

**PUERTO RICO INDUSTRIAL, TOURIST,  
EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES  
FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)**

*BASIC FINANCIAL STATEMENTS  
AND  
REQUIRED SUPPLEMENTARY INFORMATION*

Year Ended June 30, 2019

(With Independent Auditors' Report Thereon)

PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Puerto Rico Industrial, Tourist,  
Educational, Medical and Environmental  
Control Facilities Financing Authority:

**Report on the Basic Financial Statements**

We have audited the accompanying statement of net position of the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (the "Authority") as of June 30, 2019 and the statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Basic Financial Statements**

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

## Opinion

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

## Other Matter

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with enough evidence to express an opinion or provide any assurance.

*Guzmán & Co., CPA LLC.*

Certified Public Accountants  
August 30, 2021  
San Juan, Puerto Rico





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MANAGEMENT'S DISCUSSION AND ANALYSIS(UNAUDITED)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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This management's discussion and analysis section (MD&A) provides a narrative overview and analysis of the financial activities of Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (the "Authority") for the fiscal year ended June 30, 2019. The MD&A is intended to serve as an introduction to the Authority basic financial statements. The MD&A is designed to (a) assist the reader in focusing on significant matters, (b) provide an overview of the Authority's financial activities, and (c) identify changes in the Authority's financial position and identify individual issues or concerns. The following presentation is by necessity highly summarized, and therefore, in order to gain a thorough understanding of the Authority's financial condition, the basic financial statements, notes, and required supplementary information should be reviewed in its entirety.

The Authority was created to issue revenue bonds and to lend the proceeds thereof to finance the acquisition, construction, and equipping of industrial, tourist, educational, medical, and environmental control facilities. The Authority charges a placement fee based on the face value of the bonds issued. The Authority is exempt from taxation in Puerto Rico.

#### **1. Financial Highlights**

- The Authority's total assets were approximately \$275 thousand as of June 30, 2019, an increase of \$147 thousand or 115% when compared to prior year.
- The Authority's total liabilities were approximately \$876 thousand as of June 30, 2019, an increase of \$784 thousand or 852% when compared to prior year.
- The Authority's Net Deficit was approximately \$570 thousand as of June 30, 2019, an increase of \$597 thousand or 2,211% when compared to prior year.
- The Authority's net loss from operations for the year ended June 30, 2019, amounted to approximately \$750 thousand, representing an increase of approximately \$741 thousand when compared to prior year's net loss from operations of \$9 thousand.
- During the year ended June 30, 2019, the Authority identified various errors, including the adoption of the guidance in GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and in GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than pensions, which resulted in a restatement to the beginning net position of the Authority. Please refer to Note 3 for more information.
- The Authority implemented Governmental Accounting Standard Board Statement("GASB") No. 73 for the accounting and financial reporting of pensions and related assets. During the year ended June 30, 2019, the Authority recorded its proportionate share of the total pension liability, deferred outflows of resources, deferred inflows of resources and pension expense (benefit). Please refer to Note 2 and 8 for more information.
- On December 18, 2018, the Authority issued \$9 million in various new Educational Facilities Revenue Bond series to finance the "Baldwin School Project". This bond issuance financed a new educational related project owned, developed, and for the benefit of The Baldwin School of Puerto Rico, Inc.

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- On May 7, 2019, the Authority issued \$21.6 million in new Higher Education Revenue Bonds, Series 2019 to finance the Inter American University of Puerto Rico Series 2019 Project. This new bond issuance finances a new mixed-use project owned, developed, and for the benefit of Inter American University.

## **2. Overview of the Financial Statements**

The financial statements include the management's discussion and analysis section, the independent auditors' report, and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

## **3. Required Financial Statements**

The basic financial statements of the Authority report information using accounting methods similar to those used by private sector entities. These statements offer short and long-term financial information about the activities of the Authority.

The first required financial statement is the statement of net position. This statement presents all of the Authority's assets, liabilities and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in the Authority's net position may serve as useful indicator of whether the financial position of the Authority is improving or deteriorating.

The second required financial statement is the statement of revenues, expenses and changes in net position. This statement presents the Authority's revenues, expenses and change in net position. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered its costs through its user fees and other charges.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements include a section of required supplementary information(unaudited) immediately following its notes. This section includes information of funding progress and employer contributions for the Authority's retirement system.



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**4. Financial Analysis**

The following is an analysis of the financial position and changes in the financial position of the Authority for fiscal year 2019.

**Net (Deficit) Position**

The Authority's condensed financial information from the statement of net (deficit) position as of June 30, 2019 and 2018 (as restated), is as follows (in thousands):

	June 30,		Change	
	2019	2018 (as restated)	Amount	Percentage
<b>Assets</b>	\$ 275	\$ 128	\$ 147	115%
Deferred outflows of resources	77	55	22	40%
<b>Liabilities</b>	876	92	784	852%
Deferred inflows of resources	46	64	(18)	-28%
<b>Net (deficit) position</b>	<u>\$ (570)</u>	<u>\$ 27</u>	<u>\$ (597)</u>	<u>-2211%</u>

Total assets, deferred outflows of resources, total liabilities and deferred inflows of resources of the Authority as of June 30, 2019, amounted to approximately \$275 thousand, \$77 thousand, \$876 thousand, and \$46 thousand, respectively, for a net deficit of approximately \$570 thousand. Total assets increased by approximately \$147 thousand when compared to prior year due to an increase of \$147 thousand in cash related to an increase in administrative and financial service fee amounting to \$153 thousand that were collected from bond issuances made during the year for Inter American University and Baldwin School.

