and are unsupported. Audit findings amount to approximately \$5.6 million. PRASA is

challenging the findings and expects that the final resolution will not be significant to its financial position.

The estimated cost of construction contracts in progress at June 30, 2000 amounted to approximately \$390 million.

Puerto Rico Telephone Authority (PRTA)

The PRTA has been advised of certain unasserted claims and, together with Puerto Rico Telephone Company, Inc. (PRTC) and Celulares Telefónica, Inc. (CT), are defendants in several lawsuits arising out of the conduct of their normal course of business, including those related to regulatory actions and commercial transactions. These claims have been vigorously contested and management of PRTA and PRTC and CT, after consultation with legal counsels, established adequate reserves at PRTC and CT to cover the claims. Management believes that the final resolution of the legal cases will not have a material adverse effect on the financial position and results of operations of PRTA and its subsidiaries.

GTE International Telecommunications Incorporated, a member of the GTE Group, delivered a notice of claim for indemnity to PRTA related to certain alleged actions of PRTA that occurred before the closing of the purchase transaction described in Note 25. The amount of indemnity sought by GTE is approximately \$105 million, mostly related to PRTC's exposure to a potential reduction in tariffs or required rebate to clients as a result of an adverse decision by the FCC on a regulatory matter. The FCC's decision has been appealed by PRTC and is waiting a determination by the FCC. In connection with the privatization, PRTA agreed to indemnify, defend and hold TELPRI harmless for specified litigation in excess of \$50 million in the aggregate.

Puerto Rico Industrial Development Company (PRIDCO)

PRIDCO estimates expenditures of approximately \$50 million for construction, land acquisition and development for the year ending June 30, 2000. The expenditures will be financed through internally generated funds, federal grants and external financing sources.

A significant amount of PRIDCO's revenues is derived from United States mainland companies most of which operate in Puerto Rico under the benefits of US Internal Revenue Code Section 936. On August 20, 1996, the President of the United States signed into law a minimum wage legislative package which, among other matters, eliminated US Tax Code Section 936. However, the management of PRIDCO does not foresee a major impact in PRIDCO's operations due to the elimination of Section 936.

Puerto Rico Infrastructure Financing Authority (PRIFA)

The law that created PRIFA requires that in fiscal year 1998 the first \$60 million and \$70 million thereafter up to fiscal year 2028 of Federal excise taxes received by the Commonwealth be transferred to PRIFA for deposit to PRIFA's infrastructure fund (the "Infrastructure Fund"). Federal excise taxes consist of taxes received by the Commonwealth from the United States in connection with rum and other articles produced in Puerto Rico and sold in the United States that are subject to Federal excise tax.

The trust agreement requires PRIFA to deposit to the credit of the sinking fund the Federal excise taxes and other monies deposited to the credit of the Infrastructure Fund in such amounts as are required to meet debt service requirements in respect of the bonds. Rum is the only article currently

produced in Puerto Rico subject to Federal excise tax, the proceeds of which are required to be transferred from the Federal government to the Commonwealth.

The Federal excise taxes securing the Bonds are subject to a number of factors, including the continued imposition and remittance of such taxes to the Commonwealth and conditions affecting the Puerto Rico rum industry. If the Federal excise taxes received by the Commonwealth in any fiscal year are insufficient to deposit the amount required by the Act into the Infrastructure Fund, the Act requires that PRIFA request and the Director of the Office of Management and Budget include in the budget of the Commonwealth for the corresponding fiscal year an appropriation necessary to cover such deficiency. The Commonwealth's Legislature, however, is not legally obligated to make the necessary appropriation to cover such deficiency.

During the year ended June 30, 2000, the amount required by the Act was deposited in the Infrastructure Fund.

Act No. 92 of the Legislature of the Commonwealth of June 24, 1998 ("Act No. 2") provides, among others, for the creation of an Infrastructure Development Fund (the "Development Fund") to be administered by PRIFA. The Development Fund consists of a corpus account, to be funded with a portion of the proceeds from the sale of assets of Puerto Rico Telephone Authority ("PRTA"), and additional accounts created or to be created by PRIFA. Act No. 92 provides that the principal of the corpus account may not be reduced for any reason and that income received from the investment of monies in the corpus account and other monies received may be deposited in any of the additional accounts. On March 2, 1999, PRIFA received \$1.2 billion in connection with the sale of certain assets of PRTA, which were deposited in the corpus account. Monies deposited in the additional accounts are to be used first to pay the principal premium, and interest of any bonds outstanding or to be issued by PRIFA and then for the expansion, development, and modernization of infrastructure related to the aqueduct and sewer systems of Puerto Rico.

The monies deposited in the Development Fund shall be invested up to \$1 billion in (1) direct obligations of the U.S. Government; (2) obligations, the payment of principal and interest of which is unconditionally guaranteed by the U.S. Government; (3) certificates of deposit of any bank, national bank association or trust company organized and existing under the laws of the Commonwealth, the United States of America or any of its states, on which the excess over the federal deposit insurance is secured by investments of the types described in (1) and (2) above; or (4) tax-exempt obligations of any state, instrumentality, agency, or political subdivision of Puerto Rico or the United States, the payment of principal and interest of which is secured by investments of the types described in (1) and (2) above. Monies in excess of \$1 billion shall be invested in any of the instruments mentioned above or in any other instruments, including publicly traded common and preferred stock, not prohibited by investment guidelines adopted by the Government Development Bank for Puerto Rico, a discretely presented component unit.

Puerto Rico Housing Bank and Finance Agency (PRHBFA)

The PRHBFA is an "Eligible Similar Institution", as defined by the Puerto Rico Commissioner of Financial Institutions. Such designation allows PRHBFA to receive up to \$250 million in eligible funds (commonly known as "936" tax exempt funds) which are received through obligations under reverse repurchase agreements and used for an arbitrage program. At June 30, 2000, PRHBFA has approximately \$250 million in such funds, through obligations under reverse repurchase agreements.

The \$250 million of 936 funds received under reverse repurchase agreements are presented as a liability in the general purpose financial statements at June 30, 2000. As of June 30, 2000, the aggregate market value plus accrued interest of the underlying securities does not exceed the obligations under reverse repurchase agreement including accrued interest.

Land Authority of Puerto Rico (LAPR)

LAPR is a defendant under a claim brought by a group of pineapple farmers amounting to approximately \$43 million. LAPR is litigating this action, but the ultimate outcome cannot be presently determined due to the stage of proceedings. Accordingly, no provision for any liability that may result upon final resolution of these actions has been made in the financial statements of LAPR.

Corporation of Stocks and Deposit Insurance for the Savings and Loans Cooperatives (CSDISLC)

At June 30, 2000, the maximum limit of the insurance coverage was \$100 thousand per member or depositor. The total shares and deposits of insured cooperatives as of June 30, 2000 approximated \$4.1 billion.

The activity in the reserve for possible losses during the years ended June 30, 2000 and 1999 was as follows (expressed in thousands):

	2000	1999
Balance, beginning of year	\$ 22,000	\$ 19,000
Provision for the year	4,300	3,500
Claim payments	(4,100)	(2,200)
Recoveries	800	1,700
	<hr/>	<hr/>
Balance, end of year	<u>\$ 23,000</u>	<u>\$ 22,000</u>

Under the terms of certain merger agreements for troubled cooperatives, CSDISLC has agreed to repurchase certain loans. CSDISLC's management is of the opinion that any liability ultimately arising from these agreements will not be material.

Economic Development Bank for Puerto Rico (EDB)

Time deposits of approximately \$399.8 million at June 30, 2000 consist principally of certificates of indebtedness from eligible or similar depository institutions which are recipients of funds from corporations that have grants of tax exemption under the Commonwealth's Industrial Incentives Act, and that qualify for the benefits provided under US Internal Revenue Code Section 936, pursuant to the investment requirements under Regulation 5105 of the Commissioner of Financial Institutions of the Commonwealth.

EDB enters into sale of securities under agreements to repurchase. These agreements generally represent short-term borrowings and are presented as a liability in the general purpose financial statements. The securities underlying these agreements, are usually held by the broker, or its agent, with whom the agreement is transacted. As of June 30, 2000, the carrying amount of those investments was approximately \$318.8 million. During the year, the average amount outstanding was approximately \$519.6 million; the maximum amount outstanding at any month-end was approximately \$677.0 million; and the weighted average interest rate for the year and at year end was approximately 5.52% and 6.21%, respectively.

At June 30, 2000, total outstanding loan guarantees amounted to approximately \$5.3 million. EDB has recorded an accrual for losses on loan guarantees amounting to approximately \$1 million, which is included in the financial statements of EDB.

EDB's business activities are with customers located in Puerto Rico. EDB's loan transactions are all directed toward the private sector of the Island's economy, principally encompassing manufacturing, agriculture, tourism and other service enterprises, among others. The purpose of these loans is to provide financing to commercial and agricultural entrepreneurs doing business in Puerto Rico. The collateral held on the EDB's loans varies, but usually includes chattel and real estate mortgages.

Approximately 72% of the EDB's deposits, repurchase agreements and promissory notes represent funds ("936 Funds") received from United States corporations ("936 Corporations") which qualified for the income tax credit provided by Section 936 of the United States Internal Revenue Code of 1986 (the "Code"). The interest paid by EDB on these 936 Funds constituted qualified possession source investment income ("QPSII") eligible for the credit provided by Section 936 of the Code.

On August 20, 1996, the President of the United States signed into law a legislative package which, among other things, eliminated the Section 936 credit for QPSII for taxable years commencing after December 31, 1995. The elimination of the Section 936 credit for QPSII is expected to reduce the supply of 936 Funds available for investment in Puerto Rico.

Certain amendments have been adopted to the regulation issued by the Puerto Rico Commissioner of Financial Institutions which establishes investment requirements for 936 Funds ("Regulation 5105"). These amendments are designed to promote the availability of 936 Funds to EDB. Management of EDB expects that the elimination of the Section 936 credit for QPSII will result in a manageable reduction in the amount of 936 funds available to it and that the cost of these funds will not increase significantly.

In the normal course of business, EDB is party to financial instruments with off-balance sheet risk to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and to purchase investment and mortgage-backed securities, financial guarantees, and interest rate exchange agreements. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the financial statements. These off-balance sheet risks are managed and monitored in manners similar to those used for on-balance sheet risks. EDB's exposure to credit loss for lending commitments is represented by the contractual amount of such transactions. The notional amounts for other off-balance sheet risks express the dollar volume of the transactions, but the credit risk might be lower.

State Insurance Fund Corporation (SIFC)

During March and April 1998, SIFC entered into various contracts for the construction of its new headquarters at an estimated cost of approximately \$50.2 million. The undisbursed portion of these contracts amounted to approximately \$26.2 million at June 30, 2000.

Sugar Corporation of Puerto Rico (SCPR)

SCPR is a defendant in several wage actions for back wages and other claims. Most of these claims resulted from the sugar mills closing throughout the years. As of December 31, 1999, labor related claims amounted to approximately \$10.3 million. Management is defending its position vigorously and believes that resulting financial impact, if any, is adequately covered with recorded reserves.

Also, there is a provision of approximately \$20 million for the estimated environment costs to be incurred in the clean up of the SCPR's properties. These costs will be covered by Legislative Appropriations from the Commonwealth of Puerto Rico.

SCPR is also involved in other legal cases arising in the normal course of business. As of December 31, 1999, such claims amounted to approximately \$151.0 million. SCPR is in the process of litigating these actions, but the ultimate outcome is uncertain at this time and accordingly, the liability of SCPR, if any, cannot be presently determined.

A reserve related to the liquidation process was established which considers an estimate for labor legal cases, environmental financial exposure and other claims. However, it is not presently determinable if this reserve will be sufficient to cover actual losses. (See Note 27).

Puerto Rico Ports Authority (PRPA)

PRPA has entered into various contracts with outside contractors for the construction of terminal buildings and other facilities. PRPA records the liabilities for these contracts as progress billings are made by the contractor, based on completed work, as received. At June 30, 2000, PRPA had unperformed construction commitments of approximately \$14 million.

In December 1992, an arbitrator entered a decision against PRPA regarding a claim made by certain unions under collective bargaining agreements and applicable law. After the decision, PRPA initiated a legal proceeding alleging that a penalty imposed by the arbitrator is against applicable laws. During 1997, the Superior Court of the Commonwealth of Puerto Rico ruled in favor of PRPA; however, the union requested revision of the decision in the Appellate Court. In case the court rules in favor of the union, the estimated liability will be in excess of \$7 million. PRPA has recorded reserves in prior years to cover any liability in this case amounting to approximately \$8.4 million.

Tourism Company of Puerto Rico (TCPR)

TCPR has entered into several agreements with private third parties to make capital contributions and investments in several hotel development projects. At June 30, 2000, capital contributions made amounted to approximately \$17.4 million.

Puerto Rico Solid Waste Authority (PRSWA)

PRSWA initiated in 1996 the implementation and development of the first phase of the Infrastructure Regional Plan for Recycling and Disposal of Solid Waste in Puerto Rico at an estimated cost of approximately \$96 million. The first stage consist of the construction of twenty-four projects to be financed through an interim financing agreement with the Government Development Bank for Puerto Rico, a discrete component unit, of which \$43 million was approved through a line of credit until June 30, 2000.

As of June 30, 2000, PRSWA is committed with various municipalities and governmental agencies to acquire the land in which the projects will be developed.

The PRSWA is also in negotiations with the Puerto Rico Aqueduct and Sewer Authority to purchase two yard waste composting plants at Mayagüez and Arecibo, with an estimated total cost of \$13 million.

Puerto Rico Land Administration (PRLA)

During fiscal year 1998, PRLA was sued by Paseo Portuario and Company, S.E. (the Developer) for allegedly illegally terminating the Development Agreement for the Barrio La Marina Project in the Old San Juan Waterfront Project. The Developer is asking for a preliminary injunction, specific contract compliance and damages of approximately \$75 million. The Developer also sought injunctive relief for the specific performance of the contract and to enjoin PRLA from negotiating with third parties the continuance of the development. The Superior Court of San Juan dismissed the request for injunctive relief. The Court of Appeals affirmed. Both, plaintiff ("Paseo") and PRLA, have filed motions for summary judgment requesting the adjudication of their respective principal claims. PRLA believes it will also succeed in the ordinary course of this litigation. Therefore, the outcome of the case should not have an adverse effect upon the PRLA's financial condition. Paseo has also requested possession of the land under the original development, subject of the legally terminated agreement, by means of a remedy known as an injunction for possession ("interdicto posesorio"). Paseo's original request for this remedy was denied by the Superior Court, but the decision was reversed by the Court of Appeals. The Supreme Court affirmed. An action for the eviction of Paseo will be filed by PRLA once the Superior Court grants PRLA's motion for summary judgment. Nevertheless, the events related to the Interdicto Posesorio" and the eviction proceedings should not have an adverse economic effect on PRLA's financial condition, inasmuch as the object of the litigation is simply the possession of certain premises under the original development agreement.

22. RETIREMENT SYSTEMS

The Commonwealth has three contributory defined benefit pension plans which are reported in the pension trust fund:

Employees' Retirement System of the Government of Puerto Rico and Its Instrumentalities
Judiciary Retirement System Annuity and Pension System for the Teachers of Puerto Rico

Each system is independent, thus assets may not be transferred from one system to another or used for any purpose other than to benefit each system's participants. In addition, the University of Puerto Rico Retirement System is reported in the public university funds.

The retirement systems issue publicly available financial reports that include their financial statements and required supplementary information for each of them. Those reports may be obtained by writing to the corresponding administrator of each retirement system at the addresses detailed in Note 1 to the general purpose financial statements.

Employees' Retirement System of the Government of PR and Its Instrumentalities (ERS)

Plan Description:

The ERS is the administrator of a single-employer (as related to the Commonwealth financial reporting entity) defined benefit pension plan established by the Commonwealth. The System was created under Act 447 (the "Act"), approved on May 15, 1951, as amended, and became effective on January 1, 1952. ERS covers all regular employees of the Commonwealth and its instrumentalities and certain municipalities and component units not covered by their own retirement systems.

The System provides retirement, death and disability benefits. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation.

Retirement benefits are determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation is computed based on the highest 36 months of compensation recognized by ERS. The annuity, for which a plan member is eligible, is limited to a minimum of \$200 per month and a maximum of 75% of the average compensation.

On September 24, 1999, an amendment to Act No. 447 of May 15, 1951, which created the System, was enacted with the purpose of establishing a new pension program (System 2000).

System 2000 became effective on January 1, 2000. Employees participating in the current system as of December 31, 1999, may elect either to stay in the defined benefit plan or transfer to the new program. Persons joining the government on or after January 1, 2000, will only be allowed to become members of System 2000.

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there will be a pool of pension assets, which will be invested by the System, together with those of the current defined benefit plan. Benefits at retirement age will not be guaranteed by the Commonwealth. The annuity will be based on a formula which assumes that each year the employee's contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (2) earn a rate equal to 75% of the return of the System's investment portfolio (net of management fees), or (3) earn a combination of both alternatives. Participants receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions are not been granted under System 2000. The employee's contributions (9.275% of the employee's salary) will be used to kind the current plan.

System 2000 reduces the retirement age from 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

Funding Policy:

Contribution requirements are established by law and are as follows:

Commonwealth	9.275% of gross salary
Employees:	
Hired on or before March 31, 1990	5.775% of gross salary up to \$6,600 8.275% of gross salary over \$6,600
Hired on or after April 1, 1990	8.275% of gross salary

Puerto Rico Judiciary Retirement System (JRS)

Plan Description:

The JRS is a single-employer defined benefit plan, which is administered by the ERS. The System was created under Act 12, approved on October 19, 1954. The membership includes all individuals holding a position as Judge of the Supreme Court, Judge of the Superior Court or the District Court or Municipal Judges of the Commonwealth of Puerto Rico.

The System provides retirement as well as death and disability benefits. Benefits vest after 10 years of service.

Retirement benefits are determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation is computed based on the last three years of service (effective July 28, 1993, highest monthly salary), except for judges of the Supreme Court for whom it is based on the last month of compensation. The retirement annuity is limited to a minimum of 25% and a maximum of 100% of the average compensation.

During 1997, JRS enacted Act No. 177 which provides, effective January 1, 1999, for increases of 3%, every three years, of the pensions paid by JRS to those plan members with three or more years of retirement.

Funding Policy:

All participants are required to make contributions to the plan equal to 8% of gross salary. The Commonwealth must contribute 20% of the applicable payroll. Contributions are established by law, and are not actuarially determined.

Annuity and Pension System for the Teachers of Puerto Rico (TRS)

Plan Description:

The TRS is a single-employer defined benefit plan (as related to the Commonwealth's financial reporting entity) which was created under Act 218 approved on May 6, 1951. TRS provides retirement benefits to all teachers of the Department of Education of the Commonwealth, those holding positions in the Retirement Board, all pensioned teachers, all teachers transferred to an administrative position in the Department of Education, teachers who work in the Teachers' Association of Puerto Rico, and those who practice in private institutions accredited by the Department of Education.

The Plan provides retirement, death and disability benefits. Benefits vest after completion of a given number of years of credited service based on age. Benefits are determined by the application of stipulated benefit ratios to the members final average salary, which is the highest average over three years. The Retirement Annuity is a minimum of \$300 per month and a maximum of 75% of final average salary.

Funding Policy:

A member is required to contribute to the plan 7% of total salary. The Commonwealth matches the member's contribution at a rate of 8.5% of total salary. Contribution rates are established by law, and are not actuarially determined.

Membership:

	ERS	JRS	TRS
Retirees and beneficiaries currently receiving benefits	72,500	269	20,936
Current employees	158,000	346	50,155
Total	230,500	615	71,091

Annual Pension Cost and Net Pension Obligation:

The Commonwealth's annual pension cost and net pension obligation to the three pension plans for the year ended June 30, 2000 were as follows (expressed in thousands):

	ERS	JRS	TRS
Annual required contributions	\$ 844,961	\$ 9,216	\$ 112,839
Interest on net pension obligation	149,093	(1,636)	26,281
Adjustment to annual required contribution	(225,293)	2,472	(21,019)
Annual pension cost	768,671	10,052	118,101
Statutory contributions made	(491,800)	(7,300)	(86,200)
Estimated interest for six months at 8.5%	(20,940)	(327)	
Increase (decrease) in net pension obligation	256,021	2,425	31,901
Net pension obligation (asset) at beginning of year	1,754,030	(19,250)	346,388
Net pension obligation (asset) at end of year	<u>\$ 2,010,051</u>	<u>\$ (16,825)</u>	<u>\$ 378,289</u>

The net pension obligation for ERS and TRS of approximately \$2.4 billion is recorded in the general long-term debt account group. (See Note 15). No asset is recognized for JRS excess of contributions over annual pension costs due to the measurement focus of the general fund.

The annual required contribution was determined by actuarial valuations for each of the pension plans as described below:

	ERS	JRS	TRS
Date of actuarial valuation	July 1, 1999	July 1, 2000	July 1, 1999
Actuarial cost method	Projected unit credit cost	Projected unit credit cost	Entry age normal
Amortization method	Level percentage of the projected payroll	Level percentage of the projected payroll	Level percentage closed
Remaining amortization period	26 years	26 years	21 years
Amortization approach	Closed	Closed	Closed
Asset valuation method	Market value	Market value	Market value
Actuarial assumptions:			
Inflation	3.5%	3.5%	3.5%
Investment rate of return	8.5%	8.5%	8.0%
Projected salary increases	5%	5%	5.0%
Cost of living adjustments	3% every three years	3% every three years	No future retiree increases assumed

Three Year Trend Information:

The three-year trend information is as follows (expressed in thousands):

Annual Pension Cost (APC):	ERS	JRS	TRS
Year Ended June 30, 2000	\$768,761	\$10,052	\$118,101
Year Ended June 30, 1999	709,649	5,244	143,803
Year Ended June 30, 1998	662,318	3,359	131,387

Percentage of APC Contributed:	ERS	JRS	TRS
Year Ended June 30, 2000	63.9%	72.6%	72.9%
Year Ended June 30, 1999	70.7%	150.6%	63.4%
Year Ended June 30, 1998	68.6%	181.6%	72.4%

Net Pension Obligation (Asset):	ERS	JRS	TRS
Year Ended June 30, 2000	\$2,010,051	(16,825)	378,829
Year Ended June 30, 1999	1,754,030	(19,250)	346,388
Year Ended June 30, 1998	1,567,810	(16,301)	293,785

Schedule of Funding Progress (expressed in thousands):

Employees Retirement System of the Government of Puerto Rico:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2000	\$1,858,000	\$8,308,000	\$6,450,000	22%	\$2,275,000	250%
July 1, 1999	1,675,000	7,638,000	5,963,000	22%	2,366,000	252%
July 1, 1998	1,444,000	6,914,000	5,470,000	21%	2,363,000	231%

Puerto Rico Judiciary Retirement System:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2000	\$82,800	\$135,800	\$53,000	61%	\$25,700	206%
July 1, 1999	73,900	118,200	44,300	63%	26,300	168%
July 1, 1998	67,200	95,600	28,400	70%	18,000	158%

Teachers Retirement System:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 1999	\$2,314,000	\$2,904,000	\$ 590,000	80%	\$ 996,000	59%
July 1, 1998	2,135,000	3,155,000	1,020,000	68%	1,091,000	93%
July 1, 1997	1,887,000	2,863,000	976,000	66%	1,003,000	97%

D. University of Puerto Rico Retirement System

Plan Description:

The University of Puerto Rico (the University) contributes to the University of Puerto Rico Retirement System (UPRRS), a single-employer defined benefit public employee retirement system that acts as a common investment and administrative agent for the University. The System is the administrator of the plan created under Act No. 135, approved on May 7, 1942, which became effective on January 1, 1945. UPRRS covers all employees of the University, except hourly, temporary, part time, contract and substitute employees, and visiting professionals.

The System provides retirement, disability, and death benefits. Cost-of-living adjustments are provided at the discretion of the Board of Trustees. Benefits vest after completion of a given number of years of credited service based on age. Benefits are determined by the application of stipulated benefit ratios of the members average compensation.

Funding Policy:

University employees are required to contribute 4% to 8% of their annual salary to the System, depending on certain qualifications. The University was required to contribute 14.25% of applicable payroll in 2000. The contributions are established by law, and are not actuarially determined. Although the University has not expressed any intent to terminate the Plan administered by the System, it may do so at any time. In the event of termination, the rights of participants and beneficiaries are non-forfeitable to the extent funded.

Membership:

Retirees and beneficiaries currently receiving benefits	5,599
Terminated-vested	7,289
Current employees	<u>11,908</u>
	<u>24,796</u>

Annual Pension Cost and Net Pension Obligation:

The University's annual pension cost and net pension obligation to the System for the year ended June 30, 2000 is as follows (expressed in thousands):

Annual required contributions	\$43,898
Interest on net pension obligation	674
Adjustment to annual required contribution	<u>(665)</u>
Annual pension cost	43,907
Contributions made	<u>(49,652)</u>
Decrease in net pension obligation	(5,745)
Net pension obligation at beginning of year	<u>8,421</u>
Net pension obligation at end of year	<u><u>\$ 2,676</u></u>

The annual required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 5% per year. The assumptions did not include postemployment benefit increases, which are funded by the University when granted. The actuarial value of assets is equal to the fair value of the assets. The unfunded accrued liability is being amortized as a level dollar on a declining basis from 40 to 30 years starting on June 30, 1995. The remaining amortization period at June 30, 2000 is 35 years.

Three Year Trend Information (expressed in thousands):

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2000	\$43,907	113.1%	\$ 2,676
June 30, 1999	38,662	137.3%	8,421
June 30, 1998	40,383	121.0%	22,801

Schedule of Funding Progress (expressed in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll*	UAAL as a Percentage of Covered Payroll
June 30, 2000	\$754,280	\$1,212,559	\$458,279	62.2%	\$341,872	134.5%
June 30, 1999	650,295	1,161,101	510,806	56.0%	333,153	153.3%
June 30, 1998	586,095	1,037,282	451,187	56.5%	322,232	140.0%

* Rate of pay as of the valuation date.

