

SUGAR CORPORATION OF PUERTO RICO
(A Component Unit of The Commonwealth of Puerto Rico)

FINANCIAL STATEMENTS
(LIQUIDATION BASIS OF ACCOUNTING)

FOR THE YEAR ENDED DECEMBER 31, 2018

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)



TORRES, HERNANDEZ & PUNTER, CPA, PSC
Certified Public Accountants

SUGAR CORPORATION OF PUERTO RICO
(A Component Unit of The Commonwealth of Puerto Rico)

TABLE OF CONTENTS

	<u>Pages</u>
<u>introduction</u>	
Independent Auditors' Report on the Financial Statements.....	1 - 3
<u>Financial Statements - Liquidation Basis</u>	
Statement of Deficiency in Net Position in Liquidation.....	4
Statement of Liquidating Activities and Changes in Net Position Deficiency in Liquidation.....	5
Notes to the Financial Statements.....	6 - 11
Firm's Peer Review	



TORRES, HERNANDEZ & PUNTER, CPA, PSC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Acting Governing Body
Sugar Corporation of Puerto Rico
San Juan, Puerto Rico

Report on the Financial Statements (Liquidation Basis)

We have audited the accompanying Statement of Deficiency in Net Position in Liquidation of the Sugar Corporation of Puerto Rico (from now on the Corporation), a component unit of the Commonwealth of Puerto Rico, as of December 31, 2018 and the related Statement of Liquidating Activities and Changes in Net Position Deficiency in Liquidation for the year then ended, as listed in the table of contents.

Management's Responsibility for the Financial Statements (Liquidation Basis)

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

Due to the lack of accounting records, we were unable to obtain sufficient evidence to support liabilities recorded in the accompanying Statement of Deficiency in Net Position in Liquidation, of the estimated reserve for liquidation expense and other contingencies, in the amount of \$28.9 million.

As described in Note 1(B) to the financial statements, the Commonwealth of Puerto Rico approved Act. No. 189, as amended, authorizing the transfer of the Corporation operating assets to certain private and governmental entities and commence with the orderly liquidation of the Corporation. As a result, the Corporation changed its basis of accounting in prior years from a going-concern basis to a liquidation-basis of accounting.

Qualified Opinion

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion Paragraphs above, the financial statements referred to in the first paragraph present fairly, in all material respects, the deficiency in net position in liquidation of the Corporation as of December 31, 2018, and the changes in net position deficiency in liquidation for the year ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

The Acting Governing Body decided to omit the management discussion and analysis (MDA). Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by the missing information.

Emphasis - of - Matter**Restatement of Prior Year Financial Statements**

As discussed in Notes 4 and 5, the 2017 financial statements has been restated to eliminate balances recorded in prior years related to liabilities, deferred outflows of resources and deferred inflows of resources related to pensions plans and other postemployment benefits other than pensions (OPEB), since payment of pensions and OPEB benefits were assumed by the general fund of the Commonwealth of Puerto Rico.

Newly Adopted Standard

As discussed in Note 1(E) to the financial statements, the Corporation adopted new guidance of GASB Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance". Our opinion is not modified with respect to these matters.

Torres, Hernández & Punter, CPA, PSC

Torres, Hernández & Punter, CPA, PSC
Certified Public Accountants

Carolina, Puerto Rico

October 14, 2021

Stamp #E463184 of the
College of CPA's of
Puerto Rico is affixed
to the original.

SUGAR CORPORATION OF PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Deficiency in Net Position in Liquidation

December 31, 2018

Assets and Deferred Outflows of Resources:

Assets	\$ -
Deferred Outflows of Resources:	-
Total Assets and Deferred Outflows of Resources	<u>\$ -</u>

Liabilities and Deferred Inflows of Resources:

Accounts and Accrued Expenses Payable:	
Puerto Rico Land Authority	\$ 3,671,991
Accrued Legal Claims	3,409,652
Retirement System Administration	14,143,980
Estimated Reserve for Liquidation Expenses and Other Contingencies	28,901,446
Note Payable	<u>38,766,902</u>
Total Liabilities	88,893,971
Deferred Inflows of Resources	-
Total Liabilities and Deferred Inflows of Resources	<u>88,893,971</u>

Deficiency in Net Position in Liquidation

Deficiency in Net Position in Liquidation	<u>(88,893,971)</u>
Excess of Liabilities and Deferred Inflows of Resources Over Assets and Deferred Outflows of Resources in Liquidation	<u>\$ -</u>

See accompanying notes which are an integral part of the financial statements.