Total liabilities increased by \$784 thousand. This increase is mainly related to the adoption of GASB Statement No. 73 by the Authority, which resulted in a recognition of a net pension liability of approximately \$732 thousand. The increase in total liabilities is also due to an increase of approximately \$43 thousand in liability due to the Commonwealth of Puerto Rico related to PayGo charges of the Authority (Refer to PayGo Pension Reform section for more explanation) and an increase in accrued audit fees of \$9 thousand during fiscal year 2019.

**Statement of Revenues, Expenses, and Change in Net Position**

Condensed financial information of the statement of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2019 and 2018 (as restated) is as follows (in thousands):

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	June 30,		Change	
	2019	2018 (as restated)	Amount	Percent
<b>OPERATING EXPENSES:</b>				
Pension expense and other postemployment benefits	\$ 734	\$ -	\$ 734	100%
Other operating expenses	16	9	7	78%
Loss from operations	<u>(750)</u>	<u>(9)</u>	<u>(741)</u>	<u>8233%</u>
<b>NON-OPERATING REVENUES/(EXPENSES):</b>				
Loss on impairment	-	(15)	15	-100%
Administrative and Financial Service Fees	153	-	153	100%
Total non-operating revenues(expenses)	<u>153</u>	<u>(15)</u>	<u>168</u>	<u>1120%</u>
Changes in net position	(597)	(24)	(573)	-2388%
NET POSITION-BEGINNING AS RESTATED	<u>27</u>	<u>51</u>	<u>(24)</u>	<u>47%</u>
NET (DEFICIT) POSITION-ENDING	<u>\$ (570)</u>	<u>\$ 27</u>	<u>\$ (597)</u>	<u>-2211%</u>

The Authority's net loss from operations for the year ended June 30, 2019, amounted to approximately \$750 thousand, representing an increase of approximately \$741 thousand when compared to prior year's net loss from operations of \$9 thousand.

The increase is mainly related to the adoption of GASB 73 by the Authority which resulted in \$731 thousand in pension expense.

Total non-operating revenues(expenses) increased by approximately \$168 thousand when compared to prior year due to an increase of \$153 thousand in administrative and financial service fees. This increase is related to fees on bond issuances made during the year for Inter American University and Baldwin School.

**5. Debt Administration - Conduit Debt**

The Authority's main operations consist of issuing revenue bonds that are considered conduit debt and, therefore, neither these bonds nor the related loans granted by the Authority are presented in the accompanying basic financial statements. Revenue is earned from the collection of a placement fee which generally represents 1% of the face value of the bonds issued, except for bonds issued to finance educational, medical, or environmental control facilities or other projects otherwise eligible to be financed in the U.S. tax-exempt bond market, for which the placement fee charged is one half percentage (0.5%).

The cash proceeds of the bonds issued by the Authority are then loaned to corporate entities in order to finance educational, medical, environmental, agricultural, tourist, commercial, and industrial projects. The bonds are limited obligations of the Authority and they are not guaranteed by the Government of Puerto Rico or any of its agencies, public corporations, and



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instrumentalities. Repayment and collateral support of the bonds is the legal and contractual responsibility of the corporate entities that the Authority lends to by way of the cash proceeds of the Authority bonds. All Authority bond issuances are subject to the consideration and approval by the Board of Directors of the Authority, the Puerto Rico Fiscal Agency and Financial Advisory Authority, and when applicable, the Financial Oversight and Management Board for Puerto Rico.

**6. Currently Known Facts and Events**

**Coronavirus Pandemic**

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

**PayGo Pension Reform**

The Defined Benefit Pension Plan for Participants of the Employees’ Retirement System of the Government of the Commonwealth of Puerto Rico (the Commonwealth) (the Plan) was created pursuant to Act No. 447 on May 15, 1951, as amended (Act No. 447) to provide pension and other benefits to retired employees of the Commonwealth, its public corporations and municipalities. Prior to the effect of Act No. 106 of August 23, 2017 (Act No. 106-2017) the Plan was administered by the Employees’ Retirement System of the Government of the Commonwealth of Puerto Rico (the System). Effective July 1, 2017, all employer contributions were eliminated pursuant to Act No. 106-2017 and the Commonwealth implemented a “pay-as-you-go” (PayGo) system for the payment of pensions. Also pursuant to Act No. 106-2017, the System was required to liquidate its assets and transfer the net proceeds to the Department of Treasury of the Commonwealth to pay pension benefits.

As a result of the implementation of the PayGo system, the Plan does not meet the criteria in paragraph 4 of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, to be considered a plan that is administered through a trust or equivalent arrangement and, therefore, is required to apply the guidance in GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions

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of GASB Statements 67 and 68.

**7. Request for Information**

This financial report is designed to provide all interested with a general overview of the Authority's finances and to enhance the Authority's accountability for the resources it manages. If you have questions about this report or need additional financial information, contact the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority, P.O. Box 42001, San Juan, Puerto Rico, 00940-2001.

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**STATEMENT OF NET DEFICIT**  
**JUNE 30, 2019**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Cash	\$ 275,559
Interest receivable	46
	275,605
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related	74,489
Other postemployment benefits	1,900
	76,389
	351,994
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	
Accounts payable	74,438
Due to Commonwealth of Puerto Rico	42,341
Due to Government Development Bank for Puerto Rico	12,614
Other postemployment benefits liability	14,448
Total pension liability	731,713
Total liabilities	875,554
	46,125
<b>DEFERRED INFLOWS OF RESOURCES-pension related</b>	46,125
Total liabilities and deferred inflows of resources	921,679
<b>NET DEFICIT</b>	\$ (569,685)

The accompanying notes are an integral part of this basic financial statement.