23. SEGMENT INFORMATION - Enterprise Funds

Lottery of Puerto Rico (Lottery)

The Lottery was created in 1947 and is an operational unit of the Commonwealth's Treasury Department. It was created to provide authorized agents with an additional source of revenues and to supplement revenues for the general fund of the Commonwealth. It is engaged in the sale of tickets through authorized agents. The Lottery's revenues from the sale of tickets are distributed pursuant to the approved budget to cover the payment of prizes and general and administrative expenses. The excess of revenues over prizes and expenses must be transferred to the general fund of the Commonwealth.

The Additional Lottery System (Additional Lottery)

The Additional Lottery was created in 1989 as an operational unit of the Commonwealth's Treasury Department. Presently, two games (Pick 3 and Lotto) with several betting alternatives are offered. The Additional Lottery is required to distribute the excess of revenues over expenses to the Commonwealth. Deficits are not allowed to be offset against the excess of revenues over expenses. The remittances are earmarked as follows: \$4 million to the Fund for Rent and Home Improvement Subsidy Program for the Low Income Qualifying Elderly, 35% of the net balance (net revenues over expenses less the amount earmarked for the Fund for Rent and Home Improvement Subsidy Program for the Low Income Qualifying Elderly) will be earmarked to the municipalities of which a maximum of \$26 million, on an annual basis, will be distributed to the Municipal Equalization Fund, to cover operating expenses and permanent improvements of the municipalities and the remaining, but not exceeding \$16 million, on an annual basis to cover accumulated municipal appropriations up to June 30, 1997, for the implementation of the Health Reform. Any amount exceeding the annual \$16 million will be distributed to the Municipal Equalization Fund, provided it is within the 35% corresponding to the municipalities. When the accumulated municipal appropriations up to June 30, 1997, from the municipalities Health Reform is covered, these resources will be assigned to the Health Insurance Administration, a discrete component unit. The remaining net revenues over expenses from the Additional Lottery operations after covering all the items described above, will be distributed to the Commonwealth. Prizes expire in 180 days. Expired prizes transferred to the general fund during 2000 approximated \$2.8 million.

Segment information for the enterprise funds is as follows (expressed in thousands):

	Lottery of PR	Lottery Additional
Operating revenues	\$ 457,199	\$ 287,144
Depreciation and amortization	2,258	28
Operating income	60,289	102,896
Non-operating revenues	1,075	
Operating transfers out	(63,393)	(102,896)
Net income	2,029	
Current capital:		
Contribution	229	
Depreciation on contributed fixed assets	2,258	
Property, plant and equipment:		
Additions and adjustments	229	23
Deletions and adjustments	257	
Net working capital	14,112	1,162
Long- term liabilities	17,734	254,142
Total assets	49,166	271,191
Total equity (deficit)	3,983	(1,365)

24. SUBSEQUENT EVENTS

Primary Government

On July 12, 2000, the Legislature of Puerto Rico approved Project No. 2645, that calls for a study of the operations of Public Buildings Authority (PBA), and that requires the determination as to whether PBA should continue as a public corporation. As of December 4, 2000, no study has been published.

Component Units - Other

Puerto Rico Highway and Transportation Authority (PRHTA)

On August 4, 2000, PRHTA entered into a loan agreement of \$300 million with the Federal Transit Administration of the United States Department of Transportation pursuant to the Transportation Infrastructure Finance and Innovation Act, as amended. The proceeds of the loan were used to cancel the outstanding balance of a line of credit amounting to \$269.9 million with the Government Development Bank for Puerto Rico, a discretely presented component unit, in connection with the Tren Urbano project. The loan has a fixed interest rate of 5.74%. Interest is payable each July 1 and January 1 beginning January 1, 2001 and principal is payable each July 1, beginning July 1, 2007. The loan matures on July 1, 2035.

Puerto Rico Housing Bank and Finance Agency (PRHBFA)

In September 2000, PRHBFA sold mortgage loans aggregating approximately \$27 million at a net gain of approximately \$500 thousand.

Puerto Rico Aqueduct and Sewer Authority (PRASA)

During September 2000, the labor union of the employees of PRASA and PRASA's management reached an agreement as to a new labor contract. This contract is for a ten-year period, retroactive to July 1, 1993 through June 30, 2003. The effect of retroactive compensation adjustments amounted to \$16.6 million payable in two installments of \$6.9 million in September 2000 and \$9.7 million in July 2001. This retroactive compensation expense was recognized in the PRASA's financial statements for fiscal year 2000.

Puerto Rico Electric Power Authority (PREPA)

On August 29, 2000, PREPA issued \$612.2 million Power Revenue Bonds with an average interest rate of 5.47% to finance a portion of the cost of various projects under its capital improvement program and to pay bond anticipation notes in the amount of \$299 million.

Sugar Corporation of Puerto Rico (SCPR)

On May 19, 2000, the Government Development Bank for Puerto Rico, a discretely presented component unit, approved a \$112.5 million line of credit to SCPR. The main purpose of such line was to liquidate all outstanding lines of credits.

Puerto Rico Ports Authority (PRPA)

PRPA settled in September 2000, the insurance claim for \$10.8 million for damages caused by Hurricane Georges in 1998, excluding the claim for Piers E and F at Puerto Nuevo which is being determined as to which insurance policy is to be accountable. Subsequent related claims to FEMA are ongoing, which will cover deductibles, dredging and other damages not covered by insurance. The combination of both will provide sufficient funds to repair damages suffered by Hurricane Georges. Damages not covered by insurance or FEMA, if any, will not have a material effect on PRPA's operational results.

PRPA will participate in an early retirement pension plan provided by law. This measure will reduce personal service expenses and will help to trim down the work force without affecting its operational productivity. The proportional expense saving percent is approximately 65% of 100 employee's salaries under this measure. The final savings amount depends on the total employees selected by November 2000, which is currently under deliberation. Employees selected will retire during December 2000.

A new collective bargain agreement was executed with the major labor union, at a total cost of \$50 million for 7 years. PRPA considers that the other union negotiations, scheduled to commence in March 2001, will be similar to this agreement. This will insure labor stability and accurate long-term budget projections.

Puerto Rico Infrastructure Financing Authority (PRIFA)

On September 28, 2000, PRIFA issued \$1.037 billion Special Obligation Bonds, 2000 Series A and \$54.8 million Special Obligation Bonds, 2000 Series B (collectively, the "2000 Series Bonds" for the purpose of repaying certain notes issued by PRIFA to the Government Development Bank for Puerto Rico, a discretely component unit, and financing certain aqueduct and sewer infrastructure development projects. The 2000 Series Bonds are limited obligations of PRIFA payable solely from, and secured by a pledge of all interest received by PRIFA from investment securities deposited in an

additional account of the Infrastructure Development Fund held by a trustee under an irrevocable and permanent trust. The 2000 Series A bonds bear fixed interest rates ranging from 4.10% to 5.50% payable semiannually on each April 1 and October 1. The 2000 Series B bonds bear a variable interest rate during each index rate period, as defined, equal to the sum of (i) the average of the Bond Market Association Municipal Swap Index for each day during such period and (ii).65% (the "Index Rate"). The Index Rate on the 2000 Series B bonds may not be less than 1% nor more than 7.5% per annum. The 2000 Series A Bonds are subject to redemption, at the option of PRIFA, on or after October 1, 2010 at a redemption price of 101% up to September 30, 2011, and 100% thereafter. The 2000 Series B Bonds are subject to redemption, at the option of PRIFA, at a price equal to the principal balance plus accrued interest to the date of redemption, commencing on October 1, 2010.

25. SALE OF PUERTO RICO TELEPHONE AUTHORITY

On April 7, 1997, the Commonwealth announced a plan to privatize Puerto Rico Telephone Company, Inc. (PRTC) and Celulares Telefonica, Inc. (CT) through a competitive bidding process. On July 22, 1998, after the conclusion of the bidding process, a consortium led by GTE Corporation (the "GTE Group") was awarded the right to purchase a controlling interest in PRTC and CT. Under the provision of the acquisition agreement, Telecomunicaciones de Puerto Rico, Inc. ("TELPRI"), a Puerto Rico Corporation, was utilized for the purpose of acquiring the stock of PRTC and CT from Puerto Rico Telephone Authority (PRTA) in connection with the privatization. On March 1, 1999, pursuant to the terms of the acquisition agreement, TELPRI acquired 100% of the common stock of PRTC and CT. Prior to the acquisition, PRTA owned 100% of the shares of common stock of TELPRI.

The acquisition was completed on March 2, 1999 under the following terms:

- A subsidiary of GTE Corporation (member of the GTE Group) acquired 40.01%, plus one share of the TELPRI stock and Popular Inc. ("Popular") acquired 9.99%.
- PRTA obtained 43% less one share of the shares of the stock of TELPRI in exchange for its remaining interests in PRT and CT.
- PRT received approximately \$2.040 billion from the transaction, a portion of which was paid by TELPRI from a special dividend amounting to approximately \$1.570 billion. Also, PRTA agreed to contribute cash or stock worth a total of \$200 million as a capital contribution in even installments over five years beginning on March 2, 1999, to reduce unfunded pension and other post-employment benefit obligations. The contribution must be in cash for the first two installments and cash or stock for the last three installments. On March 2, 1999, PRTA deposited \$173 million in an escrow account to satisfy the \$200 million commitment, and recorded a liability for the same amount, \$ 173 million.

In conjunction with the acquisition, PRTA contributed 3% of the TELPRI's shares to TELPRI's newly created employee stock ownership plan (the "ESOP") (\$26.1 million), and the GTE Group purchased an additional 1% of the shares of TELPRI from PRTA and contributed them to the ESOP. The ESOP also acquired an additional 3% with funds borrowed from TELPRI.

At December 31, 1999, PRTA's investment in TELPRI, accounted for on the equity method of accounting, is represented by 430,000 shares of common stock issued and outstanding of TELPRI, with no par value, representing 43% less one share of TELPRI's stock. TELPRI is the holder of 100% of the common stock of PRTC and CT. PRTC, a Puerto Rico corporation, provides local, off

and on island long distance telephone services in Puerto Rico, among other services. CT, also a Puerto Rico corporation, provides cellular and paging services in Puerto Rico.

It is contemplated that all shares of common stock of TELPRI held by PRTA will be sold in public offerings and private placements. PRTA will hold such shares for the benefit of the Commonwealth of Puerto Rico Employees' Retirement System (the "System"), and all dividends and proceeds received from the sale of the shares will be distributed to the System, in accordance with Joint Resolution No. 209 of June 24, 1998 of the Legislature of Puerto Rico.

Summarized financial information of TELPRI as of December 31, 1999 and for the period from March 2, 1999 to December 31, 1999 is as follows (expressed in thousands):

Total Assets	<u>\$ 2,827,747</u>
Total Liabilities	<u>\$ 2,458,119</u>
Stockholders' Equity	<u>\$ 369,628</u>
Operating Revenues	<u>\$ 1,126,266</u>
Operating Expenses, net	<u>\$ 1,181,511</u>
Net Loss	<u>\$ (133,193)</u>

26. PARTIAL SETTLEMENT OF CONTINGENCY

On January 22, 1996, the US District Court in Puerto Rico consolidated all cases against the Commonwealth related to the complaints filed in 1979 by the inmates of the correctional facilities in Puerto Rico. The Court ruled a permanent order requiring the Commonwealth to comply with the requirement of the minimum fixed living space per inmate. In the opinion of management, based on advice of legal counsel, this order will limit the imposition of further fines and the fines already paid together with the accrued liability in the general long-term debt account group, (which amounts to approximately \$200 million at June 30, 2000) shall be sufficient to carry out the Court's requirements.

27. SUGAR CORPORATION OF PUERTO RICO (SCPR)

On September 5, 1996, the Commonwealth enacted Law No. 189 to authorize the negotiation for the transfer of certain assets, liabilities and operations of the Sugar Corporation of Puerto Rico (SCPR), for a nominal value, to the sugar cane farmers.

On December 28, 1997, the Commonwealth enacted Law No. 202 amending Law No. 189. Under the amendment, Mercedita refinery will remain in the hands of SCPR up to the year 2000, and the sugar mills were transferred to the sugar cane growers during 1998. The refinery will be subjected to a renewal and repair process, which cost, estimated at \$13 million, is dependent on obtaining from the government subsidies/financing for these purposes. It is expected that after the refinery is transferred to the sugar cane growers, SCPR remaining assets and liabilities will be transferred to SCPR's parent, Land Authority of Puerto Rico (LAPR), a discretely presented component unit. Such transfers are subject to the approval of SCPR's Executive Director, LAPR's Executive Director and the Governing Board of LAPR.

The assets transferred can be used only for the sugar cane operations and if not used for such purposes, must be returned to SCPR. The assets cannot be sold, transferred or ceded for 25 years unless prior payment is made to SCPR of certain stipulated amounts.

Change in estimated liquidation costs for the year ended December 31, 1999, consist of

Description	Amount
Reserve for Mercedita Refinery operations and liquidation of liabilities	\$ 91,831
Reserve for Central Office	43,428
Reserve for operations transferred	9,829
Other reserves and accounts payable trade	<u>5,570</u>
 Total	 <u><u>\$ 150,658</u></u>

The law provides that SCPR should from time to time request the Legislature to approve the funds necessary for the orderly liquidation of all liabilities of SCPR.

At December 31, 1999, SCPR has an accumulated deficit of approximately \$319 million, and contributed capital of approximately \$169 million.

**28. HEALTH FACILITIES AND SERVICES ADMINISTRATION OF PUERTO RICO
TRANSFER**

Resources and continuing operations of the Health Facilities and Services Administration of Puerto Rico (HFSA) were transferred to governmental type activities effective July 1, 1999. A residual equity transfer to the general fund and account groups was as follows:

Fund Equity (deficit) reported at June 30, 1999:	
Enterprise funds	\$ (1,153,346)
Expendable trust funds	5,007
	<u>(1,148,339)</u>
Adjustments from accrual to modified accrual basis:	
Elimination of accumulated depreciation	141,045
Elimination of interest payable	33,178
Elimination of inventories	(8,662)
Transfer of fixed assets to the general fixed assets account group	374,202
Transfer of long term liabilities to the general long term debt account group	1,295,385
Residual equity transfer to the general fund	<u><u>\$ 61,596</u></u>

The composition of current financial resources transferred to the General Fund was:

Cash and cash equivalents	\$ 21,705
Receivables, net	42,005
Restricted assets	346
Other accounts receivable	21,410
Account payable and accrued expenses	<u>(147,062)</u>
	<u><u>\$ (61,596)</u></u>

**COMBINING, INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

GENERAL FUND

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund. Following is the Supplemental Schedule of Expenditures - Budget and Actual - Budget Basis - General Fund.

COMMONWEALTH OF PUERTO RICO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES BY AGENCY - BUDGET AND ACTUAL -
 STATUTORY BASIS - GENERAL FUND
 YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)**

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES:			
Current:			
General Government	\$	\$	\$
Senate of Puerto Rico	24,036	24,036	
House of Representatives of Puerto Rico	30,227	30,227	
Comptroller's Office	23,103	23,103	
Governor's Office	13,300	13,300	
Office of Management and Budget	30,766	18,483	12,283
Planning Board	10,621	10,221	400
Constructions and Land Subdivisions Appeals Board	906	906	
Department of State	6,924	6,923	1
Department of the Treasury	275,801	251,625	24,176
Puerto Rico Government Employees Retirement Systems Administration	21,199	21,199	
Central Office of Personnel Administration	4,745	4,601	144
Commonwealth Electoral Commission	36,508	29,862	6,646
Federal Affairs Administration	9,283	9,283	
General Services Administration	2,931	2,246	685
Civil Rights Commission	622	622	
Department of Justice	12,136	11,836	300
Office of the Citizen's Ombudsman	2,546	2,513	33
Department of Health	1,000	423	577

COMMONWEALTH OF PUERTO RICO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES BY AGENCY - BUDGET AND ACTUAL -
STATUTORY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)**

	Budget	Actual	Variance Favorable (Unfavorable)
Public Personnel Administration System Appeals Board	1,150	1,150	
Rules and Permits Administration	4,506	4,505	1
State Commission for the Ventilation of Municipal Complaints	148	148	
Legislative Assembly	775	268	507
Public Policy and Organization Bureau	553	553	
Strategic Development Bureau	112	112	
Public Service Commission	1,044	1,032	12
Central Communications Office	2,396	2,396	
Government Ethics Board	3,937	3,936	1
Legislative Affairs Office	7,513	7,513	
Office of the Superintendent of the Capitol	4,743	4,658	85
Comptroller's Special Reports Joint Commission	317	314	3
Legislative Donation Commission	516	412	104
Total General Government	534,364	488,406	45,958
Public Safety			
Puerto Rico General Court of Justice	179,505	179,503	2
Office of Management and Budget	1,176		1,176
State Civil Defense Agency	3,863	3,857	6
Commission of Investigation, Processing and Appeals Board	569	559	10
Department of Justice	81,486	75,735	5,751
Puerto Rico Police Department	504,451	491,389	13,062
Puerto Rico Firefighters Corps	38,805	38,773	32
Puerto Rico National Guard	7,479	7,176	303
Public Service Commission	8,576	8,576	
Consumer Affairs Department	10,865	10,865	
Juvenile Institutions Administration	77,192	77,191	1
Women's Affairs Commission	4,115	3,253	862

COMMONWEALTH OF PUERTO RICO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES BY AGENCY - BUDGET AND ACTUAL -
STATUTORY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)**

	Budget	Actual	Variance Favorable (Unfavorable)
Corrections Administration	317,421	316,921	500
Security and Public Protection Commission	770	770	
Family and Children Administration	4,676	4,676	
Natural Resources Administration	1,983	1,983	
Department of Correction and Rehabilitation	2,709	2,676	33
Parole Board	3,148	3,148	
Forensic Sciences Institute	8,905	8,905	
Special Independent Prosecutor Selections Board	2,008	2,008	
Pre-Trial Services Office	3,083	3,083	
Correctional Health	60,556	60,556	
Medical Emergencies Service	12,433	12,424	9
Total Public Safety	1,335,774	1,314,027	21,747
Health			
Environmental Quality Board	7,072	7,072	
Department of Health	202,312	194,966	7,346
Mental Health and Drug Addiction Services Administration	91,489	90,906	583
Pediatric University Hospital	6	6	
Total Health	300,879	292,950	7,929
Public Housing and Welfare			
Minor's Support Administration	2,950	2,934	16
Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities	5,360	5,240	120
Commonwealth Elections Commission	1,500	1,500	
Puerto Rico General Services Administration	6	6	
Housing Development and Improvement Administration	7,123	6,940	183
Puerto Rico Volunteers Service Corps	8,648	8,540	108

COMMONWEALTH OF PUERTO RICO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES BY AGENCY - BUDGET AND ACTUAL -
STATUTORY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)**

	Budget	Actual	Variance Favorable (Unfavorable)
Puerto Rico Police Department	8,340	8,340	
Department of Labor and Human Resources	7,023	7,023	
Labor Relations Board	1,196	1,196	
Juvenile Institutions Administration	3,181	3,181	
Department of Housing	6,869	6,805	64
Department of Recreation and Sports	31,303	30,917	386
Administration for the Horse Racing Sport and Industry	2,631	2,631	
Women's Affairs Commission	56	56	
Public Housing Administration	944	944	
Citizens Rights Commission	267	267	
Office of the Veteran's Ombudsman	1,252	1,182	70
Department of Family	29,296	24,070	5,226
Family and Children Administration	81,907	80,974	933
Minors Support Administration	7,236	7,236	
Vocational Revitalization Administration	15,488	15,233	255
Social Economic Development Administration	63,409	63,304	105
Office of the Disabled Persons Ombudsman	1,803	1,803	
Office for Elderly Affairs	1,516	1,382	134
Puerto Rico Aqueduct and Sewer Authority	4,262	4,262	
Right to Employment Administration	18,000	6,000	12,000
Cantera's Peninsula Integral Development Company	200	200	
Puerto Rico Government Employees Retirement Systems Administration	19,000	17,000	2,000
Trust for the Development, Operations and Conservation of National Parks of Puerto Rico	1	1	
Communities Rehabilitation Administration	3,782	3,782	
Legislative Affairs Office	150	103	47
Total Public Housing and Welfare	334,699	311,546	23,153

COMMONWEALTH OF PUERTO RICO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES BY AGENCY - BUDGET AND ACTUAL -
STATUTORY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)**

	Budget	Actual	Variance Favorable (Unfavorable)
Education			
Planning Board	127	127	
Department of Justice	2	2	
Department of Transportation and Public Works	12	12	
Department of Education	1,503,583	1,491,795	11,788
Puerto Rico Culture Institute	21		21
Rules and Permits Administration	74	74	
Plastic Arts School	366	366	
State Office for Historic Preservation	896	896	
General Education Council	1,288	1,286	2
University of Puerto Rico	2		2
Athenaeum of Puerto Rico	360	360	
Ninety-eight Century Commission	400	400	
Total Education	1,507,131	1,495,318	11,813
Economic Development			
Environmental Quality Board	47	47	
Department of the Treasury	348	348	
Department of Transportation and Public Works	54,753	54,743	10
Department of Natural and Environmental Resources	1,066	856	210
Department of Agriculture	17,048	16,286	762
Commercial Development Administration	13,364	13,121	243

COMMONWEALTH OF PUERTO RICO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES BY AGENCY - BUDGET AND ACTUAL -
STATUTORY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)**

	Budget	Actual	Variance Favorable (Unfavorable)
Cooperative Enterprises Development Administration	2,518	2,518	
Cooperative Enterprises Inspector's Office	506	506	
Rural Development Corporation	2,162	2,080	82
Department of Economic Development and Commerce	1,421	1,414	7
Energy Affairs Administration	200	13	187
Natural Resources Administration	22,326	22,326	
Corporation for the Development of the Film Industry in Puerto Rico	1,014	1,011	3
Culebra Conservation and Development Authority	302	302	
Centenary Commission	533	532	1
Total Economic Development	117,608	116,103	1,505
Intergovernmental			
Vieques Commissioner's Office	250		250
Municipal Services Administration	3,916	3,916	
Municipal Earnings Recollection Center	3		3
Municipal Contributions	285,761	282,970	2,791
Total Intergovernmental	289,930	286,886	3,044
Debt service:			
Principal	378,680	378,680	
Interest and other	152,804	152,804	
Total expenditures	\$4,951,869	\$4,836,720	\$ 115,149

COMMONWEALTH OF PUERTO RICO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES BY AGENCY - BUDGET AND ACTUAL -
 STATUTORY BASIS - GENERAL FUND
 YEAR ENDED JUNE 30 2000 (Expressed in Thousands)**

	Budget	Actual	Variance Favorable (Unfavorable)
OTHER FINANCING USES:			
Operating transfers-out to other funds:			
Senate of Puerto Rico	\$ 510	\$ 510	\$
House of Representatives	1,059	1,059	
Comptroller's Office	662	662	
General Court of Justice	67	67	
Office of Youth Affairs	213	213	
Environmental Quality Board	831	831	
Governor's Office	850	850	
Office of Management and Budget	141,897	141,897	
Planning Board	385	385	
Constructions and Land Subdivisions Appeals Board	57	57	
Civil Defense State Agency	238	238	
Department of State	577	577	
Department of Treasury	2,647	2,647	
Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities	32,233	32,233	
Personnel Administration Central Office	325	325	
Commonwealth Electoral Commission	740	740	
Federal Affairs Administration	154	154	
General Services Administration	325	325	
Housing Development and Improvement Administration	124	124	
Investigation, Prosecution, and Appeals Commission	41	41	
Municipal Services Administration	312	312	
Civil Rights Commission	83	83	
Department of Justice	1,320	1,320	
Puerto Rico Volunteers Service Corps	2,744	2,744	
Puerto Rico Police Department	508	508	
Puerto Rico Firefighters Corps and Medical Emergency Services	956	956	

COMMONWEALTH OF PUERTO RICO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES BY AGENCY - BUDGET AND ACTUAL -
STATUTORY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)**

	Budget	Actual	Variance Favorable (Unfavorable)
Puerto Rico National Guard	128	128	
Department of Transportation and Public Works	697	697	
Department of Natural and Environmental Resources	5	5	
Department of Agriculture	116	116	
Economic and Commercial Development Administration	174	174	
Office of the Ombudsman	126	126	
Cooperative Enterprises Development Administration	259	259	
Public Service Commission	208	208	
Department of Labor and Human Resources	55	55	
Labor Relations Board	147	147	
Consumer Affairs Department	143	143	
Department of Health	18,859	18,859	
Juvenile Institutions Administration	4,948	4,948	
Cooperative Inspector's Office	22	22	
Department of Housing	25	25	
Department of Education	3,254	3,254	
Puerto Rico Culture Institute	21,221	21,221	
Rural Development Corporation	2	2	
Department of Recreation and Sports	168	168	
Administration for the Horse Racing Sport and Industry	70	70	
Puerto Rico System of Annuities and Pensions for Teachers	13,864	13,864	
Personnel Administration System Appeals Board	58	58	
Regulations and Permits Administration	110	110	
Mental Health and Drug Addiction Services Administration	3,452	3,452	
Women's Affairs Commission	80	80	
Municipal Complaints Hearing Commission	52	52	

COMMONWEALTH OF PUERTO RICO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES BY AGENCY - BUDGET AND ACTUAL -
 STATUTORY BASIS - GENERAL FUND
 YEAR ENDED JUNE 30 2000 (Expressed in Thousands)**

	Budget	Actual	Variance Favorable (Unfavorable)
Correction Administration	4,842	4,842	
Public Housing Administration	28	28	
Puerto Rico Plastic Arts School	1,242	1,242	
Public Safety and Protection Commission	115	115	
Citizens Rights Commission	1	1	
Department of Economic Development and Commerce	368	368	
Veterans Ombudsman's Office	10	10	
Department of Family	50	50	
Family and Children Administration	4,033	4,033	
Minors Support Administration	863	863	
Vocational Revitalization Administration	135	135	
Social Economic Development Administration	9,495	9,495	
Organization and Government Policy Secretariat	94	94	
Commission for the Public Service Work Relations	466	466	
Natural Resources Administration	1,100	1,100	
Cinematography Development Corporation	89	89	
Department of Correction and Rehabilitation	725	725	
Parole Board	182	182	
Disabled People Ombudsman's Office	3	3	
Elderly Affairs Office	211	211	
State Office for Historic Preservation	400	400	
General Education Council	559	559	
Central Communications Office	95	95	
Puerto Rico Maritime Shipping Authority	24,269	24,269	
Puerto Rico Government Employees Retirement Systems Administration	3,603	3,603	
Office for the Improvement of Public Schools	20,673	20,673	

COMMONWEALTH OF PUERTO RICO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES BY AGENCY - BUDGET AND ACTUAL -
STATUTORY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)**

	Budget	Actual	Variance Favorable (Unfavorable)
Contributions to Political Parties	900	900	
Communities Rehabilitation Administration	480	480	
Pre-Trial Services Office	927	927	
Correctional Health	183	183	
Medical Emergencies Service	37	37	
Legislative Affairs Office	171	171	
Office of the Superintendent of the Capitol	23	23	
Comptroller's Special Reports Joint Commission	14	14	
Legislative Donation Commission	184	184	
Scholarships Council	25,780	25,780	
Total operating transfers-out to other funds	\$ 360,451	\$ 360,451	\$
Transfers-out to component units:			
Recreational Development Company of Puerto Rico	2	2	\$
Puerto Rico Infrastructure Financing Agency	70,000	70,000	
Institutional Trust of the National Guard of Puerto Rico	504	504	
Puerto Rico Aqueduct and Sewer Authority	159,657	159,657	
Right to Employment Administration	9,945	9,945	
Land Authority of Puerto Rico	5,094	5,094	
Puerto Rico Industrial Development Company	27,605	27,605	
Puerto Rico Electric Power Authority	100	100	
Puerto Rico Metropolitan Bus Authority	500	500	
Industries for the Blind, Mentally Retarded, and Other Disabled Persons of Puerto Rico	147	147	
University of Puerto Rico	566,378	566,378	

COMMONWEALTH OF PUERTO RICO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES BY AGENCY - BUDGET AND ACTUAL -
STATUTORY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2000 (Expressed in Thousands)**

	Budget	Actual	Variance Favorable (Unfavorable)
Solid Waste Authority of Puerto Rico	10,099	10,099	
Agricultural Services and Development Administration	81,537	81,537	
Puerto Rico Health Insurance Administration	792,766	792,766	
Puerto Rico Housing Bank and Finance Agency	4,183	4,183	
Musical Arts Corporation and Subsidiaries	6,023	6,023	
Fine Arts Center Corporation	2,269	2,269	
Sugar Corporation of Puerto Rico	10,000	10,000	
Trust for the Development, Operation and Conservation of National Parks of Puerto Rico	2,039	2,039	
Puerto Rico Public Broadcasting Corporation	21,111	21,111	
Tourism Company of Puerto Rico	29,045	29,045	
Puerto Rico Conservatory of Music Corporation	3,516	3,516	
Puerto Rico Land Administration	550	550	
Total transfers-out to component units	\$ 1,803,070	\$ 1,803,070	\$

DEBT SERVICE FUNDS

The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs other than bonds payable from the operations of proprietary fund types, nonexpendable trust funds and discretely presented component units.