SUGAR CORPORATION OF PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Liquidating Activities and Changes in Net Position in Liquidation

For the Year Ended December 31, 2018

Additions to Net Position in Liquidation	\$ <u> -</u>
Deductions to Net Position in Liquidation	
Payroll and Personnel Cost	<u> 70,839</u>
Total Deductions to Net Position in Liquidation	<u> 70,839</u>
Net Increase in Deficiency in Net Position in Liquidation	<u> (70,839)</u>
Deficiency in Net Position in Liquidation, as Previously Reported	(132,864,204)
Prior Period Adjustment	<u> 44,041,072</u>
Deficiency in Net Position in Liquidation, Beginning of the Year, as Restated	<u> (88,823,132)</u>
Deficiency in Net Position in Liquidation, at End of Year	\$ <u> (88,893,971)</u>

See accompanying notes which are an integral part of the financial statements.

SUGAR CORPORATION OF PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) ORGANIZATION AND ACTIVITY

The Sugar Corporation of Puerto Rico ("the Corporation") was organized on January 19, 1973 to consolidate the sugar activities and production of the Commonwealth of Puerto Rico. Prior to the organization of the Corporation, the sugar activities of the Commonwealth of Puerto Rico were carried by the Puerto Rico Land Authority ("the Land Authority") and the Puerto Rico Land Administration ("the Land Administration") Effective July 1, 1973, the Land Authority and the Land Administration transferred to the Corporation all properties, both owned and leased, devoted to the sugar production and related liabilities.

During the year ended December 31, 2018 the Corporation had no operations.

(B) LIQUIDATION PLAN

On September 5, 1996, the Commonwealth of Puerto Rico enacted Act No. 189 that initiate a plan for the orderly liquidation of the Corporation. Act No. 189 authorizes the negotiations for the transfer of certain assets, liabilities and operations of the Corporation liquidation of the Commonwealth of Puerto Rico, authorizing the transfer, for the nominal value of one dollar (\$1.00) of most of assets and the operations of the Corporation, to a group of private en for a nominal value, to sugar cane farmers, as part of the liquidation process of the Corporation. The operations transferred consisted of sugar mills and refinery.

On December 28, 1997 the Commonwealth of Puerto Rico enacted Act. No. 202 amending Act No. 189. Under the amendment, the sugar mills were transferred to the sugar cane growers during 1998. Also, effective December 31, 2000, the Corporation transferred its remaining sugar producing assets to the sugar cane growers (known as "colonos") and the Land Authority. Assets transferred include land with a carrying value of \$28.2 million and fully depreciated building with an original cost of \$52 million to Land Authority, as well as \$14.2 millions in fully reserved accounts receivable resulting from advances to the sugar cane growers.

After the sales and transfers of the Corporation's operation assets described above, the operations of the Corporation have been limited to processing the remaining legal requirements regarding its liquidation, principally in connection with the payment of a long-term debt.

The law provides that the Corporation should, from time to time, request the Puerto Rico Legislature the approval of the necessary funds for the orderly liquidation of all liabilities of the Corporation. The Corporation received operating grants from the Commonwealth of Puerto Rico during the current and prior fiscal years, which have been used to pay debt service of the long-term debt and other liquidation expenses. No funds or operating grants were received from the Commonwealth of Puerto Rico during the year ended December 31, 2018.

SUGAR CORPORATION OF PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the accounting policies judged by the Acting Governing Body of the Corporation to be the most appropriate in the circumstances to present the Corporation's financial position and changes in position in liquidation.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP), as applicable to an entity under liquidation.