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**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION(DEFICIT)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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<b>OPERATING REVENUES</b>	
Administrative and financial service fees	\$ 153,000
Total Operating Revenues	<u>153,000</u>
<b>OPERATING EXPENSES</b>	
Pension expense and other postemployment benefits	734,437
Other operating expenses	15,898
Total Operating Expenses	<u>750,335</u>
Operating Loss	(597,335)
<b>NON - OPERATING REVENUES</b>	
Interest income	87
Total Non-Operating Revenues	<u>87</u>
<b>CHANGE IN NET POSITION</b>	(597,248)
<b>NET POSITION - Beginning of year, as restated</b>	<u>27,563</u>
<b>NET DEFICIT - End of year</b>	<u><u>\$ (569,685)</u></u>

The accompanying notes are an integral part of this basic financial statement.



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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>	
Cash provided by operating activities	\$ 146,898
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Interest received	41
Total cash provided by investing activities	41
<b>NET CHANGE IN CASH</b>	<b>146,939</b>
CASH - beginning of year	128,620
CASH - end of year	\$ 275,559
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating loss	\$ (597,335)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Increase in deferred outflows of resources	(22,651)
Increase in accounts payable	6,900
Increase in due to Commonwealth of Puerto Rico	42,341
Increase in due to Government Development Bank for Puerto Rico	2,896
Decrease in deferred inflows of resources	(17,093)
Increase in total other postemployment benefits liability	127
Increase in total pension liability	731,713
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 146,898</b>

The accompanying notes are an integral part of this basic financial statement.

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1. REPORTING ENTITY

The Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (the "Authority") is a component unit of the Commonwealth of Puerto Rico (the "Commonwealth") and an affiliate of the Government Development Bank for Puerto Rico ("GDB"), created by Act No. 121 (the "Act") of the Legislature of the Commonwealth on June 27, 1977, as amended. Subsequent to the discontinuance of operations of GDB, management, administrative, and accounting support services are provided to the Authority by the Puerto Rico Fiscal Agency and Financial Advisory Authority ("FAFAA").

The Authority was created to issue revenue bonds and to lend the proceeds thereof to finance the acquisition, construction, and equipping of industrial, tourist, educational, medical, and environmental control facilities. The Authority charges a placement fee based on the face value of the bonds issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Authority are presented in conformity with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"), for governments as prescribed by the Governmental Accounting Standards Board ("GASB").

The accompanying basic financial statements present the financial position and the results of operations of the Authority as a whole.

Following is a description of the Authority's most significant accounting policies:

**Measurement Focus and Basis of Accounting** - The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Operating revenues are recorded when earned and operating expenses are recorded when incurred, regardless of the timing of related cash flow. The Authority's placement fee income is recognized upon the issuance of the bonds. Revenues and expenses not meeting these criteria are reported as non-operating revenues or expenses.

The statement of net position (deficit) presents the Authority's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position (deficit). Net position (deficit) may be reported in two categories:

- a) Restricted component- consists of restricted assets reduced by liabilities related to those assets. Restrictions are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- b) Unrestricted component- consists of net amount of the assets and liabilities that do not meet the definition of the preceding category. Unrestricted component of net position (deficit) often is designated, in order to indicate that management does not consider them to be available for general operations. Unrestricted component of net position (deficit) often has constraints on use that are imposed



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by management, but such constraints may be removed or modified.

The statement of revenues, expenses, and changes in net position(deficit) demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function.

The statement of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and capital and noncapital financial activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

***Use of Estimates*** - The preparation of the basic 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.

***Deferred Outflows/Inflows of Resources*** - In addition to assets, the statement of net deficit will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net deficit that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then.

In addition to liabilities, the statement of net deficit will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net deficit that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***Accounting for Pension Costs and Adoption of GASB Statement No.73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68 and Amendments to certain provisions of GASB Statements No. 67 and No.68-*** The Governmental Accounting Standard Board (GASB) released new accounting standards for governments postretirement benefit programs and the employers that sponsor them. The Commonwealth administered the Employee Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) to provide pensions and other benefits to retired employees of the Commonwealth, its public corporations and municipalities, including the Authority, as a component unit of the Commonwealth. The Commonwealth implemented GASB Statement No 68 during the year ended June 30, 2017. GASB Statement No. 68 applied to pension plans administered through trusts in which contributions are irrevocable, trust assets are dedicated to providing pensions to plan members, and trust assets that are legally protected from creditors. On August 23, 2017, the Commonwealth of Puerto Rico approved Act No. 106 to implement, among other things, a Pay-Go System that eliminated all employer contributions for the payment of pensions. Also, pursuant to Act No. 106, the ERS was required to liquidate its assets and transfer the net proceeds to the Department of Treasury of the Commonwealth to pay pension benefits.



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As a result of the implementation of the Pay-Go System, the ERS does not meet the criteria in paragraph 4 of GASB Statement No. 68, to be considered a plan that is administered through a trust or equivalent arrangement and, therefore, is required to apply the guidance in GASB Statement No. 73.

The GASB Statement No. 73 applies to pension plans, both defined benefit and defined contribution, that either do not have any dedicated assets associated with them or have assets that are not in the trust meeting the requirements specified above.