Debt Redemption Fund: This fund is used to account for the accumulation of resources for the payment of general obligation bonds issued by the Commonwealth's central government and is separately budgeted by the Commonwealth of Puerto Rico.

Public Buildings Authority: A blended component unit engaged in the construction and/or acquisition of building facilities for lease mainly to the Commonwealth's primary government agencies. Its debt service fund is used to account for the accumulation of resources for the payment of revenue bonds and other liabilities incurred to finance the construction of the buildings and facilities.

Puerto Rico Maritime Shipping Authority: This is the remainder of a former shipping company owned by the Commonwealth. Its debt service fund is used to account for the accumulation of resources for the payment of the long-term liability that resulted from the sale of its maritime operations. This fund is mainly subsidized from appropriations and operating transfers-in from the general fund.

Office for the Improvements of the Public Schools: Created by the Joint Resolution No. 3 of August 28, 1990. Its debt service fund is used to account for the payment of principal and interest on debt used to finance the construction and improvement of the public schools in Puerto Rico. The debt service is budgeted in the general fund.

COMMONWEALTH OF PUERTO RICO
COMBINING BALANCE SHEET - DEBT SERVICE FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	Debt Redemption Fund	Public Buildings Authority	Puerto Rico Maritime Shipping Authority	Office for the Improvement of Public Schools	Totals
ASSETS					
Cash and cash equivalents	\$	91,995	817		92,812
Cash and cash equivalents in governmental banks Investments		11,488	1,612		332,495
Receivables, net:					
Accounts	83,484	35,574	7		119,065
Loans and advances	7,449		15,205		15,205
Accrued interest					7,449
Restricted assets:					
Cash and cash equivalents			5,547		5,547
Due from other funds					
Other assets					
TOTAL ASSETS	\$ 421,816	\$ 139,057	\$ 23,188		\$ 584,061
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$	25,933	4,444		4,444
Due to other funds		44,164	7,686		25,933
Interest payable	124,561	68,960			176,411
Bonds payable	250,440				319,400
Other liabilities	9,327				9,327
Other long-term liabilities					
Total liabilities	384,328	139,057	12,130		535,515
Fund balances:					
Reserved for:					
Debt service	37,488		11,058		48,546
Total fund balances	37,488		11,058		48,546
TOTAL LIABILITIES AND FUND BALANCES	\$ 421,816.00	\$ 139,057.00	\$ 23,188	\$	\$ 584,061

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2000**

	Debt Redemption Fund	Public Buildings Authority	Puerto Rico Maritime Shipping Authority	Office for the Improvement of Public Schools	Totals
REVENUES:					
Excise taxes	\$ 12,906	\$	\$	\$	\$ 12,906
Charges for services	68,687	236,540		37,220	236,540
Intergovernmental	3,005			5,786	105,907
Interest	84,598	236,540		43,006	8,791
Total revenues					364,144
EXPENDITURES:					
Debt Service:					
Principal	257,071	61,128	5,650	57,357	323,849
Interest and other	220,484	90,252	20,760	57,357	388,853
Total expenditures	477,555	151,380	26,410	57,357	712,702
EXCESS/DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	<u>(392,957)</u>	<u>85,160</u>	<u>(26,410)</u>	<u>(14,351)</u>	<u>(348,558)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from refunding bonds	54,645				54,645
Operating transfers-in from other funds	421,908		25,849	14,351	462,108
Operating transfers-out to other funds	(12,906)	(85,160)			(98,066)
Payment to refunded bond escrow agent	(54,645)				(54,645)
Total other financing sources (uses)	409,002	(85,160)	25,849	14,351	364,042
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	16,045		(561)		15,484
FUND BALANCES AT BEGINNING OF YEAR	<u>21,443</u>		<u>11,619</u>		<u>33,062</u>
FUND BALANCES AT END OF YEAR	<u>\$ 37,488</u>	<u>\$</u>	<u>\$ 11,058</u>	<u>\$</u>	<u>\$ 48,546</u>

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the financial resources used for acquisition or construction of major capital facilities not being financed by proprietary fund types, nonexpendable trust funds and discretely presented component units.

Public Improvements Funds and Other Funds: These funds present the activities of the capital improvements program of the Commonwealth, financed with the proceeds of general obligation bonds.

Public Buildings Authority: A blended component unit. Its capital projects fund is used to account for the construction activities, and related financing means, for buildings and facilities that, when completed, are leased to the Commonwealth's primary government agencies.

Office for the Improvements of the Public Schools: Created by the Joint Resolution No. 3 of August 28, 1990. The primary functions of the office are the development and implementation of a repairs and improvement plan of the public schools in Puerto Rico.

COMMONWEALTH OF PUERTO RICO
COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	1999 Public Improvements Fund	1998 Public Improvements Fund	1997 Public Improvements Fund	1996 Public Improvements Fund
ASSETS				
Cash and cash equivalents				
Cash and cash equivalents in governmental banks	\$ 147,474	\$ 47,855	\$ 56,721	\$ 10,133
Investments				663
Receivables, net:				
Accounts				3
Loans and advances				
Accrued interest				
Other	3,608	6,575	2,788	3,803
Due from other funds				
Other restricted assets				
Other assets				
TOTAL ASSETS	\$ 151,082	\$ 54,430	\$ 59,509	\$ 14,602
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 18,969	\$ 3,482	\$ 2,632	\$ 1,714
Due to other funds		1		6
Advances from component units	463	1,018	3,377	586
Other liabilities				
Total liabilities	<u>19,432</u>	<u>4,501</u>	<u>6,009</u>	<u>2,306</u>
Fund balances:				
Reserved for encumbrances	9,110	4,141	9,036	7,022
Reserved for public improvements	122,540	45,788	44,464	5,274
Advances and other specified purposes				
Total fund balances	<u>131,650</u>	<u>49,929</u>	<u>53,500</u>	<u>12,296</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 151,082	\$ 54,430	\$ 59,509	\$ 14,602

COMMONWEALTH OF PUERTO RICO
COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	Public Buildings Authority	Office for the Improvement of Public Schools	Other Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 174,774	\$ 1,078		\$ 175,852
Cash and cash equivalents in governmental banks	5,028	43,488	79,196	389,895
Investments	113,500	49,385		162,885
Receivables, net:				
Accounts			8	671
Loans and advances			36	36
Accrued interest				3
Other	6,100			6,100
Due from other funds	25,933			49,323
Other restricted assets	77,206	6,616		77,206
Other assets	12,007			12,007
TOTAL ASSETS	\$ 414,548	\$ 93,951	\$ 85,856	\$ 873,978
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 136,413	\$ 3,942	\$ 3,583	\$ 170,735
Due to other funds				7
Advances from component units	132,087		2,789	132,087
Other liabilities				8,233
Total liabilities	268,500	3,942	6,372	311,062
Fund balances:				
Reserved for encumbrances		40,596	13,571	83,476
Reserved for public improvements	146,048	49,413	65,913	479,440
Advances and other specified purposes				
Total fund balances	146,048	90,009	79,484	562,916
TOTAL LIABILITIES AND FUND BALANCES	\$ 414,548	\$ 93,951	\$ 85,856	\$ 873,978

COMMONWEALTH OF PUERTO RICO

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	1999 Public Improvements Fund	1998 Public Improvements Fund	1997 Public Improvements Fund	1996 Public Improvements Fund
REVENUES:				
Charges for services	\$	\$	\$	\$
Intergovernmental		131	1,577	5
Interest			50	3
Other				
Total revenues		<u>131</u>	<u>1,627</u>	<u>8</u>
EXPENDITURES:				
Capital outlay	311,054	79,566	73,007	8,157
Operating cost				
Total expenditures	<u>311,054</u>	<u>79,566</u>	<u>73,007</u>	<u>8,157</u>
Deficiency of revenues under expenditures	<u>(311,054)</u>	<u>(79,435)</u>	<u>(71,380)</u>	<u>(8,149)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt issues	474,471			
Operating transfers-in from other funds	15			
Operating transfers-out to other funds	<u>(31,782)</u>	<u>(1,020)</u>	<u>(5,285)</u>	<u>(7,085)</u>
Total other financing sources (uses)	<u>442,704</u>	<u>(1,020)</u>	<u>(5,285)</u>	<u>(7,085)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	131,650	(80,455)	(76,665)	(15,234)
FUND BALANCES AT BEGINNING OF YEAR		130,384	130,165	27,530
FUND BALANCES AT END OF YEAR	<u>\$ 131,650</u>	<u>\$ 49,929</u>	<u>\$ 53,500</u>	<u>\$ 12,296</u>

COMMONWEALTH OF PUERTO RICO

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	Public Buildings Authority	Office for the Improvement of Public Schools	Other Funds	Totals
REVENUES:				
Charges for services	\$	\$	\$	\$
Intergovernmental		37,220	515	37,735
Interest	21,735	5,779		27,514
Other	23,493	1,216		24,709
Total revenues	45,228	44,215	515	91,724
EXPENDITURES:				
Capital outlay	266,807	57,350	19,449	815,390
Operating cost	266,807	57,350	19,449	815,390
Total expenditures	(221,579)	(13,135)	(18,934)	(723,666)
Deficiency of revenues under expenditures				(723,666)
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt issues	85,160	772	16,696	474,471
Operating transfers-in from other funds			11,953	102,643
Operating transfers-out to other funds				(33,219)
Total other financing sources (uses)	85,160	772	28,649	543,895
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(136,419)	(12,363)	9,715	(179,771)
FUND BALANCES AT BEGINNING OF YEAR	282,467	102,372	69,769	742,687
FUND BALANCES AT END OF YEAR	\$ 146,048	\$ 90,009	\$ 79,484	\$ 562,916

COMMONWEALTH OF PUERTO RICO

SCHEDULE OF COMMONWEALTH CAPITAL PROJECTS EXPENDITURES AND AUTHORIZATIONS

JUNE 30, 2000

(Expressed in Thousands)

	Year to Date					Remaining Authorization	
	Authorization	Bond Proceeds	Cumulative Expenditures	Current Expenditures	Expenditures		Encumbrances
1999 Public Improvements Bond	\$ 475,000	\$ 474,471	\$.	\$ 345,298	\$ 345,298	\$ 9,110	\$ 120,063
1998 Public Improvements Bond	500,000	479,598	349,256	80,586	429,842	4,141	45,615
1997 Public Improvements Bond	369,000	505,618	375,536	78,292	453,828	9,036	42,754
1996 Public Improvements Bond	355,000	374,457	347,025	15,242	362,267	7,022	5,168
1995 Public Improvements Bond	325,000	356,526	349,933	3,808	353,741	4,187	(1,402)
1994 Public Improvements Bond	305,000	327,058	328,816		328,816	791	(2,549)
1993 Public Improvements Bond	310,000	306,595	292,334		292,334	3,560	10,701
1992 Public Improvements Bond	305,000	305,616	298,226	152	298,378	192	7,046
1991 Public Improvements Bond	250,000	298,065	292,156	1,951	294,107	146	3,812
1990 Public Improvements Bond	275,000	252,914	249,897	1	249,898	162	2,854
1989 Public Improvements Bond	245,000	271,719	271,391		271,391	208	120
Prior to 1989				1,584		4,325	
				\$ 526,914		\$ 42,880	

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises-where the intent of the government is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government has decided that periodic determination of net income is appropriate for accountability purposes.

The Additional Lottery System: Created by Law No. 10 of May 24, 1989, as amended, and commenced operations on June 1, 1990. The Additional Lottery is an operational unit of the Commonwealth of Puerto Rico Treasury Department. Presently, two games (Pick 3 and Lotto) with several betting alternatives are offered by the Additional Lottery.

Lottery of Puerto Rico: Created under Law No. 465 of May of 1947. The Lottery is an operational unit of the Commonwealth of Puerto Rico Treasury Department and is engaged in the sales of tickets to authorized agents throughout the Commonwealth. It was created to help those authorized agents with an additional source of revenues and to supplement revenues for the general fund of the Commonwealth.

COMMONWEALTH OF PUERTO RICO

**COMBINING BALANCE SHEET ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	Health Facilities and Services Administration of Puerto Rico	The Additional Lottery System	Lottery of Puerto Rico	Total
ASSETS				
Cash and cash equivalents	\$	\$ 16,176	\$ 22,609	\$ 38,785
Cash and cash equivalents in governmental banks			18,587	18,587
Receivables, net				
Accounts		3,400	17	3,417
Restricted assets				
Other restricted assets		251,563		251,563
Fixed assets, net		49	7,953	8,002
Other assets		3		3
TOTAL ASSETS	\$	\$ 271,191	\$ 49,166	\$ 320,357
LIABILITIES AND FUND EQUITY(DEFICIT)				
Liabilities:				
Accounts payable and accrued liabilities	\$	\$ 3,291	\$ 1,717	\$ 5,008
Due to Other Funds		15,123	15,349	30,472
Interest payable			174	174
Deterred revenues			10,209	10,209
Lottery prizes payable		254,142	12,550	266,692
Accrued compensated absences			1,357	1,357
Other liabilities			3,827	3,827
Total liabilities		272,556	45,183	317,739
Fund Equity (Deficit)				
Contributed capital			3,943	3,943
Retained earnings(deficit)		(1,365)	40	(1,325)
Total fund equity (deficit)		(1,365)	3,983	2,618
TOTAL LIABILITIES AND FUND EQUITY	\$	\$ 271,191	\$ 49,166	\$ 320,357

COMMONWEALTH OF PUERTO RICO

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS (DEFICIT) - ENTERPRISE FUND
YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	Health Facilities and Services Administration of Puerto Rico	The Additional Lottery System	Lottery of Puerto Rico	Total
OPERATING REVENUES				
Charges for services	\$	\$ 287,144	\$ 457,199	\$ 744,343
Total operating revenues		287,144	457,199	744,343
OPERATING EXPENSES				
Cost of services		184,220	394,652	578,872
Depreciation and amortization		28	2,258	2,286
Total operating expenses		184,248	396,910	581,158
OPERATING INCOME (LOSS)		102,896	60,289	163,185
NON-OPERATING REVENUES (EXPENSES)				
Interest income			789	789
Interest expense			(174)	(174)
Other, net			460	460
Total non operating revenues (expenses), net			1,075	1,075
INCOME (LOSS) BEFORE OPERATING TRANSFERS		102,896	61,364	164,260
TRANSFERS				
Operating transfers to other funds		(102,896)	(63,393)	(166,289)
Total transfers, net		(102,896)	(63,393)	(166,289)
NET LOSS				(2,029)
DEPRECIATION ON FIXED ASSETS ACQUIRED THROUGH CAPITAL CONTRIBUTIONS			2,258	2,258
INCREASE IN RETAINED EARNINGS			229	229
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR	(1,153,346.00)	(1,365)	40	(1,154,671)
RESIDUAL EQUITY TRANSFER	1,153,346.00			1,153,346
TRANSFERS TO CONTRIBUTED CAPITAL			(229)	(229)
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	\$	\$ (1,365)	\$ 40	\$ (1,325)

COMMONWEALTH OF PUERTO RICO
 COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2000
 (Expressed in Thousands)

	Health Facilities and Services Administration of Puerto Rico	The Additional Lottery System	Lottery of Puerto Rico	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income	\$	\$ 102,896	\$ 60,289	\$ 163,185
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization		28	2,258	2,286
Provision for uncollectible accounts			460	460
Other				
Increase in:				
Receivables		(1,697)		(1,697)
Accounts payable and accrued liabilities			586	586
Due to other funds		9,907		9,907
Lottery prizes payable		18,362		18,362
Accrued compensated absences			261	261
Other liabilities				
Decrease in:				
Receivables			19	19
Inventories			218	220
Other assets		2		(6,667)
Accounts payable and accrued liabilities		(6,667)	(151)	(151)
Deferred revenues			(1,676)	(1,676)
Lottery prizes payables				
Total adjustments		19,935	1,975	21,910
Net cash provided by operating activities		122,831	62,264	185,095
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers-out to other funds			(67,608)	(170,504)
Net cash used in noncapital financing activities		(102,896)	(67,608)	(170,504)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets		(23)	(229)	(252)
Net cash used in capital and related financing activities		(23)	(229)	(252)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments securities		(18,690)	790	(18,690)
Interest and dividends on investments			790	790
Net cash provided by (used in) investing activities		(18,690)	790	(17,900)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,222	(4,783)	(3,561)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		14,954	45,979	60,933
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	\$ 16,176	\$ 41,196	\$ 57,372

TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Pension Trust Funds: These funds are used to account for the accumulation of resources for pension benefit payments of qualified public employees. The pension trust funds included are the:

Employees Retirement System of the Government of Puerto Rico and its Instrumentalities: Is the administrator of a single-employer retirement system established by the Commonwealth. The System was created under Act 477, approved on May 15, 1951, as amended, and became effective on January 1, 1952. The System covers all regular employees of the Commonwealth and its instrumentalities and of certain municipalities and component units not covered by their own retirement systems.

Judiciary Retirement System: Is a single-employer defined benefit plan, which is administered by the Employee Retirement System, mentioned above. It was created under Act 12, approved on October 19, 1954. The membership includes all individuals holding a position as Justice of the Supreme Court, Judge of the Superior Court or the District Court or Municipal Judge of the Commonwealth of Puerto Rico. The System provides retirement as well as death and disability benefits.

Annuity and Pension System for the Teachers of Puerto Rico: Is a single-employer plan, which was created under Act 218, approved on May 6, 1951. The System provides retirement benefits to all teachers of the Department of Education of the Commonwealth, those holding positions in the Retirement Board, all pensioned teachers transferred to an administrative position in the Department of Education, teachers who worked in the Teachers' Association of Puerto Rico, and those who practice in private institutions accredited by the Department of Education.

Expendable Trust Funds: These funds are used to account for the following activities:

- **Unemployment Trust Fund:** The unemployment trust funds account for funds received from the United States Department of Labor to reimburse fifty percent of the administrative costs of extended benefits paid under the provisions of Puerto Rico laws, which conform to the provisions of the Federal Social Security and Unemployment Tax Acts. Also, they account for contributions received to reimburse the benefits paid to unemployed ex-military and civilian ex-federal employees, whose unemployment is caused by a presidential declared disaster under the Disaster Relief Act, and adversely affected works under the Trade Act.

Agency Fund - This fund is custodial in nature (assets equal liabilities) and does not involve measurement of the results of operations.

- **Special Deposits Fund:** This agency fund acts in a fiduciary capacity in order to account for monies received with specific purposes for which the law does not address any other fund. It mainly includes deposits under the custody of the courts of justice for alimony payments.

COMMONWEALTH OF PUERTO RICO

**COMBINING BALANCE SHEET -
TRUST AND AGENCY FUNDS**

JUNE 30, 2000

(Expressed in Thousands)

	Pension Trust	Expendable Trust	Agency	Totals
ASSETS				
Cash and cash equivalents	\$ 46,773	217,520	\$ 647,642	911,935
Cash and cash equivalents in governmental banks	40,627	573,930		614,557
Investments	4,005,400	32,549	7,653	4,045,602
Receivables, net:		76,976		76,976
Taxes			16,155	50,191
Accounts	34,036			584,053
Loans and advances	584,053			15,150
Accrued interest	13,476	1,672	2	13,465
Other	13,465	6,356		6,356
Due from other funds				2,806
Restricted assets:	2,756		50	21,710
Cash and cash equivalents	21,710			30,302
Fixed assets, net	29,820	482		
Other assets				
TOTAL ASSETS	\$ 4,792,116	\$ 909,485	\$ 671,502	\$ 6,373,103
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 97,360	6,816	\$ 121,271	\$ 225,447
Due to other funds	35,847	5	1,830	37,682
Bonds payable	24,845			24,845
Other liabilities		17,158	548,401	565,559
Total liabilities	158,052	23,979	671,502	853,533
Fund balances:				
Reserved for:				
Encumbrances		1,668		1,668
Unemployment benefits		769,388		769,388
Employees' pension benefits	4,634,064	94,880		4,634,064
Advances and other specified purposes		19,570		94,880
Unreserved				19,570
Total fund balances	4,634,064	885,506		5,519,570
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,792,116	\$ 909,485	\$ 671,502	\$ 6,373,103

COMBINING STATEMENT OF PLAN NET ASSETS AVAILABLE
FOR PENSION BENEFITS - PENSION TRUST FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	Employees Retirement System	Teachers Retirement System	Judiciary Retirement System	Eliminations	Totals
ASSETS					
Cash and cash equivalents	\$ 39,177	6,560	1,036	\$	\$ 46,773
Cash and cash equivalents in governmental banks Investments	28,478 1,692,363	9,161 2,232,963	2,988 80,074		40,627 4,005,400
Receivables, net:					
Accounts	34,036				34,036
Loans and advances	257,053	326,737	263		584,053
Accrued interest	3,247	9,904	325		13,476
Other	11,724	1,264	477	(1,751)	13,465
Due from other funds	1,751				
Restricted assets:					
Cash and cash equivalents	633	2,123			2,756
Fixed assets, net	8,151	13,559			21,710
Other assets	16,402	13,418			29,820
TOTAL ASSETS	\$ 2,093,015	\$ 2,615,689	\$ 85,163	\$ (1,751)	\$ 4,792,116
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 51,249	45,507	604	\$	\$ 97,360
Due to other funds		35,847	1,751	(1,751)	35,847
Bonds payable		24,845			24,845
TOTAL LIABILITIES	51,249	106,199	2,355	(1,751)	158,052
NET ASSETS AVAILABLE FOR PENSION BENEFITS	\$ 2,041,766	\$ 2,509,490	\$ 82,808	\$	\$ 4,634,064

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
AVAILABLE FOR PENSION BENEFITS - PENSION TRUST FUNDS
YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Employees Retirement System	Teachers Retirement System	Judiciary Retirement System	Totals
ADDITIONS:				
Contributions:				
Employer	\$ 288,915	\$ 74,280	\$ 5,222	\$ 378,417
Employees	218,342	68,864	2,094	289,300
Special	10,182	11,966		22,148
Total contributions	<u>527,439</u>	<u>155,110</u>	<u>7,316</u>	<u>689,865</u>
Investment income(expense):				
Interest	39,700	90,361	1,473	131,534
Dividends	9,648	15,051	303	25,002
Net appreciation of investments	236,218	186,842	9,298	432,359
Investment expense	(5,930)	(5,747)	(413)	(12,090)
Total investment income	<u>279,636</u>	<u>286,507</u>	<u>10,662</u>	<u>576,805</u>
Other income	11,276	5,784		17,060
Total additions	<u>818,351</u>	<u>447,401</u>	<u>17,978</u>	<u>1,283,730</u>
DEDUCTIONS:				
Benefits	582,302	217,572	7,705	807,579
Refunds of contributions	23,163	2,314		25,477
General and administrative	28,651	31,755	1,372	61,778
Total deductions	<u>634,116</u>	<u>251,641</u>	<u>9,077</u>	<u>894,834</u>
NET INCREASE	184,235	195,760	8,901	388,896
NET ASSETS AVAILABLE FOR PENSION BENEFITS AT BEGINNING OF YEAR	<u>1,857,631</u>	<u>2,313,730</u>	<u>73,907</u>	<u>4,245,168</u>
NET ASSETS AVAILABLE FOR PENSION BENEFITS AT END OF YEAR	<u>\$ 2,041,766</u>	<u>\$ 2,509,490</u>	<u>\$ 82,808</u>	<u>\$ 4,634,064</u>