(C) PROPRIETARY FUND AND LIQUIDATION BASIS

As the result of the plan of liquidation described above, the Corporation changed its basis of accounting from a going-concern basis to a liquidation-basis of the accounting. Under the liquidation-basis of accounting, assets and liabilities are stated at their estimated net realizable value and estimated costs through the liquidation are provided to the extent reasonable determinable.

The valuation of assets and liabilities is based on management's estimates and assumptions as of financial statements date; actual realization of assets and settlements of liabilities could be higher or lower than the amounts indicated. There are a number of important factors which could cause actual results to differ from estimates, including settlement amount of claims and other liabilities to be paid as part of liquidation, the amounts to be received for assets which have not yet been sold, and the time period and actual cost necessary to complete the liquidation plan. Therefore, management's estimates made, as the results of the adoption of the liquidation-basis of accounting, are subject to change in the near term.

(D) LIQUIDATION ACCRUALS

The Corporation accumulated various liquidation accruals, based on a number of different sources including engineering assessments, legal and environmental estimates, among others. The amounts are updated annually, to reflect recent developments, new estimates or the general cost of living in the absence of more recent estimates. The Acting Governing Body believes these accruals to be sufficient, however, given the many uncertainties involved, the ultimate outcome cannot be determined with certainty at this time and actual liquidation costs could differ from the amounts recorded.

(E) NEW ACCOUNTING STANDARD IMPLEMENTED

The provisions of the following Governmental Accounting Standards Board (GASB) Statement are effective immediately:

- **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 in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

SUGAR CORPORATION OF PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) NEW ACCOUNTING STANDARD IMPLEMENTED (CONTINUED)

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. 2018-1, Implementation Guidance Update - 2018,
- Implementation Guide No. 2019-1, Implementation Guidance Update - 2019, and
- Implementation guide No. 2019-2, Fiduciary Activities.

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

- Statement No. 87, Leases, and
- 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.

NOTE 2 - NOTES PAYABLE

During the fiscal year ended June 30, 2012, the Puerto Rico Public Finance Corporation (from now on "PFC") issued PFC 2011, Series A and B, and PFC 2012, Series A bond, and refunded a portion of certain of its outstanding Commonwealth appropriation bonds issued in 2004 and before under Act No. 164 of December 17, 2011, including \$7,643,979 of the Corporation corresponding portion of the debts. The Corporation recognizes a mirror effect of these current refunding by the PFC in its own notes payable, in proportion to the portion of the Corporation's notes payable included in the PFC refunding.

As a result of the PFC refunding, the Corporation recording a due from Commonwealth amounting to \$2,643,394 as of December 31, 2013, for advances made to the bond trustee to cover future debt service requirements of the refunded notes. The aggregate debt service requirements of the refunded notes in excess of the advances already made to the bond trustee are to be refunded with annual appropriations from the Commonwealth.

SUGAR CORPORATION OF PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 2 - NOTES PAYABLE (CONTINUED)

The Note's outstanding balance at December 31, 2018, was \$38,766,902 and matures throughout August 1, 2032. Interests on the unpaid principal amount of the Note is equal to the applicable percentage of the aggregate interest payable on the PFC Bonds. Applicable percentage is the percentage representing the proportion of the amount paid by the PFC bonds serviced by the Notes to the aggregate amount paid by PFC on all the PFC Bonds issued by the PFC under Act. No.164.