The Commonwealth and its component units are considered to be one employer and are classified for financial reporting purposes as a single-employer defined benefit pension plan. GASB Statement No. 73 requires that the primary government and the component units that provide pensions through the same defined benefit pension plan of its primary government, recognize their proportionate share of the total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (benefit). The employer allocation percentage are based on the ratio of each participating entity's actual benefit payments for allocation to the aggregate total of benefit payments for allocation paid by all participating entities during the year ending on the measurement date.

Management concluded that pursuant implementation of Act No. 106, the ERS falls under GASB Statement No. 73 because ERS does not have dedicated assets within a trust, and the net pension liability is equal to the total pension liability, as opposed to total pension liability minus fiduciary net deficit under GASB Statement No. 68. Also, management is of the opinion that pensions and pensions administered through trusts were no different, except for restrictions on assets, therefore, the accounting is essentially the same as required under GASB Statement No. 68. Therefore, the effect of the implementation of GASB Statement No. 73 was recorded in statement of revenues, expenses and change in net position(deficit) during the year ended June 30, 2019.

Refer to Note 8 for disclosures and further information.

**Other Postemployment Benefits-** The Authority accounts for other post-employment benefits (OPEB) under the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the net deficit of the Authority and additions to/deductions from the Authority's net position have been determined on the same basis as they are reported by the Authority's ERS. For



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this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

**Revenue Bonds and Related Loans** - Revenue bonds issued by the Authority are considered conduit debt and, therefore, neither these bonds nor the related loans granted by the Authority are presented in the accompanying basic financial statements.

**Recently Issued Accounting Pronouncements** - The GASB has issued the following accounting pronouncements that have effective date after June 30, 2019:

- **GASB Statement No. 83 Certain Asset Retirement Obligations.** This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, as amended by GASB Statement No. 95.
- **GASB Statement No. 84 Fiduciary Activities.** This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purpose and how those activities should be reported. The requirements of this statement are effective for fiscal years beginning after December 15, 2018, as amended by GASB Statement No. 95.
- **GASB Statement No. 87, Leases.** The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, as amended by GASB Statement No. 95.
- **GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.** The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure

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in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, as amended by GASB Statement No. 95.

- ***GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period.*** This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, as amended by GASB Statement No. 95.
  
- ***GASB Statement No. 90, Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61.*** The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain components units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, as amended by GASB Statement No. 95.



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- ***GASB Statement No. 91, Conduit Debt Obligations.*** The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (i) commitments extended by issuers, (ii) arrangements associated with conduit debt obligations, and (iii) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements - often characterized as leases - that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, as amended by GASB Statement No. 95. Earlier application is encouraged.

- ***GASB Statement No. 92, Omnibus 2020.*** The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: The effective date of *Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases*, for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of *Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and *No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The requirements of this

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Statement are effective for reporting periods beginning after June 15, 2020, as amended by GASB Statement No. 95.

- ***GASB Statement No. 93 Replacement of Interbank Offered Rates (IBOR)***. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR most notably the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

This statement achieves its objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of *reference rate*, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020, as amended by GASB Statement No. 95, see below. Earlier application is encouraged. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR.



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- ***GASB Statement No. 94 Public Private and Public-Public Partnership and Availability Payment Arrangement.*** The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

- ***GASB Statement No. 95, Postponement of the effective dates of Certain Authoritative Guidance.*** The primary objective of this Statement is to provide temporary relief to governments and other stakeholders considering the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019

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- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

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

The requirements of this Statement are effective immediately

***GASB Statement No. 96, Subscription-Based Information Technology Arrangements.*** This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement



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84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

Management is evaluating the impact that these Statements will have on the Authority's basic financial statements.

**3. RESTATEMENT TO NET POSITION**

During 2019, the Authority identified an error related to prior year financial statements, which resulted in a restatement to beginning net position of the Authority.

The following table summarizes this change to net position at the beginning of the year, as previously reported:

Net position - July 1, 2018, as previously reported	\$	105,102
<b>Adoption of GASB Statement No. 68:</b>		
Correction of error-understatement of recognition of Deferred Inflow of Resources		(63,218)
<b>Adoption of GASB Statement No. 75:</b>		
Correction of error- understatement of recognition of Other Postemployment Benefits(OPEB)		(14,321)
Net position - July 1, 2018, as restated	\$	27,563

**4. CASH AND DEPOSITS**

Custodial credit risk is the risk that, in the event of a financial institution's failure, the Authority's deposits may not be returned to it. The Commonwealth requires that public



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funds deposited in commercial banks in Puerto Rico be fully collateralized for the amount deposited in excess of federal depository insurance.

The table presented below discloses the level of custodial credit risk assumed by the Authority as of June 30, 2019. As of June 30, 2019, none of the Authority's deposits are uninsured and uncollateralized, as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Amount uninsured and uncollateralized</u>
Cash	\$ 275,559	\$ 275,559	\$ -

**5. CLAIM RECEIVABLE FROM PUBLIC ENTITY TRUST (PET)**

On August 10, 2018, GDB commenced an action to restructure certain of its indebtedness pursuant to a Qualifying Modification (the Qualifying Modification) under Title VI of the Puerto Rico Oversight Management and Economic Stability Act ("PROMESA"). The United States District Court for the District of Puerto Rico approved GDB's proposed restructuring on November 6, 2018, and the Qualifying Modification became effective on November 29, 2018.