COMMONWEALTH OF PUERTO RICO
COMBINING BALANCE SHEET -
EXPENDABLE TRUST FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	Unemployment Trust Fund	Other Funds	Totals
ASSETS			
Cash and cash equivalents	185,810	31,710	217,520
Cash and cash equivalents in governmental banks	481,797	92,133	573,930
Investments	32,549		32,549
Receivables, net:			
Taxes	76,976		76,976
Accounts			
Accrued interest	604	1,068	1,672
Due from other funds		6,356	6,356
Other assets	482		482
TOTAL ASSETS	\$ 778,218	\$ 131,267	\$ 909,485
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	4,809	2,007	6,816
Due to other funds		5	5
Other liabilities	2,353	14,805	17,158
Total liabilities	7,162	16,817	23,979
Fund balances:			
Reserved for:			
Encumbrances	1,668		1,668
Unemployment benefits	769,388		769,388
Advances and other specified purposes		94,880	94,880
Unreserved		19,570	19,570
Total fund balances	771,056	114,450	885,506
TOTAL LIABILITIES AND FUND BALANCES	\$ 778,218	\$ 131,267	\$ 909,485

COMMONWEALTH OF PUERTO RICO

**COMBINING STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES –
EXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	Unemployment Trust Fund	Other Funds	Totals
REVENUES:			
Unemployment taxes	\$ 268,696	\$	\$ 268,696
Charges for services	344	5,340	5,684
Revenue from global settlement agreement		90,571	90,571
Intergovernmental	11,552	6,215	17,767
Interest	41,266	3,664	44,930
Other	25,943	25	25,968
Total revenues	347,801	105,815	453,616
EXPENDITURES:			
Current:			
General government	887		887
Public safety	4,944		4,944
Health	2,904		2,904
Public housing and welfare	263,147	886	264,033
Education	961		961
Economic development	49,231		49,231
Net decrease in fair market value of investments			
Debt service:			
Principal			
Interest and other			
Total expenditures	322,074	886	322,960
Excess of revenues under expenditures	25,727	104,929	130,656
OTHER FINANCING SOURCES (USES):			
Operating transfers-in from other funds	1,683		1,683
Operating transfers-out to other funds	(360)		(360)
Total other financing sources (uses)	1,323		1,323
Excess of revenues and other financing sources over expenditures and other financing uses	27,050	104,929	131,979
FUND BALANCES AT BEGINNING OF YEAR (as restated)	744,006	9,521	753,527
FUND BALANCES AT END OF YEAR	\$ 771,056	\$ 114,450	\$ 885,506

COMMONWEALTH OF PUERTO RICO

**COMBINING BALANCE SHEET -
AGENCY FUNDS**

JUNE 30, 2000

(Expressed in Thousands)

	Special Deposit Funds	Other Funds	Totals
ASSETS			
Cash and cash equivalents	\$ 429,533	\$ 218,109	\$ 647,642
Investments	7,653		7,653
Receivables, net:			
Accounts	10,224	5,931	16,155
Accrued interest	1	1	2
Restricted assets		50	50
TOTAL ASSETS	\$ 447,411	\$ 224,091	\$ 671,502
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 35,040	\$ 86,231	\$ 121,271
Due to other funds	1,830		1,830
Other liabilities	410,541	137,860	548,401
TOTAL LIABILITIES	\$ 447,411	\$ 224,091	\$ 671,502

COMMONWEALTH OF PUERTO RICO

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Assets:				
Cash and cash equivalents	\$ 569,773	\$ 1,620,813	\$ 1,542,944	\$ 647,642
Cash and cash equivalents in governmental banks	499		499	
Investments	11,103	55	3,505	7,653
Receivables, net:				
Accounts	10,173	7,238	1,256	16,155
Accrued interest	3		1	2
Restricted assets	50			50
Other Assets	482		482	
Total Assets	\$ 592,083	\$ 1,628,106	\$ 1,548,687	\$ 671,502
Liabilities:				
Accounts payables and accrued liabilities	\$ 64,954	\$ 56,317	\$	\$ 121,271
Due to other fund	1,835		5	1,830
Other liabilities	525,294	23,107		548,401
Total Liabilities	\$ 592,083	\$ 79,424	\$ 5	\$ 671,502

PUBLIC UNIVERSITY FUNDS

The public university funds are used to account for the activities of the public university and the public employee retirement system of the university. Funds are an aggregate of the funds required by the American Institute of Certified Public Accountants, Industry Audit Guide, *Audits of Colleges and Universities*.

University of Puerto Rico: The University of Puerto Rico is the largest institution of higher education in Puerto Rico.

University of Puerto Rico Retirement System The University of Puerto Rico Retirement System is the administrator of the retirement system of the employee of the University of Puerto Rico, created under Act No. 135 approved on May 7, 1942 and became effective on January 1, 1945. Its a single-employer defined-benefit retirement system.

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET PUBLIC UNIVERSITY FUNDS

JUNE 30, 2000

(Expressed in Thousands)

	University of Puerto Rico	University of Puerto Rico Retirement System	Total
ASSETS			
Cash and cash equivalents	\$ 69,695	\$ 52,978	\$ 122,673
Cash and cash equivalents in governmental banks		70	70
Investments		630,643	630,643
Receivables, net:			
Accounts	1,442		1,442
Loans and advances		94,331	94,331
Accrued interest	359	3,393	3,752
Other	3,610	7,701	11,311
Due from:			
Primary government	18		18
Inventories	5,015		5,015
Restricted assets:			
Cash and cash equivalents	34,439		34,439
Other restricted assets	194,969	234	195,203
Fixed assets, net	815,462	490	815,952
Other assets	75		75
TOTAL ASSETS	\$ 1,125,084	\$ 789,840	\$ 1,914,924
LIABILITIES, FUND BALANCE AND OTHER CREDITS			
Liabilities:			
Accounts payable and accrued liabilities	\$ 82,726	\$ 31,722	\$ 114,448
Deposits		3,653	3,653
Advances from component units	74,929		74,929
Interest payable	1,460		1,460
Bonds payable	287,741		287,741
Accrued compensated absences	87,748	185	87,933
Deferred compensation payable	30,202		30,202
Other liabilities	7		7
Net pension obligation	2,676		2,676
Total liabilities	567,489	35,560	603,049
Fund Balance and Other Credits:			
Investment in general fixed assets	452,791		452,791
Fund balance:			
Reserved for:			
Encumbrances	30,431		30,431
Debt service	35,630		35,630
Advances and other specified purposes	18,733		18,733
Employee's pension benefits		754,280	754,280
Unreserved	20,010		20,010
Total fund balance and other credits	557,595	754,280	1,311,875
TOTAL LIABILITIES, FUND BALANCE AND OTHER CREDITS	\$ 1,125,084	\$ 789,840	\$ 1,914,924

COMPONENT UNITS

These entities are presented because the nature and significance of their relationship with the primary government are such that their exclusion would cause the general purpose financial statements to be misleading. These are discretely presented in a separate column in the general purpose financial statements due to the nature of the services they provide. The accounting principles followed by each of the component units included herein may vary depending on the type of industries these are involved (i.e. banking, construction, public utilities, etc.). Major component units are presented in separate columns. The component units - other column is a combination of all of the non-major public corporations that should be reported in the general purpose financial statements as required by generally accepted accounting principles. The detailed information for each of these entities may be obtained directly from the administrative offices of the corresponding entities, as described in Note 1, pages 15 to 29 of the general purpose financial statements included in the Financial Section of this report.

COMMONWEALTH OF PUERTO RICO
COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER
JUNE 30, 2000
(Expressed in Thousands)

	Government Development Bank for Puerto Rico and Subsidiaries	Puerto Rico Highway and Transportation Authority	Puerto Rico Electric Power Authority	Puerto Rico Aqueduct and Sewer Authority	Puerto Rico Infrastructure Financing Authority
ASSETS AND OTHER DEBITS					
Assets:					
Cash and cash equivalents	\$ 16,449	\$	\$ 70,534	\$ 9,475	\$ 204
Cash and cash equivalents in governmental banks	3				
Investments	3,682,946				
Receivables, net:					
Intergovernmental	44,814				
Accounts	285,898		429,041	82,568	
Loans and advances	218,252				1,319
Accrued interest	221,499		3,924		
Other	12,095				
Due from:					
Primary government	21,593				1,463
Component units					
Other governmental entities					
Advances to:					
Primary government	869,553		44,251		
Component units	2,082,324				
Other governmental entities	377,166				
Inventories			231,159	17,153	
Restricted assets:					
Cash and cash equivalents	408,562	116,201	265,994	43,039	52,810
Other restricted assets		829,040	367,501		1,215,483
Housing units and land lots held for sale		1,259,931	3,965,741	4,111,976	8,788
Fixed assets, net		1,909	61,745	12,949	1
Other assets	117,307				
Other Debits:					
Amount available in debt service funds		379,042			42,619
Amount to be provided for retirement of bonds and notes payable		3,793,182			1,031,495
Amount to be provided for payment of accrued compensated absences and other long-term liabilities		36,194			
TOTAL ASSETS AND OTHER DEBITS	\$ 8,279,959	\$ 6,494,001	\$ 5,439,890	\$ 4,277,160	\$ 2,354,182

COMMONWEALTH OF PUERTO RICO
 COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER
 JUNE 30, 2000
 (Expressed in Thousands)

	Puerto Rico Housing Bank and Finance Agency	State Insurance Fund Corporation	Economic Development Bank for Puerto Rico	Puerto Rico Ports Authority	Puerto Rico Municipal Finance Agency
ASSETS AND OTHER DEBITS					
Assets:					
Cash and cash equivalents	\$ 52,532	\$ 3,711	\$ 2,204	\$ 4,853	\$ 14,714
Cash and cash equivalents in governmental banks	1,547		131	229	
Investments	12,961	789,141	769,581		
Receivables, net:					
Intergovernmental	5,037	89,049		44,367	
Accounts	103,854		114,161		33,238
Loans and advances			7,374		
Accrued interest			19,652		
Other					
Due from:					
Primary government					1,722
Component units					
Other governmental entities					
Advances to:					
Primary government			13,534		
Component units					
Other governmental entities	3,924	5,695		507	
Inventories					
Restricted assets:					
Cash and cash equivalents	238,805			60,813	1,506,658
Other restricted assets	630,996	262,262		7,127	
Housing units and land lots held for sale	867	160,935	13,412	580,203	
Fixed assets, net	6,111		9,766	10,583	16,230
Other assets					
Other Debits:					
Amount available in debt service funds	20,328				
Amount to be provided for retirement of bonds and notes payable					
Amount to be provided for payment of accrued compensated absences and other long-term liabilities					
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 229,824</u>	<u>\$ 1,310,793</u>	<u>\$ 949,815</u>	<u>\$ 708,682</u>	<u>\$ 1,572,562</u>

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Puerto Rico Industrial Development Company	Puerto Rico Telephone Authority	Automobile Accident Compensation Administration	Puerto Rico Land Administration	Recreational Development Company of Puerto Rico
ASSETS AND OTHER DEBITS					
Assets:					
Cash and cash equivalents	\$ 1,870	\$	\$ 5,012	\$ 736	\$ 4,449
Cash and cash equivalents in governmental banks		73,504		5,904	4,915
Investments		111,276	293,565	57,377	6,72
Receivables, net:					
Intergovernmental					
Accounts	45,392		11,618	1,333	312
Loans and advances				1,937	
Accrued interest	2,447		2,304	364	
Other			2,637	1,359	
Due From:					
Primary government					
Component units					
Other governmental entities					393
Advances to:					
Primary government					
Component units					
Other governmental entities					
Inventories					
Restricted assets:					
Cash and cash equivalents	105,878				5,376
Other restricted assets	33,563	178,213			59,043
Housing units and land lots held for sale				127,606	
Fixed assets, net	558,007		6,201	7,721	111,108
Other assets	12,147	331	103	32,495	309
Other Debits:					
Amount available in debt service funds					869
Amount to be provided for retirement of bonds and notes payable					107
Amount to be provided for payment of accrued compensated absences and other long-term liabilities					2,890
TOTAL ASSETS AND OTHER DEBITS	\$ 759,304	\$ 363,324	\$ 321,440	\$ 236,832	\$ 196,500

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Puerto Rico Medical Services Administration	Puerto Rico Exports Development Corporation	Tourism Company of Puerto Rico	Puerto Rico and Caribbean Cardiovascular Center Corporation	Agricultural Services and Development Administration
ASSETS AND OTHER DEBITS					
Assets:					
Cash and cash equivalents	\$ 3,106	\$ 1,081	\$ 22,819	\$ 3,029	\$ 9,352
Cash and cash equivalents in governmental banks	10,475	3	1,151		8
Investments		23,892	17,949		
Receivables , net:					
Intergovernmental					
Accounts	90,358	889		28,597	4,731
Loans and advances			10,461		
Accrued interest		194			
Other	262		10,896	889	
Due From:					
Primary government			1,781		
Component units					
Other governmental entities					
Advances to					
Primary government					
Component units					
Other governmental entities					
Inventories	4,883		11,976	2,198	3,079
Restricted assets:					
Cash and cash equivalents	3,161		335		18,254
Other restricted assets					
Housing units and land lots held for sale					
Fixed assets, net	33,231	93,761	49,485	50,081	29,697
Other assets	762	1,435	20,380	312	
Other Debits:					
Amount available in debt service funds					
Amount to be provided for retirement of bonds and notes payable			20,661		19,910
Amount to be provided for payment of accrued compensated absences and other long-term liabilities			4,176		
TOTAL ASSETS AND OTHER DEBITS	\$ 146,238	\$ 121,255	\$ 172,070	\$ 85,106	\$ 85,031

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Land Authority of Puerto Rico	Puerto Rico Metropolitan Bus Athority	Puerto Rico Industrial, Tourist Educational, Medical and Environmental, Control Facilities Financing Authority	Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks	Puerto Rico Solid Waste Authority
ASSETS AND OTHER DEBITS					
Assets:					
Cash and cash equivalents	\$ 6,544	\$ 600	\$	\$ 72	\$ 2,083
Cash and cash equivalents in governmental banks	13,859	2,292	29,164	1	
Investments	84				
Receivables , net:					
Intergovernmental		4,902			267
Accounts	6,041			640	2,197
Loans and advances	1,913				
Accrued interest			156		
Other		560		704	
Due From:					
Primary government	8,495				
Component units		5,435	1,418		
Other governmental entities					
Advances to					
Primary government					
Component units					
Other governmental entities					
Inventories	12	5,316			
Restricted assets:					
Cash and cash equivalents	83	4,916	1,857	10,396	18,900
Other restricted assets					1,935
Housing units and land lots held for sale					
Fixed assets, net	37,601	65,552	73,710	57,965	60,687
Other assets	295	42	18	23	119
Other Debits:					
Amount available in debt service funds					
Amount to be provided for retirement of bonds and notes payable					
Amount to be provided for payment of accrued compensated absences and other long-term liabilities				658	
TOTAL ASSETS AND OTHER DEBITS	\$ 74,927	\$ 89,615	\$ 106,323	\$ 70,459	\$ 86,188

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Sugar Corporation of Puerto Rico	Corporation of Stocks and Deposits Insurance for the Savings and Loans Cooperatives	Right to Employment Administration	Puerto Rico Public Broadcasting Corporation	Fine Arts Center Corporation
ASSETS AND OTHER DEBITS					
Assets:					
Cash and cash equivalents	\$ 4,057	\$	\$ 959	\$ 244	\$ 1,820
Cash and cash equivalents in governmental banks		1,919	22,122	3	27
Investments		61,232			
Receivables, net:					
Intergovernmental			854		
Accounts	3,742		1,908	1,166	73
Loans and advances					
Accrued interest		857			
Other		13	72		
Due From:					
Primary government					
Component units					
Other governmental entities				32	
Advances to:					
Primary government					
Component units					
Other governmental entities					
Inventories	14,766		127		
Restricted assets:					
Cash and cash equivalents	8,766			5,383	81
Other restricted assets					
Housing units and land lots held for sale					
Fixed assets, net	189	312	2,280	10,924	18,855
Other assets	28,863	289	401	3,452	394
Other Debits:					
Amount available in debt service funds					
Amount to be provided for retirement of bonds and notes payable					
Amount to be provided for payment of accrued compensated absences and other long-term liabilities			1,932		
TOTAL ASSETS AND OTHER DEBITS	\$ 60,383	\$ 64,622	\$ 30,655	\$ 21,204	\$ 21,250

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Institutional Trust of the National Guard of Puerto Rico	Puerto Rico Health Insurance Administration	Puerto Rico Maritime Transportation Authority	Puerto Rico Council on Higher Education	Farm Credit Guarantee Fund and Guarantee Loan Fund for Eligible Business of Puerto Rico
ASSETS AND OTHER DEBITS					
Assets:					
Cash and cash equivalents	\$	\$	\$ 580	\$	\$
Cash and cash equivalents in governmental banks	3,666	14,841	179	351	
Investments	378			890	
Receivables , net:					
Intergovernmental					
Accounts	872		2,722	69	
Loans and advances					
Accrued interest					
Other		196			
Due From:					
Primary government		167	3,603		
Component units					
Other governmental entities					
Advances to:					
Primary government					
Component units					
Other governmental entities					
Inventories			1,498		
Restricted assets:					
Cash and cash equivalents	1,842		122	411	
Other restricted assets	3,172			2,280	
Housing units and land lots held for sale					
Fixed assets, net	5,894	1,181	58,274	1,929	
Other assets	2,116	13	194		
Other Debits:					
Amount available in debt service funds					
Amount to be provided for retirement of bonds and notes payable					
Amount to be provided for payment of accrued compensated absences and other long-term liabilities				238	
TOTAL ASSETS AND OTHER DEBITS	\$ 17,940	\$ 16,398	\$ 67,172	\$ 6,168	\$

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Farm Insurance Corporation of Puerto Rico	Employment and Training Enterprises Corporation	Medical University Services, Inc	Caribbean Basin Projects Financing Authority	Puerto Rico Conservatory of Music Corporation
ASSETS AND OTHER DEBITS					
Assets:					
Cash and cash equivalents	\$ 557	\$	\$	\$	\$ 175
Cash and cash equivalents in governmental banks		426		4,766	
Investments					230
Receivables, net:					
Intergovernmental					36
Accounts	3,926	1,779	5,656		
Loans and advances				24	
Accrued interest					87
Other					
Due From:					
Primary government					7,385
Component units					
Other governmental entities					534
Advances to:					
Primary government					
Component units					
Other governmental entities					
Inventories		1,387	710		
Restricted assets:					
Cash and cash equivalents	349	857			264
Other restricted assets					1,256
Housing units and land lots held for sale					
Fixed assets, net	128	522	2,339		2,093
Other assets	26	33	435		16
Other Debits:					
Amount available in debt service funds					
Amount to be provided for retirement of bonds and notes payable					
Amount to be provided for payment of accrued compensated absences and other long-term liabilities					
TOTAL ASSETS AND OTHER DEBITS	\$ 4,986	\$ 5,004	\$ 9,140	\$ 4,790	\$ 12,076

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET – COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Musical Arts Corporation and Subsidiaries	Puerto Rico School of Plastic Arts	Industries for the Blind, Mentally Retarded and Other Disabled Persons Puerto Rico	Total
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 1,691	\$	\$ 114	\$ 230,708
Cash and cash equivalents in governmental banks		67	965	207,436
Investments		130		5,828,361
Receivables, net:				
Intergovernmental				50,873
Accounts	1,397		86	1,151,464
Loans and advances				450,578
Accrued interest				273,700
Other				49,422
Due From:				
Primary government				44,487
Component units				8,575
Other governmental entities				959
Advances to:				
Primary government				913,804
Component units				2,095,858
Other governmental entities				377,166
Inventories			177	304,567
Restricted assets:				
Cash and cash equivalents	92	885		965,870
Other restricted assets				5,507,091
Housing units and land lots held for sale				127,606
Fixed assets, net	597	1,705	6	11,443,888
Other assets	33			341,637
Other Debits:				
Amount available in debt service funds				442,858
Amount to be provided for retirement of bonds and notes payable				4,865,355
Amount to be provided for payment of accrued compensated absences and other long-term liabilities		263		276,175
TOTAL ASSETS AND OTHER DEBITS	\$ 3,810	\$ 3,050	\$ 1,348	\$ 35,958,438

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Government Development Bank for Puerto Rico and Subsidiaries	Puerto Rico Highway and Transportation Authority	Puerto Rico Electric Power Authority	Puerto Rico Aqueduct and Sewer Authority	Puerto Rico Infrastructure Financing Authority
LIABILITIES EQUITY (DEFICIT) AND OTHER CREDITS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 88,678	\$ 162,935	\$ 398,534	\$ 267,993	\$ 96,223
Deposits	3,745,388		117,026	53,616	
Due to:					
Primary government					
Other governmental entities					
Advances from primary government					
Advances from component units		270,000	263,000	694,839	83,028
Securities lending transactions and reverses repurchases	19,850				
Interest payable	60,358	86,268	103,419	34,894	39
Deferred revenues			49,366		
Notes payable	1,525,610		130,000	102,993	
Bonds payable	1,161,673	3,973,157	3,743,268	411,035	991,085
Accrued compensated absences	3,781	20,545	197,171	50,798	20
Other liabilities	27,472	3,520			
Other long-term liabilities		18,000			
Net pension obligation			15,446		
Total liabilities	<u>6,632,810</u>	<u>4,534,425</u>	<u>5,017,230</u>	<u>1,616,168</u>	<u>1,170,395</u>
Equity (Deficit) and Other Credits:					
Investment in general fixed assets		57,509			8,790
Contributed capital	20,500	1,137,270	139,983	2,502,121	
Retained earnings (deficit)	1,626,649		282,677	158,871	
Fund balances:					
Reserved for:					
Encumbrances					
Debt service					42,579
Unemployment benefits		379,042			
Advances and other specified purposes		385,755			1,203,939
Unreserved					(71,521)
Total equity (deficit) and other credits	<u>1,647,149</u>	<u>1,959,576</u>	<u>422,660</u>	<u>2,660,992</u>	<u>1,183,787</u>
TOTAL LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS	<u>\$ 8,279,959</u>	<u>\$ 6,494,001</u>	<u>\$ 5,439,890</u>	<u>\$ 4,277,160</u>	<u>\$ 2,354,182</u>

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Puerto Rico Housing Bank and Finance Agency	State Insurance Fund Corporation	Economic Development Bank for Puerto Rico	Puerto Rico Ports Authority	Puerto Rico Municipal Finance Agency
LIABILITIES EQUITY (DEFICIT) AND OTHER CREDITS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 18,014	\$ 989,872	\$ 5,600	\$ 94,503	\$ 1,167
Deposits			399,881	1,723	
Due to:					
Primary government	12,943				
Other governmental entities					
Advances from primary government					
Advances from component units	34,522		13,839	230,099	
Securities lending transactions and reverses repurchases	250,000	88,622	318,825		
Interest payable			6,329	3,543	33,346
Deferred revenues		41,817	10,059	17,456	3,756
Notes payable		46,451	98,606		
Bonds payable	635,132			104,086	1,086,458
Accrued compensated absences	688	30,647	1,878	7,461	
Other liabilities		50,820		1,737	
Other long-term liabilities	3,342				417,581
Net pension obligation					
Total liabilities	954,641	1,248,229	855,017	460,608	1,542,308
Equity (Deficit) and Other Credits:					
Investment in general fixed assets					
Contributed capital	143,583		64,936	247,095	
Retained earnings (deficit)		62,564	29,862	979	30,254
Fund balances:					
Reserved for:					
Encumbrances					
Debt service	20,328				
Unemployment benefits					
Advances and other specified purposes	19,793				
Unreserved	168,441				
Total equity (deficit) and other credits	352,145	62,564	94,798	248,074	30,254
TOTAL LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS	\$ 1,306,786	\$ 1,310,793	\$ 949,815	\$ 708,682	\$ 1,572,562

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Puerto Rico Industrial Development Company	Puerto Rico Telephone Authority	Automobile Accident Compensation Administration	Puerto Rico Land Administration	Recreational Development Company of Puerto Rico
LIABILITIES EQUITY (DEFICIT) AND OTHER CREDITS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 43,692	\$ 180,740	\$ 114,297	\$ 8,275	\$ 9,607
Deposits				37,158	
Due to:					
Primary government					
Other governmental entities					
Advances from primary government	15,612			1,420	
Advances from component units			60,204		
Securities lending transactions and reverses repurchases	5,452				
Interest payable			33,437		
Deferred revenues	14,415		195		
Notes payable	195,189				
Bonds payable	7,337		2,164	906	1,964
Accrued compensated absences					926
Other liabilities					
Other long-term liabilities					
Net pension obligation					
Total liabilities	<u>281,697</u>	<u>180,740</u>	<u>210,297</u>	<u>47,759</u>	<u>12,497</u>
Equity (Deficit) and Other Credits:					
Investment in general fixed assets					111,108
Contributed capital	325,997	24,962		82,484	
Retained earnings (deficit)	151,610	157,622	111,143	106,589	
Fund balances:					
Reserved for:					
Encumbrances					404
Debt service					869
Unemployment benefits					
Advances and other specified purposes					61,458
Unreserved					10,164
Total equity (deficit) and other credits	<u>477,607</u>	<u>182,584</u>	<u>111,143</u>	<u>189,073</u>	<u>184,003</u>
TOTAL LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS	<u>\$ 759,304</u>	<u>\$ 363,324</u>	<u>\$ 321,440</u>	<u>\$ 236,832</u>	<u>\$ 196,500</u>