The activity of the notes payable, during the year ended December 31, 2018, was as follows:

	<u>Balance</u> <u>12/31/2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/2018</u>
Notes Payable	\$ <u>38,766,902</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>38,766,902</u>

The expected debt service activity under the liquidation process is as follows:

<u>Years Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interests</u>	<u>Total</u>
2019	\$ 4,018,100	\$ 9,149,961	\$ 13,168,061
2020	1,033,302	1,987,584	3,020,886
2021	1,076,075	1,940,430	3,016,505
2022	1,122,936	1,891,050	3,013,986
2023	1,174,043	1,836,062	3,010,105
2024 - 2029	23,118,660	8,825,159	31,943,819
2030 - 2031	<u>7,223,786</u>	<u>403,783</u>	<u>7,627,569</u>
	<u>\$ 38,766,902</u>	<u>\$ 26,034,029</u>	<u>\$ 64,800,931</u>

NOTE 3 - LEGAL CLAIMS

The Corporation is a defendant in several actions for back wages and other claims, including environmental claims. Most of these claims resulted from the closing of several sugar mills through the years. The accompanying statement of net position in liquidation includes a reserve of approximately \$9 million in relation to legal matters, but the ultimate outcome is uncertain as of financial statements date and accordingly, the ultimate liability, if any, cannot be presently determined.

SUGAR CORPORATION OF PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 3 - LEGAL CLAIMS (CONTINUED)

During 2006, the "Compañía de la Central Roig, Inc.", which is one of the two corporations organized by sugarcane farmers that received 50% of the transferred assets of the PR Sugar Corporation (the sugar mills known as Central Roig, Central Coloso, Central Plata and Central Mercedita, together with the "Refinería Mercedita"), in compliance with and according to the provisions of Public Law No. 189 of December 26, 1997, is suing, among other parties the Land Authority, alleging all sorts of action in damages against the different parties, based upon their inability to produce sugarcane as contemplated by the Public Law No. 189 at the time that aforementioned assets were transferred to them. The plaintiffs are basically alleging that because of the failure of the different governmental agencies and third parties involved, to comply with certain, undefined and allegedly multiple obligations and commitments to which they were bound, they suffered economical damages in excess of \$100 millions. This case is related to two other cases, considered in our contingency reserve. The believes, based on advice from legal counsel, that no potential loss is forecasted as of this date, other that attorney's fees and litigation expenses.

NOTE 4 - PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFIT OTHER THAN PENSIONS
("OPEB")

On June 27, 2017, the Treasury Department issued Circular Letter No. 1300-46-17 in order to convey to the central government agencies, public corporations and municipalities the new implementation procedures to adopt, effective July 1, 2017, a new "pay-as-you-go" (Pay-Go) mechanism for the Employee's Retirement System (ERS).

Subsequently, on August 23, 2017, the Governor signed into law the "Act to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants" (Act No. 106), which reformed the Commonwealth Retirement Systems. Act No. 106 terminated the previously existing pension programs for the ERS's participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017 are now enrolled in a new defined contribution program. Act No. 106 also established by law the Pay-Go mechanism for the payment of accumulated pension benefits and eliminated employers' contributions and other analogous contributions. Approximately \$2 billion was allocated for the payment of Pay-Go benefits in each of the budgets for fiscal years 2018 through 2021.

Furthermore, Act No. 106 modified the ERS's governance. Under Act No. 106, the ERS's Board of Trustees was substituted with a new Retirement Board, which is currently responsible for governing all of the Commonwealth's Retirement Systems.

Since the Sugar Corporation of Puerto Rico is under a plan for its orderly liquidation, the Retirement Board does not invoice the Corporation for the pay-go, because it is considered a nonoperating entity or a nonexistent employer. Therefore, it has been relieved to make pay-go payments, and the general fund of the Commonwealth of Puerto Rico, as required by Act No. 106, assumed the responsibility for payment of pension related payments to the plan participants. Also, other postemployment benefits other than pensions ("OPEB") are not invoiced to the Corporation for the same reasons, and the general fund of the Commonwealth of Puerto Rico also assumed responsibility for payments.

SUGAR CORPORATION OF PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 4 - PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFIT OTHER THAN PENSIONS ("OPEB") (CONTINUED)

Therefore, liabilities, deferred outflows of resources and deferred inflows of resources related to pension plan and OPEB are eliminated from the accompanying Statement of Deficiency in Net Position in Liquidation. Also, since the general fund of the Commonwealth of Puerto Rico assumed the responsibility for payment of pension related and OPEB payments to the plan participants, pension and OPEB expenses are not presented in the accompanying Statement of Liquidating Activities and Changes in Net Position in Liquidation for the year ended December 31, 2018. See also Note 5.