Pursuant to Act No. 109-2017, also known as the Government Development Bank for Puerto Rico Debt Restructuring Act (the GDB Restructuring Act) and the terms of the Qualifying Modification, claims on account of deposits held by the Commonwealth and other public entities, including the Authority, were exchanged for beneficial units in the Public Entity Trust created pursuant to the GDB Restructuring Act. Specifically, under the provisions of the GDB Restructuring Act, on the closing date of the Qualifying Modification (the Closing Date), i.e., November 29, 2018, the balance of liabilities owed between the Commonwealth and its agents, instrumentalities and affiliates, including the Authority (each a Non-Municipal Government Entity) and GDB was determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-Municipal Government Entity held by GDB as of such date. Those Non-Municipal Government Entities having net claims against GDB, after giving effect to the foregoing adjustment, received their pro rata share of interests in the PET, which was deemed to be in full satisfaction of any and all claims such Non-Municipal Government Entity may have had against GDB.

Since the Authority had cash in GDB amounting to \$9.5 million, as a result of the execution of the Qualify Modification the Authority received beneficial units of the PET amounting to \$9.5 million in exchange for the deposits held at GDB.

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The assets of the PET (the PET Assets) consist of, among other items, a claim in the amount of approximately \$578 million against the Commonwealth, which is the subject of a proof of claim filed in the Commonwealth's Title III case.

The Authority's recovery of the PET units will depend from the payment of the claim filed in the Commonwealth's Title III case. As result units received from the PET are fully reserved.

	<b>Balance as of June 30, 2019</b>	<b>Claim Allowance</b>	<b>Net Carrying Value</b>
Claim receivable	\$ 9,503,794	\$ (9,503,794)	\$ -

**6. PLACEMENT FEES**

The Authority generally charges a placement fee of one percent (1%) of the face value of bond issued or as deemed appropriate for the specific issue, except for bonds issued to finance educational, medical, or environmental control facilities or other projects otherwise eligible to be placed in the U.S. tax-exempt bond market, for which the placement fee charged is one half percentage (0.50%).

On May 7, 2019, the Authority issued \$21.6 million in Higher Education Revenue Bonds, Series 2019 (Inter American University of Puerto Rico, Series 2019 Project) to be used to finance all or a portion of the cost of acquiring, constructing, improving and equipping the Inter American University of Puerto Rico Project, for the purpose of promoting the economic development, the health, education, welfare and safety of the citizens of the Commonwealth of Puerto Rico.

On December 28, 2018, the Authority issued \$9 million in Educational Facilities Revenue and Revenue Refunding Bonds (The Baldwin School of Puerto Rico Project), Series 2018A-C (Collectively, the "Series 2018 Bonds") for the purpose of prior debt refinancing, issuer's upfront fee, issuer's counsel fee, deposit to debt service reserve fund, title-related fees, real estate diligence fees, deposit to project fund, post-closing and issuance costs.

Both bond issuances were issued by the Authority for the benefit of Inter American University of Puerto Rico, Inc. and the Baldwin School of Puerto Rico, Inc., respectively.

**7. REVENUE BONDS**

The revenue bonds issued by the Authority are special and limited obligations of the Authority and, except to the extent payable from bond proceeds and investments thereof, are payable solely from and secured by a pledge and assignment of the amounts



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payable under the loan agreements between the Authority and the borrowers. In some cases, payment of principal and interest on revenue bonds may be further secured by guarantees or letters of credit.

The revenue bonds are considered conduit debt and do not constitute a debt or a pledge of the good faith and credit of the Authority or the Commonwealth or any political subdivision thereof.

In connection with the issuance of revenue bonds, the Authority enters into trust agreements, whereby the Authority assigns and pledges to the trustees, for the benefit of the holders of the revenue bonds: (1) all amounts receivable by the Authority in repayment of the amounts due under the loan agreements; (2) any rights, title, and interest of the Authority in the proceeds derived from the issuance of the revenue bonds and of any securities in which moneys in any fund or account created by the trust agreements or loan agreements are invested and the proceeds derived therefrom; and (3) the Authority's rights, title, and interest in and to the loan agreements, subject to the Authority's retention of certain rights, including the right to collect moneys payable to the Authority.

At June 30, 2019, the Authority had approximately \$659.9 million in outstanding AFICA bonds in the following manner:

<u>REVENUE BONDS</u>	<u>Original Amount</u>	<u>Balance June 30, 2019</u>
Commercial\Industrial	\$ 392,529,745	\$ 256,866,198
Educational	398,660,000	265,430,000
Medical	204,500,000	92,750,000
Tourist	<u>56,355,000</u>	<u>44,835,000</u>
Total	<u>\$ 1,052,044,745</u>	<u>\$ 659,881,198</u>

**8. EMPLOYEES RETIREMENT SYSTEM OF THE GOVERNMENT OF THE COMMONWEALTH OF PUERTO RICO**

**Plan Description**

The Defined Benefit Pension Plan for Participants of the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the Commonwealth) (the Plan) was created pursuant to Act No. 447 on May 15, 1951, as amended (Act No. 447) to provide pension and other benefits to retired employees of the Commonwealth, its public corporations and municipalities. Prior to the effect of Act No. 106 of August 23, 2017 (Act No. 106-2017) the Plan was administered by the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the System). Effective July 1, 2017, all employer contributions were eliminated pursuant to Act No. 106-2017 and the Commonwealth implemented a "pay-as-you-go" (PayGo) system for the payment of pensions. Also pursuant to Act No. 106-2017, the System was required to liquidate its assets

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and transfer the net proceeds to the Department of Treasury of the Commonwealth to pay pension benefits.