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Puerto Rico Medical Services Administration	Puerto Rico Exports Development Corporation	Tourism Company of Puerto Rico	Puerto Rico and Caribbean Cardiovascular Center Corporation	Agricultural Services and Development Administration
LIABILITIES EQUITY (DEFICIT) AND OTHER CREDITS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 63,955	\$	\$ 56,925	\$ 12,551	\$ 36,637
Deposits		2,270			
Due to:					
Primary government			13,933		
Other governmental entities					
Advances from primary government					
Advances from component units	5,000	13,534	129,794		18,519
Securities lending transactions and reverses repurchases					
Interest payable		150		1,220	
Deferred revenues					561
Notes payable			1,400		
Bonds payable					
Accrued compensated absences	5,554	730	4,723	1,238	5,949
Other liabilities		2,443	656		
Other long-term liabilities	1,659	1,250	500	59,114	
Net pension obligation					
Total liabilities	<u>76,168</u>	<u>20,377</u>	<u>207,931</u>	<u>74,123</u>	<u>61,666</u>
Equity (Deficit) and Other Credits:					
Investment in general fixed assets			40,450		23,318
Contributed capital	72,534	107,300	150,021	12,727	4,892
Retained earnings (deficit)		(6,422)	(239,612)	(1,744)	176
Fund balances:					
Reserved for:					
Encumbrances			256		
Debt service					
Unemployment benefits					
Advances and other specified purposes	698		8,676		22,265
Unreserved	(3,162)		4,348		(27,286)
Total equity (deficit) and other credits	<u>70,070</u>	<u>100,878</u>	<u>(35,861)</u>	<u>10,983</u>	<u>23,365</u>
TOTAL LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS	<u>\$ 146,238</u>	<u>\$ 121,255</u>	<u>\$ 172,070</u>	<u>\$ 85,106</u>	<u>\$ 85,031</u>

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENT UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Land Authority of Puerto Rico	Puerto Rico Metropolitan Bus Authority	Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority	Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks	Puerto Rico Solid Waste Authority
LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 74,685	\$ 18,045	\$ 10,587	\$ 2,133	\$ 9,964
Deposits	7,040				
Due to :					
Primary government		1,444			
Other governmental entities					
Advances from primary government	74,295	18,493	64,318		5,084
Advances from component units		807	3,564	500	
Securities lending transactions and reverses repurchases					
Interest payable					
Deferred revenues					
Notes payable					
Bonds payable	830	3,051	40	658	654
Accrued compensated absences		1,162			
Other liabilities					
Other long-term liabilities					
Net pension obligation					
Total liabilities	<u>156,850</u>	<u>43,002</u>	<u>78,509</u>	<u>3,291</u>	<u>15,702</u>
Equity (Deficit) and Other Credits:					
Investment in general fixed assets				57,965	66,916
Contributed capital	78,358	94,646	27,814		3,570
Retained earnings (deficit)	(160,281)	(48,033)			
Fund balances:					
Reserved for:				264	
Encumbrances					
Debt service					
Unemployment benefits				8,939	
Advances and other specified purposes					
Unreserved					
Total equity (deficit) and other credits	<u>(81,923)</u>	<u>46,613</u>	<u>27,814</u>	<u>67,168</u>	<u>70,486</u>
TOTAL LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS	\$ 74,927	\$ 89,615	\$ 106,323	\$ 70,459	\$ 86,188

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Sugar Corporation of Puerto Rico	Corporation of Stocks and Deposits Insurance for the Savings and Loans Cooperatives	Right to Employment Administration	Puerto Rico Public Broadcasting Corporation	Fine Arts Center Corporation
LIABILITIES EQUITY (DEFICIT) AND OTHER CREDITS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 140,058	\$ 26,943	\$ 3,054	\$ 6,063	\$ 318
Deposits					480
Due to:					
Primary government					
Other governmental entities					
Advances from primary government					618
Advances from component units	57,511				972
Securities lending transactions and reverses repurchases					
Interest payable					
Deferred revenues			20,520	383	592
Notes payable		311			
Bonds payable					
Accrued compensated absences	10,600	600	1,932	1,400	391
Other liabilities	330			467	9
Other long-term liabilities	1,620				39
Net pension obligation					
Total liabilities	210,119	27,854	25,506	8,313	3,419
Equity (Deficit) and Other Credits:					
Investment in general fixed assets			2,280		
Contributed capital	168,981	42,751		6,057	17,775
Retained earnings (deficit)	(318,717)	(5,983)		6,834	56
Fund balances:					
Reserved for:					
Encumbrances					
Debt service					
Unemployment benefits					
Advances and other specified purposes			127		
Unreserved			2,742		
Total equity (deficit) and other credits	(149,736)	36,768	5,149	12,891	17,831
TOTAL LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS	\$ 60,383	\$ 64,622	\$ 30,655	\$ 21,204	\$ 21,250

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Institutional Trust of the National Guard of Puerto Rico	Puerto Rico Health Insurance Administration	Puerto Rico Maritime Transportation Authority	Puerto Rico Council on Higher Education	Farm Credit Guarantee Fund and Guarantee Loan Fund for Eligible Business of Puerto Rico
LIABILITIES EQUITY (DEFICIT) AND OTHER CREDITS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 760	\$ 10,302	\$ 2,319	\$ 347	\$
Deposits			55		
Due to:					
Primary government		4,000			
Other governmental entities					
Advances from primary government					
Advances from component units	3,791				
Securities lending transactions and reverses repurchases					
Interest payable					
Deferred revenues					
Notes payable					
Bonds payable					
Accrued compensated absences	68	854	660	239	
Other liabilities			629		
Other long-term liabilities		57			
Net pension obligation					
Total liabilities	4,619	15,213	3,663	586	
Equity (Deficit) and Other Credits:					
Investment in general fixed assets				1,929	
Contributed capital	3,100	608	62,370		
Retained earnings (deficit)	9,975	577	1,139		
Fund balances:					
Reserved for:					
Encumbrances				2,904	
Debt service					
Unemployment benefits					
Advances and other specified purposes	246				
Unreserved				749	
Total equity (deficit) and other credits	13,321	1,185	63,509	5,582	
TOTAL LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS	\$ 17,940	\$ 16,398	\$ 67,172	\$ 6,168	\$

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENTS UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Farm Insurance Corporation of Puerto Rico	Employment and Training Enterprises Corporation	Medical University Services, Inc	Caribbean Basin Projects Financing Authority	Puerto Rico Conservatory of Music Corporation
LIABILITIES EQUITY (DEFICIT) AND OTHER CREDITS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,158	\$ 2,203	\$ 12,926	\$ 2	\$ 327
Deposits					
Due to:					
Primary government		7,108			
Other governmental entities					
Advances from primary government			9,635		
Advances from component units					
Securities lending transactions and reverses repurchases			310		
Interest payable	449	890			
Deferred revenues					
Notes payable					
Bonds payable					
Accrued compensated absences	206	251			605
Other liabilities			985		
Other long-term liabilities			171		
Net pension obligation					
Total liabilities	<u>1,813</u>	<u>10,452</u>	<u>24,027</u>	<u>2</u>	<u>932</u>
Equity (Deficit) and Other Credits:					
Investment in general fixed assets					
Contributed capital		504			9,863
Retained earnings (deficit)	3,173	(5,952)		4,788	1,281
Fund balances:					
Reserved for:					
Encumbrances					
Debt service					
Unemployment benefits					
Advances and other specified purposes					
Unreserved			(14,887)		
Total equity (deficit) and other credits	<u>3,173</u>	<u>(5,448)</u>	<u>(14,887)</u>	<u>4,788</u>	<u>11,144</u>
TOTAL LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS	<u>\$ 4,986</u>	<u>\$ 5,004</u>	<u>\$ 9,140</u>	<u>\$ 4,790</u>	<u>\$ 12,076</u>

COMMONWEALTH OF PUERTO RICO

COMBINING BALANCE SHEET - COMPONENT UNITS - OTHER

JUNE 30, 2000

(Expressed in Thousands)

	Musical Arts Corporation and Subsidiaries	Puerto Rico School of Plastic Arts	Industries for the Blind, Mentally Retarded and Other Disabled Persons Puerto Rico	Total
LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,144	\$ 450	\$ 122	\$ 2,975,108
Deposits				4,364,637
Due to :				
Primary government				37,984
Other governmental entities				1,444
Advances from primary government				618
Advances from component units				2,007,305
Securities lending transactions and reverses repurchases		1		737,501
Interest payable				339,700
Deferred revenues	243			180,029
Notes payable				1,919,981
Bonds payable				12,301,083
Accrued compensated absences	160	263	84	367,100
Other liabilities				91,156
Other long-term liabilities				503,333
Net pension obligation				15,446
Total liabilities	2,547	714	206	25,842,425
Equity (Deficit) and Other Credits:				
Investment in general fixed assets		1,705		305,054
Contributed capital	188			5,588,522
Retained earnings (deficit)	1,075		1,142	1,993,676
Fund balances:				
Reserved for:				
Encumbrances				3,828
Debt service				63,776
Unemployment benefits				379,042
Advances and other specified purposes		615		1,712,511
Unreserved		16		69,604
Total equity (deficit) and other credits	1,263	2,336	1,142	10,116,013
TOTAL LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS	\$ 3,810	\$ 3,050	\$ 1,348	\$ 35,958,438

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANCES IN
RETAINED EARNINGS (DEFICIT) / FUND BALANCES

COMPONENT UNITS – OTHER

Year Ended June 30, 2000

(Expressed In Thousands)

	Government Development Bank for Puerto Rico and Subsidiaries	Puerto Rico Highway and Transportation Authority	Puerto Rico Electric Power Authority	Puerto Rico Aqueduct and Sewer Authority	Puerto Rico Infrastructure Financing Authority
OPERATING REVENUES:					
Charges for services	\$	\$ 2,952	\$ 1,987,336	\$ 328,269	\$
Financing income	239,514				
Investment earnings	186,440				69,101
Other	37,499				
Total operating revenues	463,453	2,952	1,987,336	328,269	69,101
OPERATING EXPENSES:					
Cost of services	83,483	18,543	1,469,956	371,544	
Interest	278,173				
Depreciation and amortization	1,730	1,381	209,960	108,381	
Other					
Total operating expenses	363,386	19,924	1,679,916	479,925	
OPERATING INCOME (LOSS)	100,067	(16,972)	307,420	(151,656)	69,101
NON-OPERATING REVENUES (EXPENSES):					
Intergovernmental					
Interest income			29,110	58,670	
Interest expense			(232,298)	(82,759)	
Other, net	2,433		(82,824)		
Total non-operating revenues (expenses)	2,433		(286,012)	(24,089)	
INCOME (LOSS) BEFORE TRANSFERS	102,500	(16,972)	21,408	(175,745)	69,101
TRANSFERS:					
From (to) primary government				75,000	
TRANSFERS, net				75,000	
NET INCOME (LOSS)	102,500	(16,972)	21,408	(100,745)	69,101
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES FROM GOVERNMENTAL OPERATIONS		531,058			(137,965)
DEPRECIATION ON FIXED ASSETS ACQUIRED THROUGH CAPITAL CONTRIBUTIONS		1,381		66,835	
INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BALANCES		515,467	21,408	(33,910)	(68,864)
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT BEGINNING OF YEAR (as restated)	1,524,149	413,914	261,269	192,781	1,243,861
RESIDUAL EQUITY TRANSFER					
TRANSFER TO CONTRIBUTED CAPITAL		(164,584)			
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT END OF YEAR	\$ 1,626,649	\$ 764,797	\$ 282,677	\$ 158,871	\$ 1,174,997

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANCES IN
 RETAINED EARNINGS (DEFICIT) / FUND BALANCES
 COMPONENT UNITS – OTHER

Year Ended June 30, 2000

(Expressed In Thousands)

	Puerto Rico Housing Bank and Finance Agency	State Insurance Fund Corporation	Economic Development Bank for Puerto Rico	Puerto Rico Ports Authority	Puerto Rico Municipal Finance Agency
OPERATING REVENUES:					
Charges for services	\$ 3,947	\$ 529,822	\$	\$ 149,521	\$
Financing income			10,219		
Investment earnings	57,430		71,216		76,858
Other					
Total operating revenue	<u>\$1,377</u>	<u>529,822</u>	<u>81,435</u>	<u>149,521</u>	<u>76,858</u>
OPERATING EXPENSES:					
Cost of services	5,472	491,004	13,480	96,246	
Interest	40,980		66,656		64,056
Depreciation and amortization	118	9,225	1,276	23,616	
Other	506		4,426		
Total operating expenses	<u>47,076</u>	<u>500,229</u>	<u>85,838</u>	<u>119,862</u>	<u>64,056</u>
OPERATING INCOME (LOSS)	<u>14,301</u>	<u>29,593</u>	<u>(4,403)</u>	<u>29,659</u>	<u>12,802</u>
NON-OPERATING REVENUES (EXPENSES):					
Intergovernmental					(30,457)
Interest income		53,835		394	
Interest expense				(14,771)	
Other, net		(7,106)	7,801		(3,859)
Total non-operating revenues (expenses)		<u>46,729</u>	<u>7,801</u>	<u>(14,377)</u>	<u>(34,316)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>14,301</u>	<u>76,322</u>	<u>3,398</u>	<u>15,282</u>	<u>(21,514)</u>
TRANSFERS:					
From (to) primary government		(25,556)			
TRANSFERS, net		<u>(25,556)</u>			
NET INCOME (LOSS)	<u>14,301</u>	<u>50,766</u>	<u>3,398</u>	<u>15,282</u>	<u>(21,514)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES FROM GOVERNMENTAL OPERATIONS	<u>577</u>				
DEPRECIATION ON FIXED ASSETS ACQUIRED THROUGH CAPITAL CONTRIBUTIONS					
INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BAANCES	<u>14,878</u>	<u>50,766</u>	<u>3,398</u>	<u>15,282</u>	<u>(21,514)</u>
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT BEGINNING OF YEAR (as restated)	<u>193,684</u>	<u>11,798</u>	<u>26,464</u>	<u>(14,303)</u>	<u>51,768</u>
RESIDUAL EQUITY TRANSFER TRANSFER TO CONTRIBUTED CAPITAL					
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT END OF YEAR	<u>\$ 208,562</u>	<u>\$ 62,564</u>	<u>\$ 29,862</u>	<u>\$ 979</u>	<u>\$ 30,254</u>

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANCES IN
 RETAINED EARNINGS (DEFICIT) / FUND BALANCES
 COMPONENT UNITS – OTHER

Year Ended June 30, 2000

(Expressed In Thousands)

	Puerto Rico Industrial Development Company	Puerto Rico Telephone Authority	Automobile Accident Compensation Administration	Puerto Rico Land Administration	Recreational Development Company of Puerto Rico
OPERATING REVENUES:					
Charges for services	\$ 53,279	\$	\$ 71,040	\$ 17,894	\$
Financing income					
Investment earnings		47,213			
Other		3,257		684	
Total operating revenues	53,279	50,470	71,040	18,578	
OPERATING EXPENSES:					
Cost of services	75,513		98,827	10,483	
Interest					
Depreciation and amortization	15,473		1,809	1,238	
Other		2,417			
Total operating expenses	90,986	2,417	100,636	11,721	
OPERATING INCOME (LOSS)	(37,707)	48,053	(29,596)	6,857	
NON-OPERATING REVENUES (EXPENSES):					
Intergovernmental					
Interest income	120,055		13,057	3,336	
Interest expense	(14,216)		(107)	(72)	
Other, net	14,290	(57,273)	(10,444)		
Total non-operating revenues (expenses)	120,129	(57,273)	2,506	3,264	
INCOME (LOSS) BEFORE TRANSFERS	82,422	(9,220)	(27,090)	10,121	
TRANSFERS:					
From (to) primary government	10,691				
TRANSFERS, net	10,691				
NET INCOME (LOSS)	93,113	(9,220)	(27,090)	10,121	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES FROM GOVERNMENTAL OPERATIONS					(11,442)
DEPRECIATION ON FIXED ASSETS ACQUIRED THROUGH CAPITAL CONTRIBUTIONS					
INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BALANCES	93,113	(9,220)	(27,090)	10,121	(11,442)
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT BEGINNING OF YEAR (as restated)	58,497	210,911	138,233	96,468	84,337
RESIDUAL EQUITY TRANSFER TRANSFER TO CONTRIBUTED CAPITAL		(44,069)			
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT END OF YEAR	\$ 151,610	\$ 157,622	\$ 111,143	\$ 106,589	\$ 72,895

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANCES IN
RETAINED EARNINGS (DEFICIT) / FUND BALANCES

COMPONENT UNITS – OTHER

Year Ended June 30, 2000

(Expressed In Thousands)

	Puerto Rico Medical Services Administration	Puerto Rico Exports Development Corporation	Tourism Company of Puerto Rico	Puerto Rico and Caribbean Cardiovascular Center Corporation	Agricultural Services and Development Administration
OPERATING REVENUES:					
Charges for services	\$ 116,841	\$ 13,480	\$ 193,077	\$ 51,069	\$ 59,009
Financing income					
Investment earnings		1,691			
Other					
Total operating revenues	116,841	15,171	193,077	51,069	59,009
OPERATING EXPENSES:					
Cost of services	119,167	9,249	86,250	48,740	58,924
Interest		1,462	7,814		
Depreciation and amortization	4,283	2,548	971	3,810	1,143
Other					
Total operating expenses	123,450	13,259	95,035	52,550	60,067
OPERATING INCOME (LOSS)	(6,609)	1,912	98,042	(1,481)	(1,058)
NON-OPERATING REVENUES (EXPENSES):					
Intergovernmental					
Interest income	1,027				
Interest expense	(363)			(4,852)	(87)
Other, net		159	(152)	1,720	73
Total non-operating revenues (expenses)	664	159	(152)	(3,132)	(14)
INCOME (LOSS) BEFORE TRANSFERS	(5,945)	2,071	97,890	(4,613)	(1,072)
TRANSFERS:					
From (to) primary government			(76,182)	9,386	15,972
TRANSFERS, net			(76,182)	9,386	15,972
NET INCOME (LOSS)	(5,945)	2,071	21,708	4,773	14,900
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES FROM GOVERNMENTAL OPERATIONS			(25,875)		(7,799)
DEPRECIATION ON FIXED ASSETS ACQUIRED THROUGH CAPITAL CONTRIBUTIONS					51
INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BALANCES	(5,945)	2,071	(4,167)	4,773	7,152
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT BEGINNING OF YEAR (as restated)	3,502	(8,493)	(222,165)	(6,517)	(11,997)
RESIDUAL EQUITY TRANSFER TRANSFER TO CONTRIBUTED CAPITAL	(21)				
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT END OF YEAR	\$ (2,464)	\$ (6,422)	\$ (226,332)	\$ (1,744)	\$ (4,845)

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANCES IN
 RETAINED EARNINGS (DEFICIT) / FUND BALANCES
 COMPONENT UNITS – OTHER

Year Ended June 30, 2000

(Expressed In Thousands)

	Land Authority of Puerto Rico	Puerto Rico Metropolitan Bus Authority	Puerto Rico Industrial, Tourist Educational, Medical and Environmental, Control Facilities Financing Authority	Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks	Puerto Rico Solid Waste Authority
OPERATING REVENUES:					
Charges for services	\$ 4,860	\$ 20,024	\$ 3,895	\$	\$ 1,249
Financing income					
Investment earnings					
Other	6,315	959			
Total operating revenues	11,175	20,983	3,895		1,249
OPERATING EXPENSES:					
Cost of services	16,705	45,544	2,237		9,848
Interest		550			
Depreciation and amortization	631	5,275			2,174
Other					
Total operating expenses	17,336	51,369	2,237		12,022
OPERATING INCOME (LOSS)	(6,161)	(30,386)	1,658		(10,773)
NON-OPERATING REVENUES (EXPENSES):					
Intergovernmental		2,927			87
Interest income	970		1,538		1,096
Interest expense	(4,802)				(38)
Other, net	(1,344)				247
Total non-operating revenues (expenses)	(5,176)	2,927	1,538		1,392
INCOME (LOSS) BEFORE TRANSFERS	(11,337)	(27,459)	3,196		(9,381)
TRANSFERS:					
From (to) primary government	5,946	24,659			8,444
TRANSFERS, net	5,946	24,659			8,444
NET INCOME (LOSS)	(5,391)	(2,800)	3,196		(937)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES FROM GOVERNMENTAL OPERATIONS				(4,547)	
DEPRECIATION ON FIXED ASSETS ACQUIRED THROUGH CAPITAL CONTRIBUTIONS		4,201			1,546
INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BALANCES	(5,391)	1,401	3,196	(4,547)	609
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT BEGINNING OF YEAR (as restated)	(154,890)	(49,434)	24,618	13,750	2,961
RESIDUAL EQUITY TRANSFER TRANSFER TO CONTRIBUTED CAPITAL					
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT END OF YEAR	\$ (160,281)	\$ (48,033)	\$ 27,814	\$ 9,203	\$ 3,570

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANCES IN
RETAINED EARNINGS (DEFICIT) / FUND BALANCES
COMPONENT UNITS – OTHER

Year Ended June 30, 2000

(Expressed In Thousands)

	Sugar Corporation of Puerto Rico	Corporation of Stocks and Deposits Insurance for the Savings and Loans Cooperatives	Right to Employment Administration	Puerto Rico Public Broadcasting Corporation	Fine Arts Center Corporation
OPERATING REVENUES:					
Charges for services	\$	\$ 9,992	\$	\$ 1,366	\$ 1,761
Financing income					
Investment earnings					
Other					
Total operating revenues		9,992		1,366	1,761
OPERATING EXPENSES:					
Cost of services		8,731		26,303	3,571
Interest					
Depreciation and amortization		316		2,536	611
Other					
Total operating expenses		9,047		28,839	4,182
OPERATING INCOME (LOSS)		945		(27,473)	(2,421)
NON-OPERATING REVENUES (EXPENSES):					
Intergovernmental					
Interest income		3,557		315	60
Interest expense					(77)
Other, net	(11,008)	45		2,339	
Total non-operating revenues (expenses)	(11,008)	3,602		2,654	(17)
INCOME (LOSS) BEFORE TRANSFERS	(11,008)	4,547		(24,819)	(2,438)
TRANSFERS:					
From (to) primary government	10,000			21,393	2,272
TRANSFERS, net	10,000			21,393	2,272
NET INCOME (LOSS)	(1,008)	4,547		(3,426)	(166)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES FROM GOVERNMENTAL OPERATIONS			(534)		
DEPRECIATION ON FIXED ASSETS ACQUIRED THROUGH CAPITAL CONTRIBUTIONS				36	522
INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BALANCES	(1,008)	4,547	(534)	(3,390)	356
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT BEGINNING OF YEAR (as restated)	(317,709)	(10,530)	3,403	10,224	(300)
RESIDUAL EQUITY TRANSFER TRANSFER TO CONTRIBUTED CAPITAL					
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT END OF YEAR	\$ (318,717)	\$ (5,983)	\$ 2,869	\$ 6,834	\$ 56

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANCES IN
RETAINED EARNINGS (DEFICIT) / FUND BALANCES

COMPONENT UNITS – OTHER

Year Ended June 30, 2000

(Expressed In Thousands)

	Institutional Trust of the National Guard of Puerto Rico	Puerto Rico Health Insurance Administration	Puerto Rico Maritime Transportati on Authority	Puerto Rico Council on Higher Education	Farm Credit Guarantee Fund and Guarantee Loan Fund for Eligible Business of Puerto Rico
OPERATING REVENUES:					
Charges for services	\$ 5,739	\$ 220,695	\$ 4,151	\$	\$
Financing income					
Investment earnings					
Other					
Total operating revenues	5,739	220,695	4,151		
OPERATING EXPENSES:					
Cost of services	5,906	1,044,786	21,538		
Interest					
Depreciation and amortization	302	459	3,883		
Other					
Total operating expenses	6,208	1,045,245	25,421		
OPERATING INCOME (LOSS)	(469)	(824,550)	(21,270)		
NON-OPERATING REVENUES (EXPENSES):					
Intergovernmental			22,603		
Interest income	584	1,589	100		
Interest expense	(289)		(395)		
Other, net			101		
Total non-operating revenues (expenses)	295	1,589	22,409		
INCOME (LOSS) BEFORE TRANSFERS	(174)	(822,961)	1,139		
TRANSFERS:					
From (to) primary government	1,184	823,535			
TRANSFERS, net	1,184	823,535			
NET INCOME (LOSS)	1,010	574	1,139		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES FROM GOVERNMENTAL OPERATIONS	15			2,956	
DEPRECIATION ON FIXED ASSETS ACQUIRED THROUGH CAPITAL CONTRIBUTIONS					
INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BALANCES	1,025	574	1,139	2,956	
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT BEGINNING OF YEAR (as restated)	9,196	3		697	5,342
RESIDUAL EQUITY TRANSFER					(5,342)
TRANSFER TO CONTRIBUTED CAPITAL					
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT END OF YEAR	\$ 10,221	\$ 577	\$ 1,139	\$ 3,653	\$

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS (DEFICIT) / FUND BALANCES

COMPONENT UNITS – OTHER

Year Ended June 30, 2000

(Expressed In Thousands)

	Farm Insurance Corporation of Puerto Rico	Employment and Training Enterprises Corporation	Medical University Services, Inc	Caribbean Basin Projects Financing Authority	Puerto Rico Conservatory of Music Corporation
OPERATING REVENUES:					
Charges for services	\$ 5,977	\$ 3,105	\$ 29,766	\$	\$ 901
Financing income					
Investment earnings					
Other			891		
Total operating revenues	5,977	3,105	30,657		901
OPERATING EXPENSES:					
Cost of services	10,402	3,837	43,905	3	4,456
Interest			539		
Depreciation and amortization	27	84	555		263
Other					
Total operating expenses	10,429	3,921	44,999	3	4,719
OPERATING INCOME (LOSS)	(4,452)	(816)	(14,342)	(3)	(3,818)
NON-OPERATING REVENUES (EXPENSES):					
Intergovernmental		173			
Interest income	72	119		245	48
Interest expense					
Other, net	1,173	52	1,500		(8)
Total non-operating revenues (expenses)	1,245	344	1,500	245	40
INCOME (LOSS) BEFORE TRANSFERS	(3,207)	(472)	(12,842)	242	(3,778)
TRANSFERS:					
From (to) primary government	5,000				3,654
TRANSFERS, net	5,000				3,654
NET INCOME (LOSS)	1,793	(472)	(12,842)	242	(124)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES FROM GOVERNMENTAL OPERATIONS					
DEPRECIATION ON FIXED ASSETS ACQUIRED THROUGH CAPITAL CONTRIBUTIONS					
INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BALANCES	1,793	(472)	(12,842)	242	(124)
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT BEGINNING OF YEAR (as restated)	1,380	(5,480)	(2,045)	4,546	1,405
RESIDUAL EQUITY TRANSFER TRANSFER TO CONTRIBUTED CAPITAL					
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT END OF YEAR	\$ 3,173	\$ (5,952)	\$ (14,887)	\$ 4,788	\$ 1,281