NOTE 5 - RESTATEMENT OF DEFICIENCY IN NET POSITION IN LIQUIDATION

During the year ended December 31, 2018, the Corporation adjusted balances recorded in prior years related to liabilities, deferred outflows of resources and deferred inflows of resources related to pensions plans and OPEB, since payment of pensions and OPEB benefits were assumed by the general fund of the Commonwealth of Puerto Rico. The effect of this prior period adjustment on the net position in liquidation of the Corporation as of January 1, 2018 is as follows:

Deficiency in Net Position in Liquidation, Beginning of Year, as Previously Presented	\$(132,864,204)
Restatement Adjustment:	
Elimination of Pension and OPEB Liabilities and the related Deferred Outflows and Infows of Resources	<u>44,041,072</u>
Deficiency in Net Position in Liquidation, As Restated	<u>\$ (88,823,132)</u>

NOTE 6 - DATE OF MANAGEMENT'S REVIEW

The Corporation's Acting Governing Body evaluated subsequent events until October 14, 2021, date in which the financial statements are available to be issued.



TORRES, HERNANDEZ & PUNTER, CPA, PSC
Certified Public Accountants

To the clients and users of the financial statements
Reported upon by Torres, Hernández & Punter, CPA, PSC
Certified Public Accountants

The partners and staff of Torres, Hernández & Punter, CPA, PSC are pleased to announce the successful completion of the 2019 independent peer review of our accounting and auditing practice. This review was undertaken as a condition of membership in the American Institute of Certified Public Accountants (AICPA), the national organization of CPA's in public practice, industry, government and education. Our participation in the Peer Review Program demonstrates our firm's commitment and desire of maintaining and improving the quality of our practice.

After through study of our policies and procedures, the team conducting the review concluded our firm complies with the quality control standards established by the AICPA and the Puerto Rico Society of CPA's (PRSCPA). Our firm is committed to periodic peer review to foster quality performance.

Bankers, bonding agents, investors, suppliers, legal advisors and others use the financial statements our firm audits, reviews, or compiles. We think those people, our clients, and our own staff, deserve independent quality assurance that our firm provides quality services. We are proud of our peer review results and would be happy to answer any questions you might have.

Sincerely,

Torres, Hernández & Punter, CPA, PSC

Torres, Hernández & Punter, CPA, PSC

Added Value Services, Provided by Leading Professionals, Obtaining a Reasonable Return on Investment

PO Box 4846, Carolina, PR 00984-4846
Tel. (787) 752-4545 Fax (787) 752-4644
www.thpcpa.com





De Angel & Compañía
COMPAÑÍA DE RESPONSABILIDAD LIMITADA
CONTADORES PÚBLICOS AUTORIZADOS

PO Box 5460
Caguas, Puerto Rico 00726-5460

Glasgow 1890 College Park
Río Piedras, Puerto Rico
www.deanqel.com

To the Stockholders of
Torres, Hernandez, & Punter, CPA, PSC
and the Peer Review Committee of the
Puerto Rico Society of Certified Public Accountants

REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

We have reviewed the system of quality control for the accounting and auditing practice of **Torres, Hernandez, & Punter, CPA, PSC** (the firm) in effect for the year ended December 31, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants.

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audit under Single Audit Act, and audits of *Employee Benefit Plans*.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of **Torres, Hernandez, & Punter, CPA, PSC** in effect for the year ended December 31, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. **Torres, Hernandez, & Punter, CPA, PSC** has received a peer review rating of *pass*.

A handwritten signature in black ink that reads "J. Angel, CPA". The signature is written in a cursive style.

License No. LLC-317
Expires on December 1, 2020

San Juan, Puerto Rico
October 1, 2019
2019-10-52

Stamp Number
E-376178
was affixed to
original