#### **Pension Benefits**

The benefits provided to the participants are established by Commonwealth law and may be amended only by the Legislature with the Governor's approval, or by court decision.

Certain plan provisions are different for the three groups of members who entered the Plan prior to July 1, 2013, as described below:

- Members of Act No. 447 were generally those members hired before April 1, 1990 (contributory, defined benefit program).
- Members of Act No. 1 of February 16, 1990 (Act No. 1) are generally those members hired on or after April 1, 1990 and on or before December 31, 1999 (contributory, defined benefit program).
- Members of Act No. 305 of September 24, 1999 (Act No. 305 or System 2000) are generally those members hired on or after January 1, 2000 and on or before June 30, 2013 (defined contribution program).

All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit program and the System 2000 program, and were rehired on or after July 1, 2013, became members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013. Also, Act No. 3 of April 4, 2013 (Act No. 3 of 2013) froze all retirement benefits accrued through June 30, 2013 under the defined benefit program and, thereafter, all future benefits accrued under the defined contribution formula used for the System 2000 program participants.

#### **(a) Service Retirement Eligibility Requirements**

- (1) *Eligibility for Act No. 447 Members* - Act No. 447 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447 members could retire upon (1) attainment of age 55 with 25 years of credited service, attainment of age 58 with 10 years of credited service, (3) any age with 30 years of credited service, (4) for Public Officers in High Risk Positions (the Commonwealth Police and Firefighter Corps, the Municipal Police and Firefighter Corps and the Custody Office Corps), attainment of age 50 with 25 years of credited service, and (5), for Mayors of municipalities, attainment of age 50 with 8 years of credited service as a Mayor. In addition, Act No. 447 members who attained 30 years of credited service by December 31, 2013 are eligible to retire at any time.

Act No. 447 members who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire



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with 10 years of credited service upon attainment of the retirement eligibility age shown in the table below.

<u>Date of birth</u>	<u>Attained age as of June 30, 2013</u>	<u>Retirement eligibility age</u>
July 1, 1957 or later	55 or less	61
July 1, 1956 to June 30, 1957	56	60
Before July 1, 1956	57 and up	59

In addition to the requirements of the table above, Act No. 447 Public Officers in High Risk Positions who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013, are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

- (2) Eligibility for Act No. 1 Members - Act No. 1 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1 members could retire upon (1) attainment of age 55 with 25 years of credited service, (2) attainment of age 65 with 10 years of credited service, (3) for Public Officers in High Risk Positions, any age with 30 years of credited service, and (4) for Mayors, attainment of age 50 with 8 years of credited service as a Mayor.

Act No. 1 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of age 65 with 10 years of credited service. In addition, Act No. 1 Public Officers in High Risk Positions who were not eligible to retire as of June 30, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

- (3) Eligibility for System 2000 Members - System 2000 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 55 for Public Officers in High Risk Positions and attainment of age 60 otherwise.

System 2000 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of age 55 for Public Officers in High Risk Positions and upon attainment of the retirement eligibility age shown in the table below otherwise.

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<u>Date of birth</u>	<u>Attained age as of June 30, 2013</u>	<u>Retirement eligibility age</u>
July 1, 1957 or later	55 or less	65
July 1, 1956 to June 30, 1957	56	64
July 1, 1955 to June 30, 1956	57	63
July 1, 1954 to June 30, 1955	58	62
Before July 1, 1954	59 and up	61

- (4) Eligibility for Members Hired after June 30, 2013 - Attainment of age 58 if a Public Officer in a High-Risk Position and attainment of age 67 otherwise.

**(b) Compulsory Retirement**

All Act No. 447 and Act No. 1 Public Officers in High Risk Positions must retire upon attainment of age 58 and 30 years of credited service. A two-year extension may be requested by the member from the Superintendent of the Puerto Rico Police, the Chief of the Firefighter Corps, or supervising authority as applicable.

**(c) Service Retirement Annuity Benefits**

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the Defined Contribution Hybrid Contribution Account at the time of retirement, plus, for Act No. 447 and Act No. 1 members, the accrued benefit determined as of June 30, 2013. If the balance in the Defined Contribution Hybrid Contribution Account is \$10,000 or less, it shall be paid as a lump sum instead of as an annuity. For System 2000 participants this service retirement annuity benefit is not available.

- (1) Accrued Benefit as of June 30, 2013 for Act No. 447 Members - The accrued benefit as of June 30, 2013 shall be determined based on the average compensation, as defined, for Act No. 447 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Act No. 447 Mayors, the highest compensation, as defined, as a Mayor is determined as of June 30, 2013.

If the Act No. 447 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting to coordinate with social security (the Coordination Plan), the benefit is re-calculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to \$6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of \$6,600.



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If the Act No. 447 member had less than 30 years of credited service as of June 30, 2013, and attains 30 years of credited service by December 31, 2013, the accrued benefit equals 55% of average compensation if the member was under age 55 as of June 30, 2013 or 60% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit is re-calculated at SSRA as 1.5% of average compensation up to \$6,600 multiplied by years of credited service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of \$6,600. Member contributions received from Act No. 447 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of credited service are considered pre-July 1, 2013 contributions; the contributions to the Defined Contribution Hybrid Contribution Account begin after the member attains 30 years of credited service.

If the Act No. 447 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equals 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. Maximum benefit is 75% of average compensation. Except for Commonwealth Police and Commonwealth Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58. For participants selecting the Coordination Plan, the basic benefit is re-calculated at SSRA as 1% of average compensation up to \$6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to \$6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of \$6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of \$6,600 multiplied by years of credited service in excess of 20 years. Except for Police and Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58.