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANCES IN
RETAINED EARNINGS (DEFICIT) / FUND BALANCES

COMPONENT UNITS – OTHER

Year Ended June 30, 2000

(Expressed In Thousands)

	Musical Arts Corporation and Subsidiaries	Puerto Rico School of Plastic Arts	Industries for the Blind, Mentally Retarded and Other Disabled Persons Puerto Rico	Total
OPERATING REVENUES:				
Charges for services	\$ 841	\$	\$ 488	\$ 3,892,346
Financing income				249,733
Investment earnings				509,949
Other				49,605
Total operating revenues	841		488	4,701,633
OPERATING EXPENSES:				
Cost of services	7,666		673	4,312,992
Interest				460,230
Depreciation and amortization	106		4	404,188
Other				7,349
Total operating expenses	7,772		677	5,184,759
OPERATING INCOME (LOSS)	(6,931)		(189)	(483,126)
NON-OPERATING REVENUES (EXPENSES):				
Intergovernmental	943			(3,724)
Interest income				289,777
Interest expense				(355,126)
Other, net	658		1	(141,426)
Total non-operating revenues (expenses)	1,601		1	(210,499)
INCOME (LOSS) BEFORE TRANSFERS	(5,330)		(188)	(693,625)
TRANSFERS:				
From (to) primary government	5,738		1,447	922,583
TRANSFERS, net	5,738		1,447	922,583
NET INCOME (LOSS)	408		1,259	228,958
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES FROM GOVERNMENTAL OPERATIONS		(320)		346,124
DEPRECIATION ON FIXED ASSETS ACQUIRED THROUGH CAPITAL CONTRIBUTIONS				74,572
INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BALANCES	408	(320)	1,259	649,654
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT BEGINNING OF YEAR (as restated)	667	951	(117)	3,786,799
RESIDUAL EQUITY TRANSFER TRANSFER TO CONTRIBUTED CAPITAL				(5,342)
RETAINED EARNINGS (DEFICIT) / FUND BALANCE AT END OF YEAR	\$ 1,075	\$ 631	\$ 1,142	\$ 4,222,437

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended June 30, 2000

(Expressed in Thousands)

	Government Development Bank for Puerto Rico and Subsidiaries	Puerto Rico Highway and Transportation Authority	Puerto Rico Electric Power Authority	Puerto Rico Aqueduct and Sewer Authority	Puerto Rico Infrastructure Financing Authority
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ 100,067	\$ (16,972)	\$ 307,420	\$ (151,656)	\$ 69,101
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,730	1,381	209,960	108,381	
Provision for uncollectible accounts	5,386		4,777	10,135	
Amortization of debt discount					
Net loss (gain) on disposition of fixed assets	(1,310)		(98,495)		
Net (gain) on sale of investments and fixed assets					
Contribution in lieu of taxes					
Net cash flow effect of noncapital financing, capital and related financing and investing activities included in operating income (loss)	(135,984)				(69,101)
Other	7,540				(73,618)
Change in assets and liabilities:					
Increase in:					
Due from primary government					
Receivables	(144)				
Inventories					(9,250)
Other assets	(26,353)				(528)
Accounts payable and accrued liabilities					38,711
Deposits					2,521
Interest payable					
Deferred revenues					1,258
Accrued compensated absences					
Other liabilities	1,633		9,602		
Decrease in:					
Receivables					
Inventories					
Other assets					1,954
Accounts payable and accrued liabilities					
Deposits					
Due to primary governments					
Interest payable					
Deferred revenues					
Other liabilities					
Total adjustments	(147,502)	1,381	92,527	153,182	(142,719)
Net cash provided by (used in) operating activities	\$ (47,435)	\$ (15,591)	\$ 399,947	\$ 1,526	\$ (73,618)

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended JUNE 30, 2000

(Expressed in Thousands)

	Puerto Rico Housing Bank and Finance Agency	State Insurance Fund Corporation	Economic Development Bank for Puerto Rico	Puerto Rico Ports Authority	Puerto Rico Municipal Finance Agency
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ 14,301	\$ 29,593	\$ (4,403)	\$ 29,659	\$ 12,802
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	118	9,225	1,276	23,616	
Provision for uncollectible accounts	194	(34,655)	10,081	10,000	
Amortization of debt discount	302			155	
Net loss (gain) on disposition of fixed assets	(65)				
Net (gain) on sale of investments and fixed assets	(4,921)		(7,147)		(8,170)
Contribution in lieu of taxes					
Net cash flow effect of noncapital financing capital and related financing and investing activities included in operating income (loss)		(7,106)	(14,779)	11,753	(38,771)
Other		14,098	7,802	(11,855)	
Change in assets and liabilities:					
Increase in:					
Due from primary government					
Receivables		(15,391)		(19,162)	(1,722)
Inventories					
Other assets	(18)			(2,156)	
Accounts payable and accrued liabilities		32,667			634
Deposits					
Interest payable					
Deferred revenues					
Accrued compensated absences					
Other liabilities	13				
Decrease in:					
Receivables	2,986				
Inventories		86		1,316	
Other assets			868		
Accounts payable and accrued liabilities	(3,103)		(251)	(5,204)	
Deposits				(175)	
Due to primary governments					
Interest payable					
Deferred revenues		(9,591)		(890)	
Other liabilities		(296)			
Total adjustments	(4,494)	(10,963)	(2,150)	7,398	(48,029)
Net cash provided by (used in) operating activities	\$ 9,807	\$ 18,630	\$ (6,553)	\$ 37,057	\$ (35,227)

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended June 30, 2000
(Expressed in Thousands)

	Puerto Rico Industrial Development Company	Puerto Rico Telephone Authority	Automobile Accident Compensation Administration	Puerto Rico Land Administration	Recreational Development Company of Puerto Rico
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ (37,707)	\$ 48,053	\$ (29,596)	\$ 6,857	\$
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	15,473		1,809	1,238	
Provision for uncollectible accounts	11,516		2,125	979	
Amortization of debt discount	1,575				
Net loss (gain) on disposition of fixed assets	(15,737)		11,800	(8,997)	
Net (gain) on sale of investments and fixed assets		(43,524)			
Contribution in lieu of taxes					
Net cash flow effect of noncapital financing, capital and related financing and investing activities included in operating income (loss)	74		(10,551)		
Other					
Change in assets and liabilities:					
Increase in:					
Due from primary government					
Receivables	(28,174)	(330)	27,193	(115)	
Inventories					
Other assets	20,049		(55)	(9)	
Accounts payable and accrued liabilities			3,149		
Deposits					
Interest payable					
Deferred revenues					
Accrued compensated absences					
Other liabilities					
Decrease in:					
Receivables					
Inventories					
Other assets	3,099	2,417			
Accounts payable and accrued liabilities		(16,762)		(1,112)	
Deposits					
Due to primary governments	(249)				
Interest payable					
Deferred revenues			(435)		
Other liabilities					
Total adjustments	7,626	(58,199)	35,035	(8,016)	
Net cash provided by (used in) operating activities	\$ (30,081)	\$ (10,146)	\$ 5,439	\$ (1,159)	\$

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended JUNE 30, 2000

(Expressed in Thousands)

	Puerto Rico Medical Services Administration	Puerto Rico Exports Development Corporation	Tourism Company of Puerto Rico	Puerto Rico and Caribbean Cardiovascular Center Corporation	Agricultural Services and Development Administration
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ (6,609)	\$ 1,912	\$ 98,042	\$ (1,481)	\$ (1,058)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	4,283	2,548	971	3,810	1,143
Provision for uncollectible accounts		250	671	669	
Amortization of debt discount					
Net loss (gain) on disposition of fixed assets	30		(1,086)		580
Net (gain) on sale of investments and fixed assets					
Contribution in lieu of taxes					
Net cash flow effect of noncapital financing capital and related financing and investing activities included in operating income (loss)		(228)	4,350	(3,132)	
Other		158			73
Change in assets and liabilities:					
Increase in:					
Due from primary government					
Receivables	(10,117)	(488)		(3,530)	(3,713)
Inventories					
Other assets	(248)		(290)		
Accounts payable and accrued liabilities	6,141		7,642		3,548
Deposits					
Interest payable					
Deferred revenues					
Accrued compensated absences					
Other liabilities					
Decrease in:					
Receivables			1,050		
Inventories	1,093			359	2,136
Other assets				118	
Accounts payable and accrued liabilities				(5,115)	
Deposits					
Due to primary governments					
Interest payable					
Deferred revenues					(67)
Other liabilities		(595)			
Total adjustments	1,182	1,645	13,308	(6,821)	3,700
Net cash provided by (used in) operating activities	\$ (5,427)	\$ 3,557	\$ 111,350	\$ (8,302)	\$ 2,642

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended June 30, 2000
(Expressed in Thousands)

	Land Authority of Puerto Rico	Puerto Rico Metropolitan Bus Authority	Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority	Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks	Puerto Rico Solid Waste Authority
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ (6,161)	\$ (30,386)	\$ 1,658	\$	\$ (10,773)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	631	5,275			2,174
Provision for uncollectible accounts	907				182
Amortization of debt discount					
Net loss (gain) on disposition of fixed assets	(4,028)				
Net (gain) on sale of investments and fixed assets					
Contribution in lieu of taxes					
Net cash flow effect of noncapital financing, capital and related financing and investing activities included in operating income (loss)	(1,414)	(732)			
Other					
Change in assets and liabilities:					
Increase in:					
Due from primary government			(1,418)		
Receivables		(3,929)			(119)
Inventories		(673)			3,365
Other assets		5,693	7,231		
Accounts payable and accrued liabilities		528	2,357		
Deposits					
Interest payable					
Deferred revenues					
Accrued compensated absences					
Other liabilities					
Decrease in:					
Receivables	5,106				
Inventories	128				
Other assets	2,905				
Accounts payable and accrued liabilities	(6,472)				
Deposits					
Due to primary governments			(5,031)		
Interest payable					
Deferred revenues					
Other liabilities		(59)			
Total adjustments	(2,237)	6,103	3,152		5,785
Net cash provided by (used in) operating activities	\$ (8,398)	\$ (24,283)	\$ 4,810	\$	\$ (4,988)

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended JUNE 30, 2000

(Expressed in Thousands)

	Sugar Corporation of Puerto Rico	Corporation of Stocks and Deposits Insurance for the Savings and Loans Cooperatives	Right to Employment Administration	Puerto Rico Public Broadcasting Corporation	Fine Arts Center Corporation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$	\$	945	\$	\$
				(27,473)	(2,421)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization		316		2,536	611
Provision for uncollectible accounts				60	
Amortization of debt discount					
Net loss (gain) on disposition of fixed assets					
Net (gain) on sale of investments and fixed assets					
Contribution in lieu of taxes					
Net cash flow effect of noncapital financing capital and related financing and investing activities included in operating income (loss)	75				
Other	(1,008)	45			
Change in assets and liabilities:					
Increase in:					
Due from primary government					
Receivables	(986)	(8)		(22)	(33)
Inventories	(3,939)				
Other assets	(262)				(5)
Accounts payable and accrued liabilities		4,818		3,153	240
Deposits					422
Interest payable					
Deferred revenues					
Accrued compensated absences					
Other liabilities					
Decrease in:					
Receivables					
Inventories					
Other assets				451	
Accounts payable and accrued liabilities	(3,325)				
Deposits					
Due to primary governments					
Interest payable					
Deferred revenues					
Other liabilities					
Total adjustments	(9,445)	5,171		6,178	1,235
Net cash provided by (used in) operating activities	\$ (9,445)	\$ 6,116	\$	\$ (21,295)	\$ (1,186)

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended JUNE 30, 2000

(Expressed in Thousands)

	Institutional Trust of the National Guard of Puerto Rico	Puerto Rico Health Insurance Administration	Puerto Rico Maritime Transportation Authority	Puerto Rico Council on Higher Education	Farm Credit Guarantee Fund and Guarantee Loan Fund for Eligible Business of Puerto Rico
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ (469)	\$ (824,550)	\$ (21,270)	\$	\$
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization					
Provision for uncollectible accounts	302	459	3,883		
Amortization of debt discount					
Net loss (gain) on disposition of fixed assets		18			
Net (gain) on sale of investments and fixed assets					
Contribution in lieu of taxes					
Net cash flow effect of noncapital financing capital and related financing and investing activities included in operating income (loss)					
Other					
Change in assets and liabilities:					
Increase in:					
Due from primary government			(3,603)		
Receivables			(2,721)		
Inventories			(1,499)		
Other assets			(10)		
Accounts payable and accrued liabilities	524	5,349	2,319		
Deposits					
Interest payable					
Deferred revenues					
Accrued compensated absences		163	660		
Other liabilities			684		
Decrease in:					
Receivables	129	505			
Inventories					
Other assets		3			
Accounts payable and accrued liabilities					
Deposits					
Due to primary governments					
Interest payable					
Deferred revenues		(822)			
Other liabilities					
Total adjustments	955	5,675	(287)		
Net cash provided by (used in) operating activities	\$ 486	\$ (818,875)	\$ (21,557)	\$	\$

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended June 30, 2000

(Expressed in Thousands)

	Farm Insurance Corporation of Puerto Rico	Employment and Training Enterprises Corporation	Medical University Services, Inc.	Caribbean Basin Projects Financing Authority	Puerto Rico Conservatory of Music Corporation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ (4,452)	(816)	\$ (14,342)	\$ (3)	\$ (3,818)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	27	84	555		263
Provision for uncollectible accounts		181	8,730		
Amortization of debt discount					
Net loss (gain) on disposition of fixed assets					
Net (gain) on sale of investments and fixed assets					
Contribution in lieu of taxes					
Net cash flow effect of noncapital financing, capital and related financing and investing activities included in operating income (loss)		344			
Other					
Change in assets and liabilities:					
Increase in:					
Due from primary government			(11,163)		(121)
Receivables					
Inventories					
Other assets	(6)	(29)	7,863	1	89
Accounts payable and accrued liabilities					
Deposits			311		
Interest payable					
Deferred revenues					
Accrued compensated absences					
Other liabilities					
Decrease in:					
Receivables	1,722	104			
Inventories		18			
Other assets			1		
Accounts payable and accrued liabilities	(2,047)	(104)	357		16
Deposits					
Due to primary governments					
Interest payable	(1,188)				
Deferred revenues					
Other liabilities					
Total adjustments	(1,492)	598	6,654	1	247
Net cash provided by (used in) operating activities	\$ (5,944)	\$ (218)	\$ (7,688)	\$ (2)	\$ (3,571)

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER
 Year Ended JUNE 30, 2000
 (Expressed in Thousands)

	Musical Arts Corporation and Subsidiaries	Puerto Rico School of Plastic Arts	Industries for the Blind, Mentally Retarded and Other Disabled Persons Puerto Rico	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (6,931)	\$	\$ (189)	\$ (483,126)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	106		4	404,188
Provision for uncollectible accounts	71			32,259
Amortization of debt discount				2,032
Net loss (gain) on disposition of fixed assets				(25,257)
Net (gain) on sale of investments and fixed assets				(57,300)
Contribution in lieu of taxes				(98,495)
Net cash flow effect of noncapital financing capital and related financing and investing activities included in operating income (loss)	658		1	(262,815)
Other	(649)			(59,142)
Change in assets and liabilities:				
Increase in:				
Due from primary government				(3,603)
Receivables	(288)			(184,314)
Inventories			(30)	(43,860)
Other assets				(40,296)
Accounts payable and accrued liabilities				258,117
Deposits				11,304
Interest payable				3,196
Deferred revenues	158			158
Accrued compensated absences				2,081
Other liabilities	237			12,169
Decrease in:				
Receivables			60	11,845
Inventories				5,137
Other assets				12,201
Accounts payable and accrued liabilities	(354)		(222)	(44,071)
Deposits				(175)
Due to primary governments				(5,031)
Interest payable				(249)
Deferred revenues				(12,993)
Other liabilities				(950)
Total adjustments	(61)		(187)	(83,864)
Net cash provided by (used in) operating activities	\$ (6,992)	\$	\$ (376)	\$ (566,990)

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER
 Year Ended June 30, 2000
 (Expressed in Thousands)

	Government Development Bank for Puerto Rico and Subsidiaries	Puerto Rico Highway and Transportation Authority	Puerto Rico Electric Power Authority	Puerto Rico Aqueduct and Sewer Authority	Puerto Rico Infrastructure Financing Authority
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from notes and loans	\$ 441,600		\$ 1,080,000	\$ 53,546	\$
Principal paid on notes and loans	(559,725)		(1,070,000)	(1,999)	
Interest paid on notes and loans	(238,080)		(7,100)	(6,436)	
Operating grants received				75,000	
Transfers-in from primary government					
Transfers-out from primary government					
Transfers from component units					
Transfers to component units		365,406			
Capital contributions					
Net increase (decrease) in securities lending transactions					
Net cash provided by (used in) noncapital financing activities	<u>(356,205)</u>	<u>365,406</u>	<u>2,900</u>	<u>120,111</u>	<u></u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(6,279)	(349,815)	(440,615)	(221,186)	
Proceeds from issuance of bonds and notes			233,000	89,328	
Principal paid on bonds and notes			(140,861)	(40,582)	
Interest paid on bonds and notes			(204,276)	(17,625)	
Proceeds from sale of equipment				51,542	
Capital contributions					
Net cash provided by (used in) capital and related financing activities	<u>(6,279)</u>	<u>(349,815)</u>	<u>(552,752)</u>	<u>(138,523)</u>	<u></u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments securities	(4,484,476)		(1,629,842)		(7,163,182)
Proceeds from sales and maturities of investments securities	5,138,425		1,644,723		7,228,606
Purchases of units in the Puerto Rico Government Investment Trust Fund					
Redemptions of units in the Puerto Rico Government Investment Trust Fund					
Interest and dividends on investments	274,410		49,564	3,666	8,194
Principal collected on loans to:					
Public entities of the Commonwealth of Puerto Rico	1,166,788				
Private sector	57,097				
Loans originated to:					
Public entities of the Commonwealth of Puerto Rico	(1,911,197)				
Private sector	(21,327)				
Net cash provided by (used in) investing activities	<u>219,720</u>	<u></u>	<u>64,445</u>	<u>3,666</u>	<u>73,618</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(190,199)</u>	<u></u>	<u>(85,460)</u>	<u>(13,220)</u>	<u></u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	206,651		421,988	65,734	53,014
CASH AND CASH EQUIVALENTS FROM GOVERNMENTAL OPERATIONS		116,201			
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 16,452</u>	<u>\$ 116,201</u>	<u>\$ 336,528</u>	<u>\$ 52,514</u>	<u>\$ 53,014</u>

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended JUNE 30, 2000

(Expressed in Thousands)

	Puerto Rico Housing Bank and Finance Agency	State Insurance Fund Corporation	Economic Development Bank for Puerto Rico	Puerto Rico Ports Authority	Puerto Rico Municipal Finance Agency
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from notes and loans	\$ 560,000	\$	\$ 137,489	\$ 1,615	\$ 294,718
Principal paid on notes and loans	(616,714)	(1,334)			
Interest paid on notes and loans			(63,774)		(37,190)
Operating grants received					
Transfers- in from primary government					
Transfers -out from primary government		(25,556)			
Transfers from component units			6,827		
Transfers to component units					
Capital contributions	4,755				
Net increase (decrease) in securities lending transactions		6,528	14,890		
Net cash provided by(used in) noncapital financing activities	(51,959)	(20,362)	95,432	1,615	257,528
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(167)	(16,180)	(751)	(33,446)	
Proceeds from issuance of bonds and notes				9,758	859,547
Principal paid on bonds and notes		(4,218)		(6,580)	(307,669)
Interest paid on bonds and notes				(17,447)	
Proceeds from sale of equipment	168				
Capital contributions				8,252	
Net cash provided by (used in) capital and related financing activities	1	(20,398)	(751)	(39,463)	551,878
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments securities	(1,143,863)	(680,911)	(572,923)		(1,155,924)
Proceeds from sales and maturities of investments securities	1,149,088	644,217	413,433		331,468
Purchases of units in the Puerto Rico Government Investment Trust Fund					
Redemptions of units in the Puerto Rico Government Investment Trust Fund					
Interest and dividends on investments		54,810	77,393	2,969	53,992
Principal collected on loans to:					
Public entities of the Commonwealth of Puerto Rico	5,416		1,316		
Private sector			47,939		
Loans originated to:					
Public entities of the Commonwealth of Puerto Rico	(26,434)				
Private sector		484	(60,039)		
Net cash provided by (used in) investing activities	(15,793)	18,600	(92,881)	2,969	(770,464)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(57,944)	(3,530)	(4,753)	2,178	3,715
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	334,500	7,241	7,088	63,717	10,999
CASH AND CASH EQUIVALENTS FROM GOVERNMENTAL OPERATIONS	16,328				
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 292,884	\$ 3,711	\$ 2,335	\$ 65,895	\$ 14,714

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended JUNE 30, 2000

(Expressed in Thousands)

	Puerto Rico Industrial Development Company	Puerto Rico Telephone Authority	Automobile Accident Compensation Administration	Puerto Rico Land Administration	Recreational Development Company of Puerto Rico
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from notes and loans	\$	\$	\$	\$	\$
Principal paid on notes and loans					
Interest paid on notes and loans					
Operating grants received	10,691				
Transfers -in from primary government					
Transfers -out from primary government		(44,069)			
Transfers from component units					
Transfers to component units					
Capital contributions	4,408				
Net increase (decrease) in securities lending transactions					
Net cash provided by(used in) noncapital financing activities	<u>15,099</u>	<u>(44,069)</u>			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(33,723)		(396)	(3,657)	
Proceeds from issuance of bonds and notes	(41)				
Principal paid on bonds and notes	(8,188)		(1,550)	(550)	
Interest paid on bonds and notes					
Proceeds from sale of equipment	20,750			11,846	
Capital contributions				550	
Net cash provided by (used in) capital and related financing activities	<u>(21,202)</u>		<u>(1,946)</u>	<u>8,189</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments securities			(151,621)		
Proceeds from sales and maturities of investments securities		43,714	135,037		
Purchases of units in the Puerto Rico Government Investment Trust Fund					
Redemptions of units in the Puerto Rico Government Investment Trust Fund				2,632	
Interest and dividends on investments	120,055		13,057	(6,258)	
Principal collected on loans to:					
Public entities of the Commonwealth of Puerto Rico					
Private sector					
Loans originated to:					
Public entities of the Commonwealth of Puerto Rico					
Private sector					
Net cash provided by (used in) investing activities	<u>120,055</u>	<u>43,714</u>	<u>(3,527)</u>	<u>(3,626)</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	83,871	(10,501)	(34)	3,404	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,877	84,005	5,046	3,236	
CASH AND CASH EQUIVALENTS FROM GOVERNMENTAL OPERATIONS					14,740
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 107,748</u>	<u>\$ 73,504</u>	<u>\$ 5,012</u>	<u>\$ 6,640</u>	<u>\$ 14,740</u>

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended JUNE 30, 2000

(Expressed in Thousands)

	Puerto Rico Medical Services Administration	Puerto Rico Exports Development Corporation	Tourism Company of Puerto Rico	Puerto Rico and Caribbean Cardiovascular Center Corporation	Agricultural Services and Development Administration
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from notes and loans	\$	\$	\$ 1,498	\$	\$
Principal paid on notes and loans		(16,904)	(2,594)		(11,020)
Interest paid on notes and loans		(1,472)	(4,350)		(109)
Operating grants received				9,386	15,972
Transfers -in from primary government					
Transfers -out from primary government			(106,221)		
Transfers from component units					
Transfers to component units					
Capital contributions				1,354	
Net increase (decrease) in securities lending transactions					
Net cash provided by(used in) noncapital financing activities		(18,376)	(111,667)	10,740	4,843
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(1,188)	(1,363)	(9,545)	(617)	(2,860)
Proceeds from issuance of bonds and notes	(5,000)		323		
Principal paid on bonds and notes	(700)			(1,961)	
Interest paid on bonds and notes	(164)				
Proceeds from sale of equipment					
Capital contributions					
Net cash provided by (used in) capital and related financing activities	(7,052)	(1,363)	(9,222)	(2,578)	(2,860)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments securities		13,774			
Proceeds from sales and maturities of investments securities			7,024		
Purchases of units in the Puerto Rico Government Investment Trust Fund					
Redemptions of units in the Puerto Rico Government Investment Trust Fund	1,027				
Interest and dividends on investments		1,317			35
Principal collected on loans to:					
Public entities of the Commonwealth of Puerto Rico		1,591			
Private sector					
Loans originated to:					
Public entities of the Commonwealth of Puerto Rico					
Private sector					
Net cash provided by (used in) investing activities	1,027	16,682	7,024		35
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,452)	500	(2,515)	(140)	4,660
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28,194	584	21,247	3,169	5,203
CASH AND CASH EQUIVALENTS FROM GOVERNMENTAL OPERATIONS			5,573		17,751
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 16,742	\$ 1,084	\$ 24,305	\$ 3,029	\$ 27,614

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended JUNE 30, 2000

(Expressed in Thousands)

	Land Authority of Puerto Rico	Puerto Rico Metropolitan Bus Authority	Puerto Rico Industrial, Tourist Educational, Medical and Environmental, Control Facilities Financing Authority	Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks	Puerto Rico Solid Waste Authority
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from notes and loans	\$	\$	\$	\$	\$
Principal paid on notes and loans					
Interest paid on notes and loans					
Operating grants received	5,946	27,586			5,549
Transfers -in from primary government					
Transfers -out from primary government					
Transfers from component units					
Transfers to component units					
Capital contributions					159
Net increase (decrease) in securities lending transactions					
Net cash provided by(used in) noncapital financing activities	5,946	27,586			5,708
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(1,175)	(23,170)	(29,323)		(30,339)
Proceeds from issuance of bonds and notes	5,946	12,530	26,181		8,084
Principal paid on bonds and notes	(2,578)	(129)			(30)
Interest paid on bonds and notes					(43)
Proceeds from sale of equipment	6,414				
Capital contributions		1,691			20,000
Net cash provided by (used in) capital and related financing activities	8,607	(9,078)	(3,142)		(2,328)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments securities					(254)
Proceeds from sales and maturities of investments securities					
Purchases of units in the Puerto Rico Government Investment Trust Fund					
Redemptions of units in the Puerto Rico Government Investment Trust Fund					
Interest and dividends on investments	970		1,485		1,062
Principal collected on loans to:					
Public entities of the Commonwealth of Puerto Rico					
Private sector	336				
Loans originated to:					
Public entities of the Commonwealth of Puerto Rico					
Private sector					
Net cash provided by (used in) investing activities	1,306		1,485		808
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,461	(5,775)	3,153		(800)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,025	13,583	27,868		21,783
CASH AND CASH EQUIVALENTS FROM GOVERNMENTAL OPERATIONS				10,469	
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 20,486	\$ 7,808	\$ 31,021	\$ 10,469	\$ 20,983