For Act No. 447 Mayors with at least 8 years of credited service as a mayor, the accrued benefit will not be less than 5% of highest compensation, as defined, as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service includes service earned as a Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

- (2) Accrued Benefit as of June 30, 2013 for Act No. 1 Members - The accrued benefit as of June 30, 2013 shall be determined based on the average compensation for Act No. 1 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Act No. 1 Mayors, the highest compensation as a Mayor is determined as of June 30, 2013.

If the Act No. 1 member is a police officer or firefighter with at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013.

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For all other Act No. 1 members, the accrued benefit equals 1.5% of average compensation multiplied by years of credited service. The benefit is actuarially reduced for each year payment commences prior to age 65.

For Act No. 1, Mayors with at least 8 years of credited service as a Mayor, the accrued benefit will not be less than 5% of highest compensation as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service includes service earned as a Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

**(d) Special Benefits**

**(1) Minimum Benefits**

— Past Ad hoc Increases

The legislature, from time to time, increases pensions for certain retirees as described in Act No. 124 approved on June 8, 1973 and Act No. 23 approved on September 23, 1983.

— Minimum Benefits for Members who retired before July 1, 2013 (Act No. 156 of 2004, Act No. 35 of 2007, and Act No. 3 of 2013)

The minimum monthly lifetime income for members who retired or become disabled before July 1, 2013 is \$500 per month effective July 1, 2013 (\$400 per month effective July 1, 2007 and \$300 per month up to June 30, 2007).

— Coordination Plan Minimum Benefit

A minimum monthly benefit is payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, is not less than the benefit payable prior to SSRA.

**(2) Cost-of-Living Adjustments (COLA) to Pension Benefit**

The Legislature, from time to time, increased pensions by 3% for retired and disabled members. Beneficiaries are not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10 of 1992. Subsequent 3% increases have been granted every third year since 1992, with the latest 3% increase established on April 24,



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2007 and effective July 1, 2007 (retroactive to January 1, 2007) for retired and disabled members that were receiving a monthly benefit on or before January 1, 2004 (Act No. 35 of 2007). In addition, effective July 1, 2008, any retired or disabled member that was receiving a monthly annuity on or before January 1, 2004 less than \$1,250 per month received an increase of up to 3% without exceeding the limit of \$1,250 per month (Act No. 35 of 2007).

(3) Special “Bonus” Benefits

— Christmas Bonus (Act No. 144, as Amended by Act No. 3)

An annual bonus of \$200 for each retiree, beneficiary, and disabled member paid in December provided the member retired prior to July 1, 2013.

— Medication Bonus (Act No. 155, as Amended by Act No. 3)

An annual bonus of \$100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries.

**Total Pension Liability**

**Allocation Methodology**

GASB Statement No. 73 requires that the primary government and the component units that provide pensions through the same defined benefit pension plan of its primary government, recognize their proportionate share of the total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (benefit). The employer allocation percentage are based on the ratio of each participating entity’s actual benefit payments for allocation to the aggregate total of benefit payments for allocation paid by all participating entities during the year ending on the measurement date.

**Total Pension Liability and Actuarial Information**

The total pension liability was approximately \$24.4 billion, of which approximately \$732 thousand is the Authority’s proportionate share as of June 30, 2019. The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019 (measurement date as of June 30, 2018).

**(a) Actuarial Methods and Assumptions**

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

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Discount Rate

The discount rate for June 30, 2019 was 3.87%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

The mortality tables used in the June 30, 2019 actuarial valuations were as follows:

- Pre-retirement Mortality- For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year, and projected forward using MP-2018 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.
- Post-retirement Healthy Mortality- Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-18 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
- Post-retirement Disabled Mortality- Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-18 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Other Assumptions as of June 30, 2019

Actuarial cost method	Entry age normal
Inflation rate	Not applicable
Salary increases	3.00% per year. No compensation increases are assumed until July 1, 2021 as a result of Act No. 3-2017, four-



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year extension of Act No. 66-2014, and the current general economy.

**(b) Sensitivity of the Total Pension Liability to Changes in the Discount Rate**

The following presents the total pension liability calculated using the discount rate of 3.87%, as well as what it would be if it were calculated using the discount rate of 1-percentage point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate (dollars in thousands):

	1% decrease or 2.87%	Current discount rate of 3.87%	1% increase or 4.87%
Authority's proportionate share of the total pension liability	\$ 833,228	\$ 731,713	\$ 650,281

***Deferred Outflows of Resources and Deferred Inflows of Resources***

The following presents a summary of changes in the deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2019:

Source	Deferred outflows of resources	Deferred inflows of resources
PayGo deferred amortization	\$ 40,441	\$ -
Differences between actual and expected experience	-	22,131
Changes of assumptions	-	23,994
Changes in proportion and differences between actual contributions and proportionate share	34,048	-
	\$ 74,489	\$ 46,125

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Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pension at June 30, 2019 will be recognized in pension expense(benefit) in future years as follows:

Years ending June 30,	Amount
2020	\$ (2,308)
2021	(2,308)
2022	(2,308)
2023	(2,308)
2024	—
	\$ (9,232)

The previous amounts do not include employer specific deferred outflows and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 6 years for 2019.