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended JUNE 30, 2000

(Expressed in Thousands)

	Sugar Corporation of Puerto Rico	Corporation of Stocks and Deposits Insurance for the Savings and Loans Cooperatives	Right to Employment Administration	Puerto Rico Public Broadcasting Corporation	Fine Arts Center Corporation
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from notes and loans	\$ 10,127	\$	\$	\$	\$
Principal paid on notes and loans	(10,000)	(153)			(138)
Interest paid on notes and loans					
Operating grants received				1,721	2,269
Transfers -in from primary government	10,000			21,737	
Transfers -out from primary government					
Transfers from component units					
Transfers to component units					
Capital contributions		3,912			
Net increase (decrease) in securities lending transactions					
Net cash provided by(used in) noncapital financing activities	<u>10,127</u>	<u>3,759</u>		<u>23,458</u>	<u>2,131</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets		(111)		(1,048)	(150)
Proceeds from issuance of bonds and notes					
Principal paid on bonds and notes				(84)	(6)
Interest paid on bonds and notes				(18)	
Proceeds from sale of equipment				8	
Capital contributions					
Net cash provided by (used in) capital and related financing activities		<u>(111)</u>		<u>(1,142)</u>	<u>(156)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments securities		(213,231)			
Proceeds from sales and maturities of investments securities		201,453			
Purchases of units in the Puerto Rico Government Investment Trust Fund					
Redemptions of units in the Puerto Rico Government Investment Trust Fund					
Interest and dividends on investments		3,081		480	60
Principal collected on loans to:					
Public entities of the Commonwealth of Puerto Rico					
Private sector					
Loans originated to:					
Public entities of the Commonwealth of Puerto Rico					
Private sector					
Net cash provided by (used in) investing activities		<u>(8,697)</u>		<u>480</u>	<u>60</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	682	1,067		1,501	849
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,141	852		4,129	1,079
CASH AND CASH EQUIVALENTS FROM GOVERNMENTAL OPERATIONS			23,081		
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 12,823</u>	<u>\$ 1,919</u>	<u>\$ 23,081</u>	<u>\$ 5,630</u>	<u>\$ 1,928</u>

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended JUNE 30, 2000

(Expressed in Thousands)

	Institutional Trust of the National Guard of Puerto Rico	Puerto Rico Health Insurance Administration	Puerto Rico Maritime Transportation Authority	Puerto Rico Council on Higher Education	Farm Credit Guarantee Fund and Guarantee Loan Fund for Eligible Business of Puerto Rico
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from notes and loans	\$	\$	\$ 202	\$	\$
Principal paid on notes and loans					
Interest paid on notes and loans			(395)		
Operating grants received					
Transfers- in from primary government	1,182	823,535			
Transfers -out from primary government					
Transfers from component units					
Transfers to component units					
Capital contributions			24,893		
Net increase (decrease) in securities lending transactions					
Net cash provided by(used in) noncapital financing activities	1,182	823,535	24,700		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(254)	(198)	(2,077)		
Proceeds from issuance of bonds and notes					
Principal paid on bonds and notes	(1,207)	(12)	(185)		
Interest paid on bonds and notes	(289)				
Proceeds from sale of equipment					
Capital contributions					
Net cash provided by (used in) capital and related financing activities	(1,750)	(210)	(2,262)		
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments securities					
Proceeds from sales and maturities of investments securities	202				
Purchases of units in the Puerto Rico Government Investment Trust Fund	(146)				
Redemptions of units in the Puerto Rico Government Investment Trust Fund					
Interest and dividends on investments	584	1,590			
Principal collected on loans to:					
Public entities of the Commonwealth of Puerto Rico					
Private sector					
Loans originated to:					
Public entities of the Commonwealth of Puerto Rico					
Private sector					
Net cash provided by (used in) investing activities	640	1,590			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	558	6,040	881		
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,935	8,801			
CASH AND CASH EQUIVALENTS FROM GOVERNMENTAL OPERATIONS	15			762	
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,508	\$ 14,841	\$ 881	\$ 762	\$

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended JUNE 30, 2000

(Expressed in Thousands)

	Farm Insurance Corporation of Puerto Rico	Employment and Training Enterprises Corporation	Medical University Services, Inc	Caribbean Basin Projects Financing Authority	Puerto Rico Conservatory of Music Corporation
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from notes and loans	\$	\$	\$ 9,764	\$	\$
Principal paid on notes and loans			(211)		
Interest paid on notes and loans					
Operating grants received					3,654
Transfers- in from primary government	5,000				
Transfers- out from primary government					
Transfers from component units					
Transfers to component units			(1,200)		
Capital contributions					215
Net increase (decrease) in securities lending transactions					
Net cash provided by(used in) noncapital financing activities	5,000		8,353		3,869
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(60)	(136)	(1,103)		(910)
Proceeds from issuance of bonds and notes					
Principal paid on bonds and notes					
Interest paid on bonds and notes					
Proceeds from sale of equipment					
Capital contributions					
Net cash provided by (used in) capital and related financing activities	(60)	(136)	(1,103)		(910)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments securities					(25)
Proceeds from sales and maturities of investments securities					253
Purchases of units in the Puerto Rico Government Investment Trust Fund					
Redemptions of units in the Puerto Rico Government Investment Trust Fund					
Interest and dividends on investments	1,246			238	137
Principal collected on loans to:					
Public entities of the Commonwealth of Puerto Rico					
Private sector					
Loans originated to:					
Public entities of the Commonwealth of Puerto Rico					
Private sector					
Net cash provided by (used in) investing activities	1,246			238	365
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	242	(354)	(438)	236	(247)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	664	1,637	438	4,530	686
CASH AND CASH EQUIVALENTS FROM GOVERNMENTAL OPERATIONS					
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 906	\$ 1,283	\$	\$ 4,766	\$ 439

COMMONWEALTH OF PUERTO RICO

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - OTHER

Year Ended JUNE 30, 2000

(Expressed in Thousands)

	Musical Arts Corporation and Subsidiaries	Puerto Rico School of Plastic Arts	Industries for the Blind, Mentally Retarded and Other Disabled Persons Puerto Rico	Total
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Proceeds from notes and loans				2,590,559
Principal paid on notes and loans				(2,290,792)
Interest paid on notes and loans				(358,906)
Operating grants received	7,332		1,447	91,553
Transfer-s in from primary government				936,454
Transfers- out from primary government				(175,846)
Transfers from component units				6,827
Transfers to component units				(1,200)
Capital contributions				405,102
Net increase (decrease) in securities lending transactions				21,418
Net cash provided by(used in) noncapital financing activities	7,332		1,447	1,225,169
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(181)			(1,212,023)
Proceeds from issuance of bonds and notes				1,239,656
Principal paid on bonds and notes				(517,090)
Interest paid on bonds and notes				(239,862)
Proceeds from sale of equipment				39,186
Capital contributions				82,035
Net cash provided by (used in) capital and related financing activities	(181)			(608,098)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments securities				(17,182,478)
Proceeds from sales and maturities of investments securities				16,937,643
Purchases of units in the Puerto Rico Government Investment Trust Fund				(146)
Redemptions of units in the Puerto Rico Government Investment Trust Fund				3,659
Interest and dividends on investments				664,137
Principal collected on loans to:				
Public entities of the Commonwealth of Puerto Rico				1,175,111
Private sector				105,372
Loans originated to:				
Public entities of the Commonwealth of Puerto Rico				(1,937,631)
Private sector				(80,882)
Net cash provided by (used in) investing activities				(315,215)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	159		1,071	(265,134)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,624		8	1,410,262
CASH AND CASH EQUIVALENTS FROM GOVERNMENTAL OPERATIONS		952		258,886
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,783	\$ 952	\$ 1,079	\$ 1,404,014

GENERAL FIXED ASSETS ACCOUNT GROUP

COMMONWEALTH OF PUERTO RICO

SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE

JUNE 30 2000 (Expressed in Thousands)

General fixed assets:

Land	\$	411,590
Buildings and improvements		1,642,627
Equipment		214,595
Construction in progress		<u>503,250</u>

Total general fixed assets \$ 2,772,062

Investment in general fixed assets by source:

General fund	\$	649,939
Capital projects funds		2,120,141
Debt service funds		<u>1,982</u>

Total investment in general fixed assets \$ 2,772,062

COMMONWEALTH OF PUERTO RICO

SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
JUNE 30 2000 (Expressed in Thousands)

Function and Activity	Land	Buildings	Equipment	Construction In Progress	Total
General Government					
Public Buildings Authority	\$ 88,895	\$ 1,524,326	\$ 12,880	\$ 501,589	\$ 2,127,690
House of Representatives			240		240
General Services Administration			14,876		14,876
Municipal Services Administration			734		734
Department of Family Affairs			1,170		1,170
Office of Management and Budget			528		528
Commonwealth Elections Commission			1,787		1,787
Planning Board			587		587
Department of the Treasury			13,013		13,013
Commissioner of Financial Institutions			185		185
Rules and Permits Administration			676		676
Total General Government	88,895	1,524,326	46,676	501,589	2,161,486
Public Safety					
Department of Justice			1,449		1,449
Puerto Rico Volunteers Service Corporation			335		335
Correction Administration			5,128		5,128
General Court of Justice	124,709	44,557	10,675		179,941
Police Department			19,287		19,287
Pre Trial Services Office			552		552
Puerto Rico Firefighters Corps			9,182		9,182
Juvenile Institutions Administration			1,488		1,488
Total Public Safety	124,709	44,557	48,096		217,362
Health					
Environmental Quality Board			111		111
Department of Health	197,986	63,374	100,985	1,661	364,006
Total Health	197,986	63,374	101,096	1,661	364,117
Public Housing and Welfare					
Department of Labor and Human Resources		10,370	1,668		12,038
Industrial Commission			294		294
Department of Recreation and Sports			178		178
Department of Housing			238		238
Total Public Housing and Welfare		10,370	2,378		12,748
Education					
Office for the Improvement of Public Schools			2,147		2,147
Department of Education			8,929		8,929
Total Education			11,076		11,076
Economic Development					
Department of Transportation and Public Works			829		829
Department of Agriculture			1,000		1,000
Department of Natural and Environmental Resources			3,444		3,444
Total Economic Development			5,273		5,273
Total General Fixed Assets	\$ 411,590	\$ 1,642,627	\$ 214,595	\$ 503,250	\$ 2,772,062

COMMONWEALTH OF PUERTO RICO

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
 YEAR ENDED JUNE 30 2000 (Expressed in Thousands)

Function and Activity	Balance as of June 30, 1999 (As restated)'	Additions	Retirements	Balance as of June 30, 2000
General Government				
Public Buildings Authority	\$ 2,007,091	\$ 209,528	\$ (118,791)	\$ 2,097,828
House of Representatives	240			240
General Services Administration	17,568		(692)	16,876
Municipal Services Administration	734			734
Department of Family Affairs	1,170			1,170
Office of Management and Budget	528			528
Commonwealth Electoral Commission	2,145		(357)	1,788
Planning Board	587			587
Department of the Treasury	12,905	561	(453)	13,013
Commissioner of Financial Institutions	185			185
Permits and Regulations Administration	196	480		676
Total General Government	<u>2,043,349</u>	<u>210,569</u>	<u>(120,293)</u>	<u>2,133,625</u>
Public Safety				
Department of Justice	1,934	164	(649)	1,449
Puerto Rico Volunteers Service Corporation	335			335
Correction Administration	3,982	1,146		5,128
General Court of Justice	57,632	124,709	(400)	181,941
Police Department	13,057	6,703	(473)	19,287
Pre-Trial Services Office	552			552
Puerto Rico Firefighters Corps	6,876	3,199	(893)	9,182
Juvenile Institutions Administration	1,488			1,488
Total Public Safety	<u>85,856</u>	<u>135,921</u>	<u>(2,415)</u>	<u>219,362</u>
Health				
Environmental Quality Board	111			111
Department of Health	374,203	17,492	(1,661)	390,034
Total Health	<u>374,314</u>	<u>17,492</u>	<u>(1,661)</u>	<u>390,145</u>
Public Housing and Welfare				
Department of Labor and Human Resources	12,038			12,038
Industrial Commission	294			294
Department of Recreation and Sports	295		(117)	178
Department of Housing		238		238
Total Public Housing and Welfare	<u>12,627</u>	<u>238</u>	<u>(117)</u>	<u>12,748</u>
Education				
Office for the Improvement of Public Schools	2,028	119		2,147
Department of Education	7,189	1,890	(317)	8,762
Total Education	<u>9,217</u>	<u>2,009</u>	<u>(317)</u>	<u>10,909</u>
Economic Development				
Department of Transportation and Public Works	829			829
Department of Agriculture	1,000			1,000
Department of Natural and Environmental Resources	945	2,499		3,444
Total Economic Development	<u>2,774</u>	<u>2,499</u>		<u>5,273</u>
Total General Fixed Assets	<u>\$ 2,528,137</u>	<u>\$ 368,728</u>	<u>\$ (124,803)</u>	<u>\$ 2,772,062</u>

COMMONWEALTH OF PUERTO RICO

**COMBINING STATEMENT OF PRIMARY GOVERNMENT
GENERAL FIXED ASSETS ACCOUNT GROUP
JUNE 30, 2000
(Expressed in Thousands)**

ASSETS	Commonwealth of Puerto Rico	Public Buildings Authority	Office for the Improvement of Public Schools	Totals
Land	\$ 322,695	\$ 88,895	\$	\$ 411,590
Building and improvements	149,824	1,492,803		1,642,627
Equipment	199,568	12,880	2,147	214,595
Construction in progress		503,250		503,250
Total Assets	<u>672,087</u>	<u>2,097,828</u>	<u>2,147</u>	<u>2,772,062</u>
INVESTMENT IN GENERAL FIXED ASSETS	<u>\$ 672,087</u>	<u>\$ 2,097,828</u>	<u>\$ 2,147</u>	<u>\$ 2,772,062</u>

GENERAL LONG-TERM DEBT ACCOUNT GROUP

COMMONWEALTH OF PUERTO RICO

**COMBINING STATEMENT OF PRIMARY GOVERNMENT
GENERAL LONG TERM DEBT ACCOUNT GROUP**

JUNE 30, 2000

(With Comparative Totals for the Fiscal Year Ended June 30, 1995)

(Expressed in Thousands)

	Commonwealth of Puerto Rico	Public Buildings Authority	Puerto Rico Maritime Shipping Authority	Office for the Liquidation of the CRUV	Totals
ASSETS					
Amount available in debt service fund	\$ 48,546	\$	\$	\$	\$ 48,546
Amount to be provided for retirement of bonds and notes payable	5,336,826	1,684,463			7,021,289
Amount to be provided for payment of accrued compensated absences, and other long-term liabilities	6,160,427	131,488	277,814	493	6,570,222
TOTAL ASSETS	\$ 11,545,799	\$ 1,815,951	\$ 277,814	\$ 493	\$ 13,640,057
LIABILITIES					
Due to component units	\$	\$	\$	\$	\$
Debt payable to component units	1,966,285		277,814		2,244,099
Notes payable	43,691				43,691
Bonds payable	5,298,268	1,684,463			6,982,731
Accrued compensated absences	1,013,148				1,013,148
Other long-term liabilities	836,067	131,488		493	968,048
Net pension obligation	2,388,340				2,388,340
TOTAL LIABILITIES	\$ 11,545,799	\$ 1,815,951	\$ 277,814	\$ 493	\$ 13,640,057

STATISTICAL SECTION

Commonwealth of Puerto Rico
General Governmental Expenditures by Function
All Governmental Fund Types
For the Last Ten Fiscal Years
(Expressed in Thousands)

Function:	2000	%	1999	1998	1997	1996	1995	1994	1993	1992	1991	Totals
General Government	\$ 853,040	9.8	\$ 526,629	\$ 484,547	\$ 499,652	\$ 661,359	\$ 451,275	\$ 341,066	\$ 412,606	\$ 388,053	\$ 453,827	\$ 5,072,054
Public Safety	1,310,322	15.0	1,103,606	1,241,762	1,188,814	926,498	878,673	798,367	679,354	644,666	573,443	9,345,505
Health	972,757	12.9	625,475		508,659	245,743	231,212	192,118	109,235	189,129	204,030	3,278,358
Public Housing and Welfare	2,102,410	24.2	2,485,092	1,902,902	2,086,828	1,701,434	1,681,688	1,524,344	1,402,358	1,447,961	1,317,881	17,652,898
Education	2,436,267	28.0	2,272,903	2,744,630	1,960,185	1,832,271	1,760,784	1,511,610	1,260,580	1,583,749	1,295,220	18,658,199
Economic Development	337,255	3.9	314,897	186,296	333,290	88,143	154,796	235,915	405,002	435,215	525,164	3,015,973
Intergovernmental	373,016	4.3	318,664	55,739	496,844	306,226	207,389	184,261	504,244	331,700	372,648	3,150,731
Lottery Prizes*									288,041	416,873	314,866	1,019,780
Capital Outlays	18,207	0.2	642,016	1,515,230	1,395,463	1,255,430	848,801	549,352	630,589	746,708	651,739	8,253,535
Debt Service:												
Principal	92,520	1.1	351,722	620,866	359,851	367,198	660,133	317,561	294,983	310,166	526,230	3,901,230
Interest and Other	55,742	0.6	442,614	595,053	556,835	504,480	435,549	348,260	385,664	357,645	358,546	4,040,388
Total Expenditures - All Governmental Fund Types	\$ 8,551,536	100.0	\$ 9,083,618	\$ 9,347,025	\$ 9,386,421	\$ 7,888,782	\$ 7,310,300	\$ 6,002,854	\$ 6,372,656	\$ 6,851,865	\$ 6,593,594	\$ 77,388,651

* In 1994 the Commonwealth made a change in its financial reporting policy for its Lotteries (Traditional and Additional). The revenues from the Lotteries were reported within the General Fund until fiscal year 1993, and since 1994 have been reported in the Enterprise Fund. Management believes that this change adequately reflects the operations of the Lotteries.

Commonwealth of Puerto Rico
General Governmental Revenues by Source
All Governmental Fund Types
For the Last Ten Fiscal Years
(Expressed in Thousands)

Source:	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	Totals
Taxes:											
Income	\$ 4,967,138	\$ 4,413,860	\$ 3,989,239	\$ 3,622,988	\$ 3,396,724	\$ 3,242,876	\$ 2,876,542	\$ 2,418,006	\$ 2,478,803	\$ 2,318,144	\$ 33,724,320
Property								77,289	121,087	195,015	393,391
Excise	1,723,633	1,714,444	1,884,348	1,827,305	1,713,537	1,664,529	1,589,770	1,529,241	1,348,022	1,283,270	16,278,099
Other	87,523	78,926	73,426	64,910	57,662	56,556	53,521	52,787	57,125	47,456	629,892
Charges for Services	378,767	457,454	569,096	464,034	461,736	455,500	236,609	727,093	682,474	550,287	4,983,050
Intergovernmental	2,827,836	3,435,765	3,009,169	3,077,042	2,545,615	2,492,443	2,328,427	2,024,451	2,211,605	2,114,584	26,066,937
Interest	55,217	97,880	116,030	110,777	59,788						439,692
Other	358,839	162,228	189,476	134,819	186,591	170,025	144,227	116,637	207,207	218,262	1,888,311
Total Revenues - All Governmental Fund Types	<u>\$ 10,398,953</u>	<u>\$ 10,360,557</u>	<u>\$ 9,830,784</u>	<u>\$ 9,301,875</u>	<u>\$ 8,421,653</u>	<u>\$ 8,081,929</u>	<u>\$ 7,229,096</u>	<u>\$ 6,945,504</u>	<u>\$ 7,106,323</u>	<u>\$ 6,727,018</u>	<u>\$ 84,403,692</u>

Commonwealth of Puerto Rico
Computation of the Legal Debt Margin
July 1, 2000
(Expressed in Thousands)

Statutory Margin	
Section 2, Article VI of the Constitution of Puerto Rico	
Internal Revenues for the year ended June 30, 1999 (p)	\$ 6,228,388
Internal Revenues for the year ended June 30, 2000 (p)	<u>6,779,463</u>
Total Internal Revenues for the years ended June 30, 1998-1999	<u>\$ 13,007,851</u>
Internal Revenues average for the two years	<u>\$ 6,503,926</u>
Legal Debt Limit - 15% of Internal Revenues average for the two years	\$ 975,589
Maximum Debt Service Requirement - 8.600% on Commonwealth Bonds maturing 7/1/2000	<u>561,918</u>
Additional Legal Debt Service Requirement Margin	<u>\$ 413,671</u>

(p) Preliminary

Source: Government Development Bank for Puerto Rico

Commonwealth of Puerto Rico
Ratio of Annual Debt Service for General
Bonded Debt to Total General Expenditures
For the Last Ten Fiscal Years
(Expressed in Thousands)

Fiscal Year	Total Debt Service	General Governmental Expenditures	Ratio (%)
2000	\$ 712,702	\$ 10,402,588	6.9
1999	468,970	9,083,618	5.2
1998	435,894	10,003,523	4.4
1997	430,153	9,386,421	4.6
1996	424,753	7,888,782	5.4
1995	389,278	7,310,300	5.3
1994	362,294	6,002,854	6
1993	356,291	6,372,656	5.6
1992	331,290	6,851,865	4.8
1991	296,142	6,593,594	4.5

**Commonwealth of Puerto Rico
Demographic Statistics
For the Last Ten Fiscal Years**

Fiscal Year		(1) Population *	Per Capita Income	(1) Median Age **	(2) School Enrollment	(1) Unemployment Rate (%)
2000	(p)	3,873	10,181	30.3	715,073	11.0
1999		3,850	9,674	29.9	753,705	12.5
1998		3,820	9,017	29.6	753,428	13.6
1997		3,770	8,665	29.4	749,938	13.1
1996		3,726	8,028	29.4	770,537	13.8
1995		3,702	7,394	29.4	709,559	13.8
1994		3,654	7,079	28.0	714,705	16.0
1993		3,601	6,835	28.0	741,914	16.8
1992		3,564	6,429	28.0	755,009	16.5
1991		3,537	6,187	28.0	759,668	15.2

* Amounts expressed in thousands.

** Estimated value using the distribution of total population.

(p) Preliminary

N/A Not Available

(1) Source: Puerto Rico Planning Board

(2) Source: Department of Education of Puerto Rico

**Commonwealth of Puerto Rico
Construction and Bank Deposits
For the Last Ten Fiscal Years**

Fiscal Year	Commercial Construction (1)		Residential Construction (1)		(2) Bank Deposits *	
	Number of Permits	Value *	Number of Permits	Value *		
2000	(p)	358	\$ 251,003	6,578	\$ 991,834	\$ 30,449,860
1999		286	106,186	6,498	694,714	28,423,313
1998		351	147,486	6,732	631,465	25,354,086
1997		354	149,121	6,159	635,343	23,191,572
1996		291	89,405	6,180	582,186	24,191,572
1995		346	126,021	6,678	674,797	22,876,069
1994		37	81,087	6,677	470,158	19,350,635
1993		346	89,960	5,806	493,027	18,687,652
1992		48	26,714	5,041	357,792	18,684,334
1991		78	53,736	5,445	458,421	17,443,855

* Amounts expressed in thousands.

(p) Preliminary

(1) Source: Puerto Rico Planning Board.

(2) Source: Commissioner of Financial Institutions

Commonwealth of Puerto Rico
Miscellaneous Statistics
June 30, 2000

Statistic	Quantity
Population (millions)	3.9 (p)
Life expectancy	74
Area in square miles	3,426
Fire Protection:	
Number of stations	96
Number of fire personnel and officers	1,818
Calls answered	31,681
Building inspections conducted	44,396
Police Protection:	
Number of stations	238
Police personnel and officers	20,822
Total police vehicles	5,059
Water System:	
Customers	1,179,109
Water consumption (millions of cubic meter)	350
Electric Distribution System:	
Customers	1,344,907
Electricity consumption (millions of kilowatt)	18,144.8
Electricity production (millions of kilowatt)	21,461.4
Education:	
Enrollment in public schools:	
kindergarten to sixth grade	341,470
seventh to ninth grade	145,908
tenth to twelfth grade	118,498
Enrollment in private schools (1998):	
kindergarten to sixth grade	91,997
seventh to ninth grade	28,448
tenth to twelfth grade	23,705
Enrollment in universities and colleges:	
Public	73,846
Private	100,704

(p) Preliminary

Source: Various Commonwealth Public Agencies.

Commonwealth of Puerto Rico
General Fund Net Revenues
For The Last Ten Fiscal Years
(Expressed in Thousands)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 (p)
TOTAL	3,881,981	3,861,136	4,025,305	4,665,331	5,080,139	5,247,616	5,600,748	5,902,506	6,507,043	7,075,613
FROM INTERNAL REVENUES	3,588,810	3,573,070	3,767,832	4,357,569	4,780,492	4,974,918	5,335,879	5,630,040	6,228,392	6,779,632
TAX REVENUES	3,427,499	3,356,945	3,531,014	4,111,119	4,531,788	4,729,320	5,095,218	5,358,805	5,939,504	6,476,398
PROPERTY TAXES	132,360	15,003	12,877	4,567	7,889	5,107	8,286	5,673	2,214	1,131
INCOME TAXES, TOTAL	2,325,513	2,335,631	2,401,279	2,856,134	3,220,937	3,368,175	3,610,016	3,972,869	4,390,804	4,988,011
INDIVIDUALS	1,123,733	1,122,335	1,241,924	1,409,824	1,578,269	1,709,116	1,825,337	2,026,612	2,310,376	2,513,066
CORPORATIONS	931,912	1,019,468	975,134	1,107,265	1,304,612	1,348,160	1,440,691	1,527,415	1,544,762	1,752,862
PARTNERSHIPS	4,001	1,167	1,165	1,802	3,391	3,323	2,120	4,404	2,087	2,339
WITHHOLDING TO NONRESIDENTS	48,312	62,066	50,531	73,626	79,072	78,235	88,603	192,463	369,384	557,276
TOLLGATE TAX (REGULAR)	176,851	98,502	98,771	130,829	110,945	78,554	83,640	65,285	49,249	57,203
TOLLGATE TAX (PREPAYMENT)	-	-	-	93,527	109,928	100,900	126,605	105,668	65,284	53,927
INTEREST SUBJECT TO 17% TAXES ON DIVIDENDS	15,060	8,505	6,076	5,293	6,070	6,662	7,582	11,406	10,666	11,674
	25,644	23,588	27,678	33,968	28,650	43,225	35,438	39,616	38,996	39,664
INHERITANCE AND GIFT TAXES	1,421	1,148	1,072	934	1,535	1,547	4,028	1,380	1,811	3,109
EXCISE TAXES, TOTAL	928,722	958,321	1,067,535	1,200,400	1,252,327	1,304,024	1,419,353	1,312,716	1,473,827	1,410,346
ALCOHOLIC BEVERAGES, TOTAL	219,055	216,890	215,035	220,882	222,187	237,915	229,043	238,118	243,464	236,374
DISTILLED SPIRITS	54,634	48,537	48,535	45,864	50,586	54,934	51,855	48,034	47,519	49,425
BEER	157,258	161,484	159,471	168,555	162,630	172,425	167,321	178,465	181,348	170,065
OTHER BEVERAGES	7,163	6,869	7,029	6,463	8,971	10,556	9,867	11,619	14,597	16,884
GENERAL TAXES, TOTAL	709,667	741,431	852,500	979,518	1,030,140	1,066,109	1,190,310	1,074,598	1,230,363	1,173,972
CIGARETTES	104,454	102,400	106,740	115,453	107,943	107,177	120,287	111,094	119,105	115,157
PETROLEUM PRODUCTS	8,547	8,742	13,415	12,782	16,706	20,006	22,095	6,172	5,562	4,689
MOTOR VEHICLE	172,272	178,329	217,012	275,654	319,676	307,931	365,820	350,004	411,573	389,995
HORSE RACES	17,285	17,062	27,068	28,899	30,828	29,535	29,138	27,401	21,405	26,351
INSURANCE PREMIUMS	15,258	16,570	14,289	22,687	20,942	20,748	19,430	19,364	20,368	21,564
CEMENT	1,498	1,563	1,616	1,773	1,849	1,901	2,234	1,702	2,417	2,531
SLOT MACHINES	-	-	-	-	-	-	-	12,230	26,330	30,869
CRUDE OIL AND DERIVED PRODUCTS	112,166	120,374	130,465	152,911	139,594	157,742	158,739	51,636	70,056	24,786
5% GENERAL EXCISE TAX	263,868	279,812	325,056	346,015	367,545	396,689	446,500	468,425	520,351	525,561
HOTEL ROOMS	6,764	7,189	7,845	9,152	10,800	11,237	12,139	13,299	15,923	17,275
OTHERS	7,555	9,390	8,994	14,192	14,257	13,143	13,928	13,271	17,273	15,194
LICENSES	39,483	46,842	48,251	49,084	49,100	50,467	53,535	66,167	70,848	73,801
MOTOR VEHICLES	29,602	36,964	38,560	39,257	38,530	39,667	42,354	46,268	46,781	49,133
ENTERTAINMENT MACHINES	-	-	-	-	-	-	-	7,327	9,235	10,545
ALCOHOLIC BEVERAGES AND OTHERS	9,881	9,878	9,691	9,827	10,570	10,800	11,181	12,572	14,832	14,123
NON-TAX REVENUES	161,311	216,125	236,818	246,450	248,704	245,598	240,661	271,235	288,888	303,234
TRADITIONAL LOTTERY	68,327	60,597	70,821	62,348	63,317	60,856	52,829	57,986	59,206	63,779
ELECTRONIC LOTTERY	-	59,091	56,284	52,193	59,414	57,008	47,994	54,681	53,013	70,209
MISCELLANEOUS	92,984	96,437	109,713	131,909	125,973	127,734	139,838	158,568	176,669	169,246
FROM NON-INTERNAL REVENUES	293,171	288,066	257,473	307,762	299,647	272,698	264,869	272,466	278,651	295,981
CUSTOM DUTIES	94,384	93,038	89,741	122,477	112,153	77,781	61,114	72,206	61,355	50,231
EXCISES ON OFF-SHORE SHIPMENTS	198,787	195,028	167,732	185,285	187,494	194,917	203,755	200,260	217,296	245,750

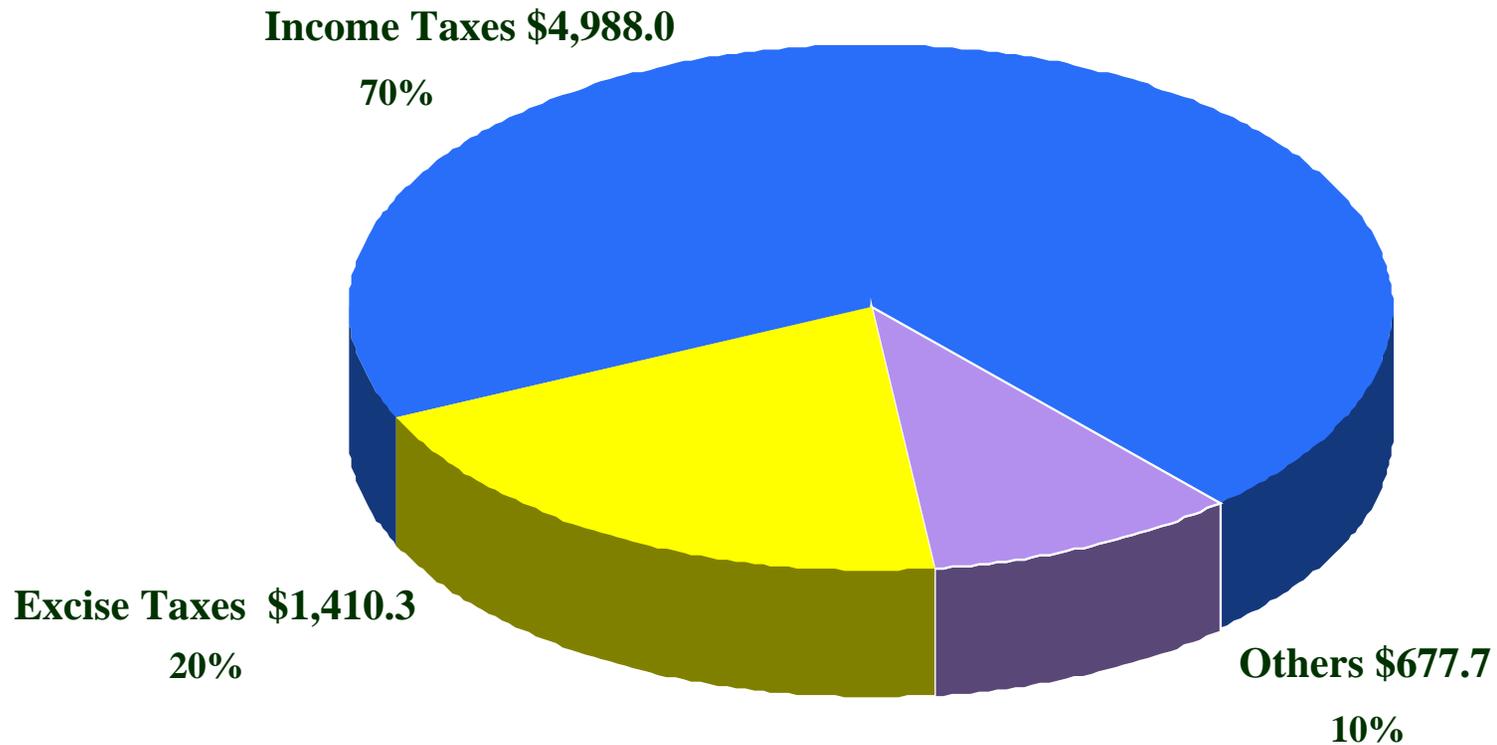
Note : The revenues in the General Fund included in financial statements reflect revenues from other sources in accordance with generally accepted accounting principles.

(p) Preliminary

Source: Puerto Rico Treasury Department

Commonwealth of Puerto Rico General Fund Net Revenues

For the Fiscal Year 2000
(Expressed in Millions)

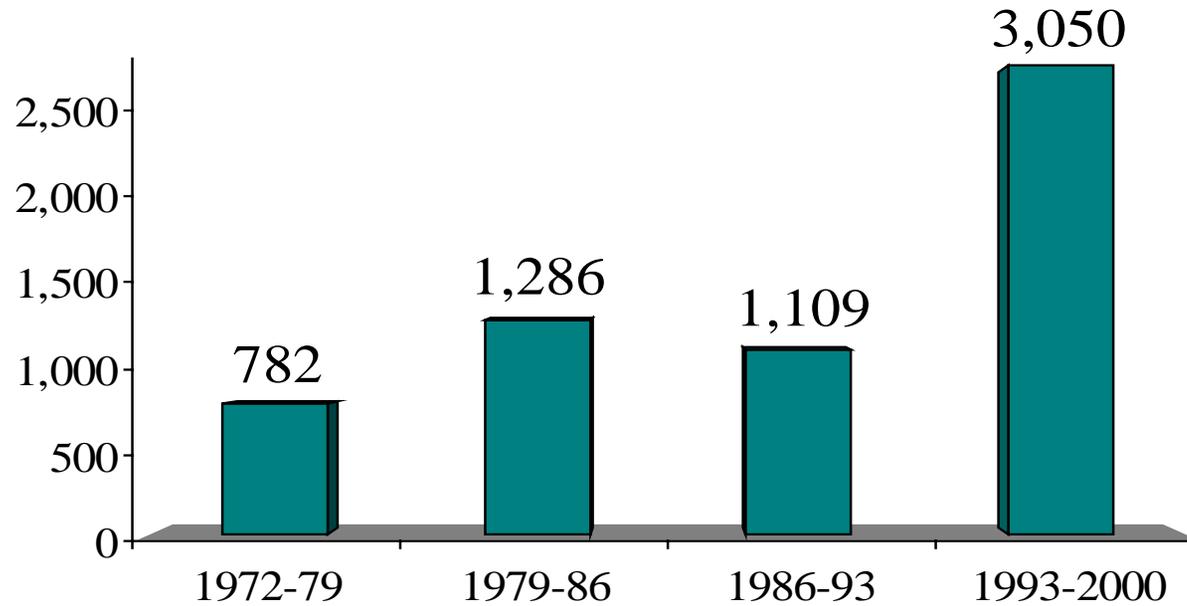


Note: The revenues in the General Fund included in financial statement reflect revenues from other sources in accordance with generally accepted accounting principles.

Source: Puerto Rico Treasury Department

Commonwealth of Puerto Rico Seven Year Term Growth in General Fund Net Revenues

(Expressed in millions of dollars)



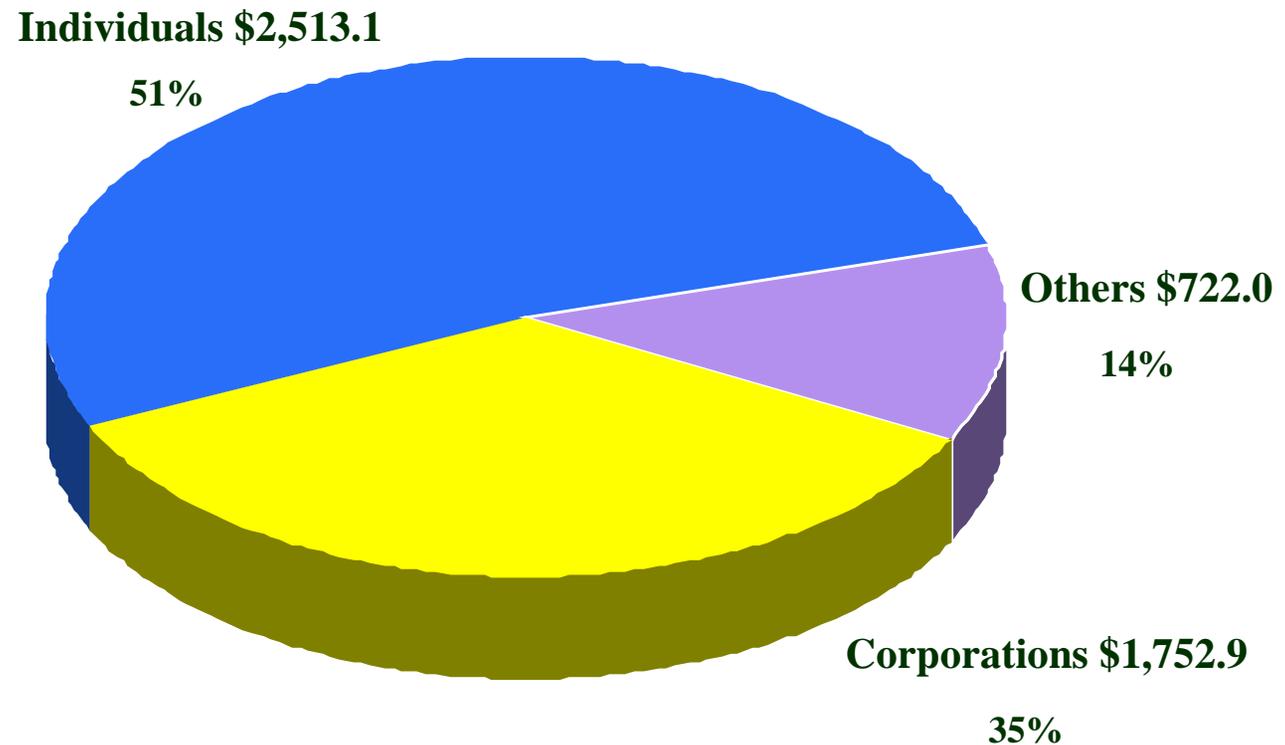
Note: The revenues in the general fund included in the general purpose financial statement reflect revenues from other sources in accordance with generally accepted accounting principles.

(p) Preliminary

Source: Puerto Rico Treasury Department

Commonwealth of Puerto Rico Income Tax Receipts

For the Fiscal Year 2000
(Expressed in Millions)



Source: Puerto Rico Treasury Department

Commonwealth of Puerto Rico
Gross Product
For The Last Ten Fiscal Years
(Expressed in millions)

	2000 (f)	1999	1998	1997	1996	1995	1994	1993	1992	1991
Gross Product - (Current Prices)	\$ 40,425	\$ 38,228	\$ 35,020	\$ 32,342	\$ 30,357	\$ 28,452	\$ 26,641	\$ 25,133	\$ 23,696	\$ 22,809
Real Gross Product - (1992 Prices)	30,590	29,796	28,592	27,727	26,813	25,964	25,101	24,481	23,696	23,510
Increase in Real Gross Product (%)										
Puerto Rico	2.7 f	4.2	3.1	3.4	3.3	3.4	2.5	3.3	0.8	0.9
United States (1)	5.2	3.9	4.4	4.0	2.8	3.6	3.1	3.2	1.2	0.1

(f) Forecast

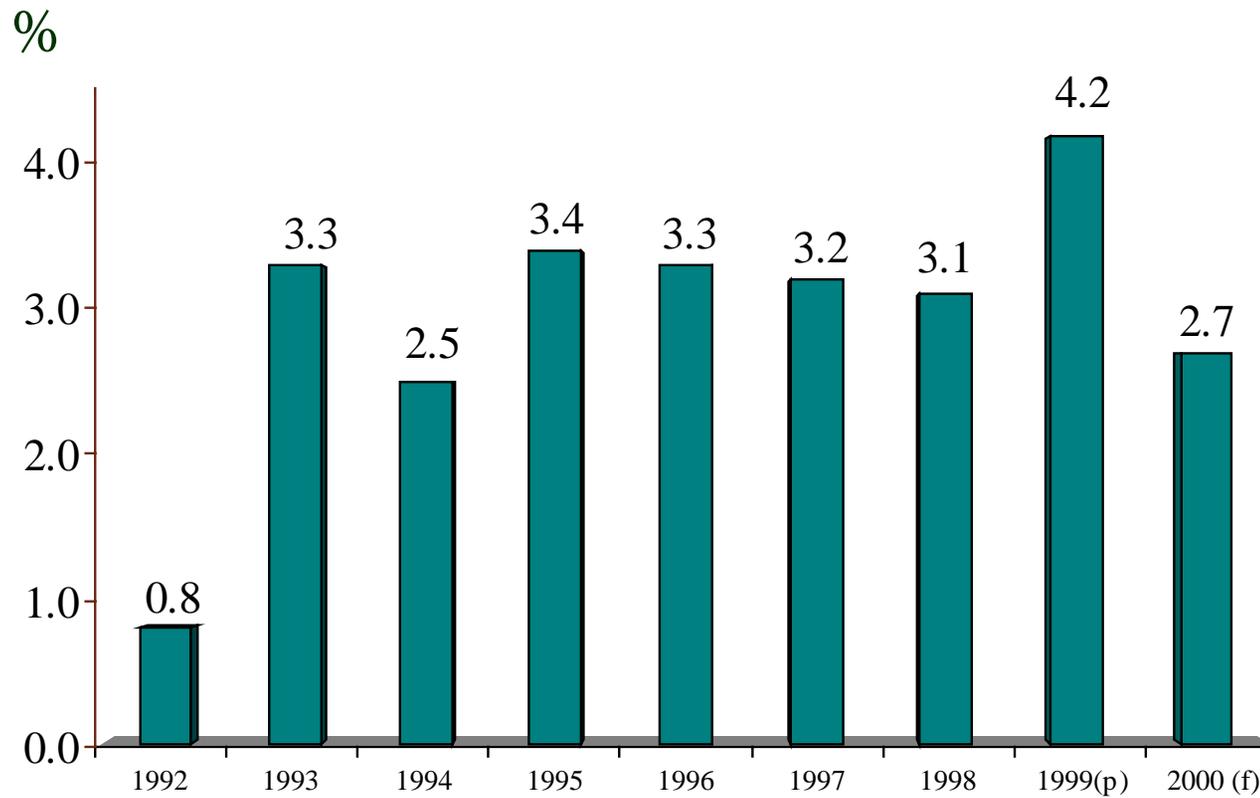
Source: Puerto Rico Planning Board and
the Government Development Bank for Puerto Rico

(1) Base in 1996 Chained Method

Commonwealth of Puerto Rico

Real Gross Product Growth

For the Last Nine Fiscal Years



(p) Preliminary
(f) Forecast

Source: Puerto Rico Planning Board.

**Commonwealth of Puerto Rico
Employment and Unemployment
For the Last Ten Fiscal Years
(Expressed in Thousands)**

Fiscal Year	Labor Force	Employed	Unemployed	Unemployment Rate (%)
2000	1,303	1,159	143	11.0
1999	1,310	1,147	163	12.5
1998	1,316	1,137	179	13.6
1997	1,298	1,128	170	13.1
1996	1,267	1,092	175	13.8
1995	1,219	1,051	168	13.8
1994	1,203	1,011	192	16.0
1993	1,201	999	202	16.8
1992	1,170	977	193	16.5
1991	1,152	977	175	15.2

Source: Department of Labor and Human Resources, Household Survey

Commonwealth of Puerto Rico
Average Employment by Sector
For the Last Ten Fiscal Years
(Expressed in Thousands)

Sector	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Agriculture	24	27	31	31	32	34	34	34	34	35
Manufacturing	159	159	161	161	167	172	166	168	164	164
Construction (1)	85	78	69	64	59	57	54	59	56	55
Trade	239	229	236	228	218	211	201	201	193	195
Finance , Insurance and Real Estates	42	43	40	37	39	36	33	32	32	32
Transportation , Communications and Public Utilities	55	59	59	59	61	59	55	54	55	58
Services	307	306	297	285	270	249	244	234	224	221
Government (2)	<u>249</u>	<u>246</u>	<u>244</u>	<u>263</u>	<u>246</u>	<u>233</u>	<u>224</u>	<u>217</u>	<u>219</u>	<u>217</u>
Total	1,160	1,147	1,137	1,128	1,092	1,051	1,011	999	977	977

Note : Includes populations of 16 years and older

(1) Includes mining.

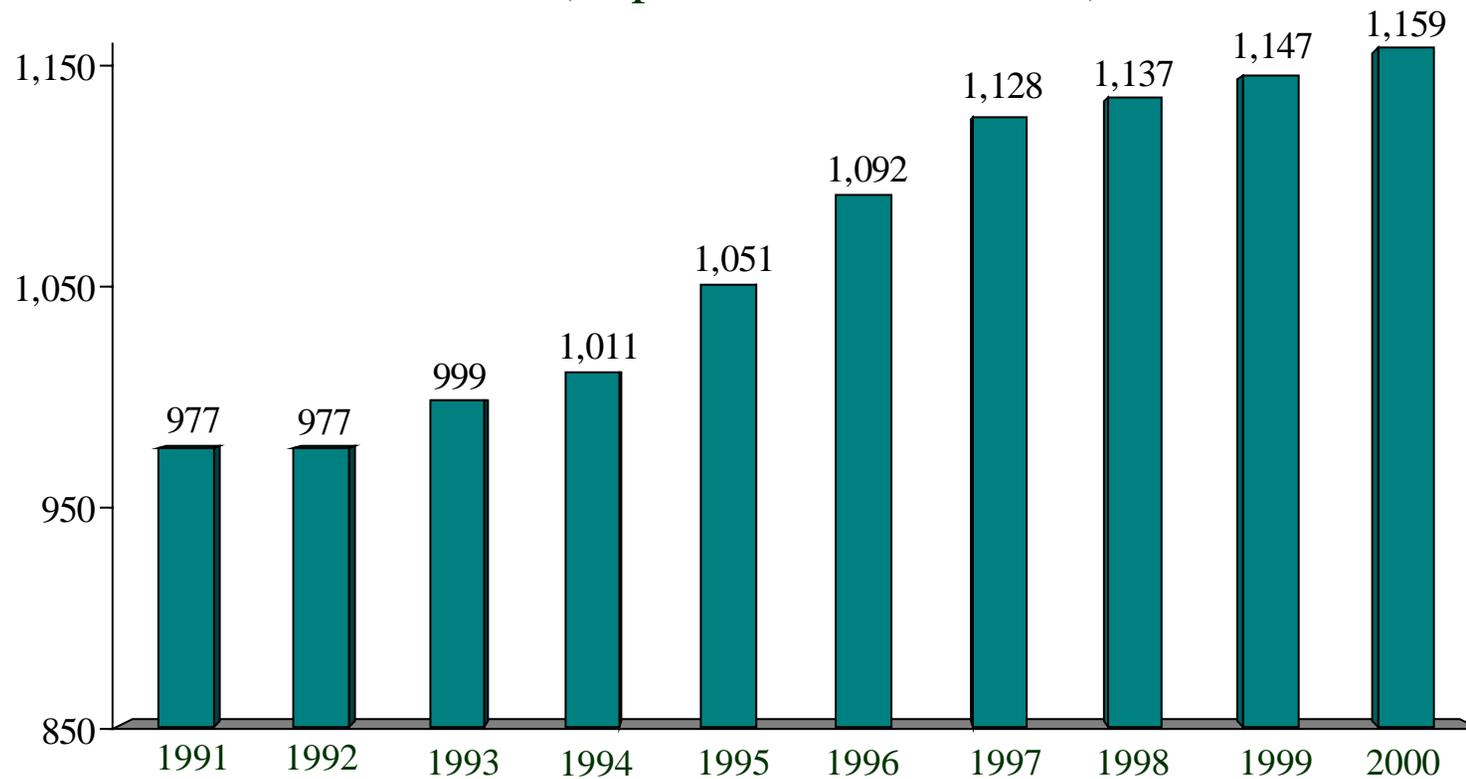
(2) Includes the Commonwealth, its municipalities and federal government, and excludes public corporations.

Sources: Department of Labor and Human Resources, Household Survey

Commonwealth of Puerto Rico

Employment

For the Last Ten Fiscal Years
(Expressed in Thousands)



Source: Department of Labor and Human Resources of Puerto Rico,
Household Survey.

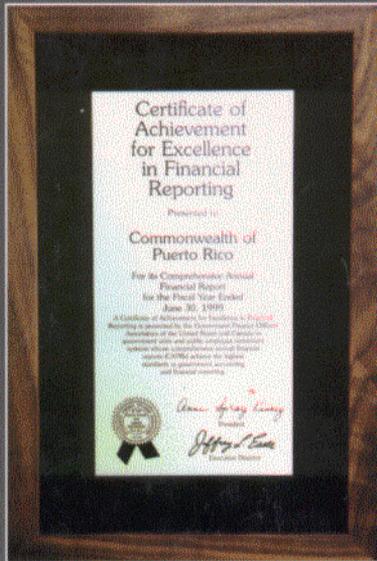
**Commonwealth of Puerto Rico
Tourism Indicators
For the Last Nine Fiscal Years**

	2000	1999	1998	1997	1996	1995	1994	1993	1992
All Hotels and Hostelry Registration	1,674,816	1,637,620	1,570,683	1,461,567	1,400,815	1,302,387	1,177,571	1,087,949	1,001,303
Occupancy Rates	70.8%	71.9%	67.3%	69.8%	69.0%	68.0%	68.7%	68.5%	66.3%
Numbers of Rooms	11,928	11,102	11,848	10,869	10,265	10,251	9,519	8,581	8,415
Visitors Expenditures*	N/A	2,138	2,232	2,046	1,898	1,826	1,728	1,628	1,520

* Amounts expressed in millions of dollars

N/A Not available.

Sources: Puerto Rico Tourism Company and Puerto Rico Planning Board



The Commonwealth of Puerto Rico has been honored consecutively with the "Certificate of Achievement for Excellence in Financial Reporting," by the Government Finance Officers Association of the United States and Canada, for the fiscal years ended June 30, 1996, 1997, 1998 and 1999.

We are proud of this achievement and congratulate our associates for their excellence.