**Pension Expense (Benefit)**

The components of allocable pension expense (benefit) for the year ended June 30, 2019 are as follows:

	Amount
Service cost	\$ 2,175
Interest on total pension liability	27,839
Effect of Plan changes	(45,835)
Recognition (amortization) of deferred inflows/outflows of resources:	
Difference between expected and actual experience	(4,429)
Changes in assumptions	(4,802)
Pension expense (benefit)	(25,053)

**9. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico (the Commonwealth) for Retired Participants of the Employees' Retirement System (the Plan) is an unfunded, defined benefit other postemployment healthcare benefit plan (OPEB). The Plan is administered on a pay- as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75,



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Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB Statement No. 75). Under the guidance of GASB Statement No. 75, the Commonwealth and its component units are considered to be one employer and are classified for financial reporting purposes as a single-employer defined benefit OPEB plan. Therefore, the schedule of employer allocations and the schedule of OPEB amounts by employer (collectively, the Schedules) present the OPEB amounts attributable to the Commonwealth reporting entity (i.e., the Commonwealth and its component units).

The Plan covers a payment of up to \$100 per month to the eligible medical insurance plan selected by each member provided that the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3). The Plan is financed by the Commonwealth through legislative appropriations. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. Plan members were eligible for benefits upon reaching the applicable retirement age. Act No. 3 of 2013 eliminated this healthcare benefit to the Plan members that retired after June 30, 2013.

#### **Allocation Methodology**

GASB Statement No. 75 requires that the primary government and its component units that provide OPEB benefits through the same defined benefit OPEB plan, recognize their proportionate share of the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense (benefit). The employer allocation percentage are based on the ratio of each participating entity's actual benefit payments to the total actual benefit payments paid by all participating entities during the year ending on the measurement date.

#### **Total OPEB Liability and Actuarial Information**

The total OPEB liability was approximately \$842 million, of which approximately \$14 thousand is the Authority's proportionate share as of June 30, 2019. The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019 (measurement date as of June 30, 2018). The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period.

#### **Actuarial Assumptions**

##### **Discount Rate**

The discount rate for June 30, 2019 was 3.87%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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**Mortality**

- Pre-retirement Mortality- For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year, and projected forward using MP-2018 on generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year, and projected forward using MP-2018 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.
- Post-retirement Healthy Mortality- Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-18 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
- Post-retirement Disabled Mortality- Rates which vary by gender are assumed for disabled retirees based on a study of Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-18 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

**Sensitivity of the total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Plan at June 30, 2019 calculated using the discount rate of 3.87%, as well as the Plan's total OPEB liability if it were calculated using the discount rate of 1- percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate:

	1% decrease or 2.87%	Current discount rate of 3.87%	1% increase or 4.87%
Proportionate share of total OPEB liability \$	15,887	14,448	13,294

***Deferred Outflows of Resources and Deferred Inflows of Resources***

Because all participants are inactive, there are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate shares are recognized immediately during the measurement year.



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However, a deferred outflow has been recognized only for the amount of the benefit payments made by the Commonwealth on behalf of the Authority subsequent to the measurement date, which amounted to \$1,900 as of June 30, 2019, which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. These amounts were paid on behalf of the Authority, therefore, a due to Commonwealth for the amount of \$1,900 of such pension benefit payments was recognized.

**OPEB Expense (Benefit)**

The components of OPEB expense (benefit) for the year ending June 30, 2019 are as follows:

	Amount
Interest on total OPEB liability	\$ 545
Effect on economic/demographics gains and losses	(266)
Effect of assumptions changes or inputs	(424)
 OPEB expense (benefit)	 \$ (145)

**10. SUBSEQUENT EVENTS**

Subsequent events were evaluated through August 30, 2021, the date the financial statements were available to be issued, to determine if any such events should either be recognized or disclosed in the 2019 financial statements.

**Coronavirus Pandemic**

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

**REQUIRED SUPPLEMENTARY INFORMATION**



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 Schedule of Change in Net Pension Liability (Unaudited)  
 June 30, 2019

The Schedule of Changes in the Total Pension Liability presents the changes in Total pension liability for the Authority at June 30, 2019:

	2019
Total pension liability:	
Service cost	\$ 2,175
Interest	27,839
Effect of plan changes	(45,835)
Effect of assumptions changes or inputs	(27,746)
Net change in total pension liability	(70,143)
Total pension liability-beginning	801,856
Total pension liability-ending	\$ 731,713
Covered-employee payroll	N/A
Employer's net pension liability as a percentage of covered-employee payroll	N/A

Notes:

The Authority's net pension liability as of June 30, 2019 was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019 (measurement date as of June 30, 2018).

Schedules are intended to show information for ten years. Additional years will be displayed as they become available.

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**Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios**  
 (Unaudited)  
 June 30, 2019

The Schedule of Changes in the Total Other Postemployment Benefits Liability presents the changes in the liability for the Authority at June 30, 2019:

	2019
Total other postemployment benefits liability:	
Service cost	\$ 272
Interest	545
Effect of plan changes	-
Effect of economic/demographic gains(losses)	(266)
Effect of assumptions changes or inputs	(424)
Net change in total other postemployment benefits liability	127
Total other postemployment benefits liability-beginning	\$ 14,321
Total other postemployment benefits liability-ending	\$ 14,448
 Covered-employee payroll	N/A
 Employer's other postemployment benefits liability as a percentage of covered-employee payroll	N/A

Notes:

Schedule is intended to show information for ten years. However, recalculations of prior years are not required, and if prior years are not required in accordance with the current GASB standards, they should not be reported. Amount presented have a measurement date of the previous fiscal year end.



