



CENTRO DE RECAUDACIÓN  
DE INGRESOS MUNICIPALES

# INFORME ANUAL

CON UNA  
NUEVA VISION



2017  
2018

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# TRASFONDO



El Centro de Recaudación de Ingresos Municipales (CRIM) es una entidad municipal creada mediante la Ley Núm. 80 del 30 de agosto de 1991, según enmendada, como parte del conjunto de leyes que componen la Reforma Municipal. Las responsabilidades primarias del CRIM son tasar, notificar, recaudar y distribuir los fondos públicos provenientes principalmente de la contribución sobre la propiedad mueble e inmueble.

El CRIM administra la Ley Núm. 83 del 30 de agosto de 1991, según enmendada, conocida como “Ley de Contribución Municipal sobre la Propiedad de 1991”. Bajo esta ley, se transfirieron al CRIM todos los poderes, facultades y funciones relacionados con las contribuciones sobre la propiedad mueble e inmueble en Puerto Rico, que hasta el 1991 había tenido y ejercido el Departamento de Hacienda.

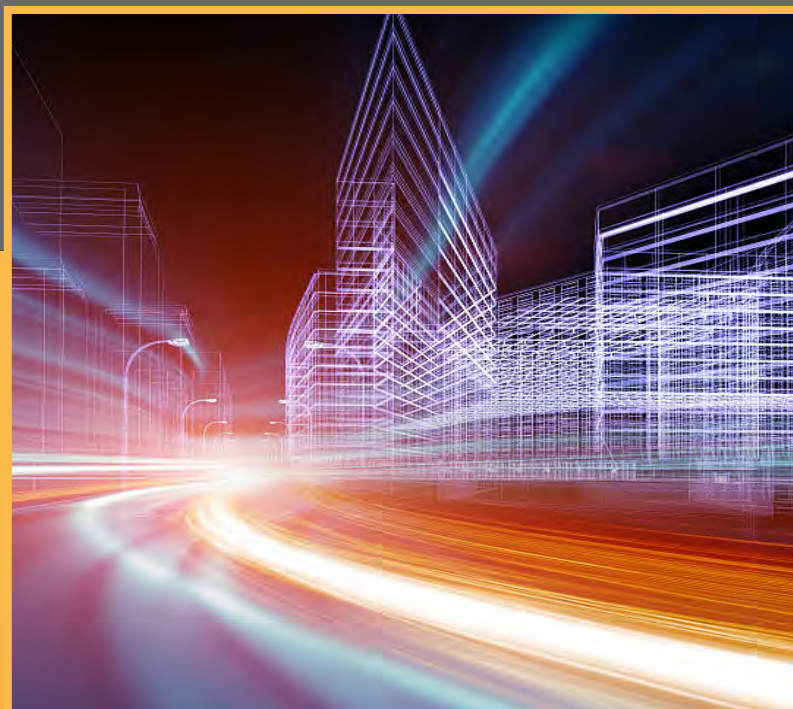
El CRIM nace como parte de la Reforma Municipal. Esta reforma amplía los poderes y facultades de los municipios y le concede por primera vez autonomía fiscal. La Reforma Municipal rompe con la visión centralista que hasta entonces había caracterizado la administración pública del país.

La Junta de Gobierno y la Administración del CRIM están comprometidos con el cumplimiento de las leyes contributivas de forma equitativa, la implementación de sistemas de vanguardia para agilizar el servicio a los contribuyentes y los servicios operacionales de la entidad y el aumentar los recaudos contributivos para el beneficio de los municipios.



# VISIÓN

Hacer del Centro de Recaudación de Ingresos Municipales una entidad eficiente y efectiva que sirva a los Municipios y a los contribuyentes de forma justa equitativa, a la vez que provea a los empleados un ambiente laboral del cual todos estén orgullosos, satisfechos y que permita su desarrollo profesional.



# MISIÓN

Contribuir al desarrollo de los fundamentos y principios de la Autonomía Fiscal de los Municipios, establecidos por Ley.



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# MENSAJE DEL DIRECTOR EJECUTIVO

SR. REINALDO  
PANIAGUA LÁTIMER



A principios del año 2018 asumo la dirección del Centro de Recaudación de Ingresos Municipales (CRIM) en medio de un torbellino de incidencias y acontecimientos, debido al paso de uno de los huracanes más devastadores que ha pasado por nuestra tierra, el huracán María.

Inicio junto a mi equipo de trabajo un proceso de identificar cuidadosamente las necesidades de la agencia, de los contribuyentes y sobre todo de nuestros municipios, todos golpeados fuertemente por la crisis provocada por este fenómeno atmosférico.

Mi compromiso y tarea de trabajo es reforzar áreas de oportunidad e iniciar la creación de estructuras que provoquen y faciliten al contribuyente a ejercer su responsabilidad ciudadana, su aportación de contribución, esta vez tan necesaria para Puerto Rico. Es a través de los municipios que nuestra isla se fortalecerá nuevamente y nos permitirá

reinventarnos, obrando con positivismo, unidos todos con firmes propósitos y metas claras.

Pensando en el contribuyente se realizó de forma exitosa el cambio de la aplicación Emueble, para llenar la planilla digitalmente, facilitando el pago de las contribuciones al CRIM sin tener que hacer largas e incómodas filas. De ahora en adelante se inicia en el CRIM los avances en tecnología tan necesarios y esperados por la ciudadanía.

Continuemos con el crecimiento en todos los aspectos posibles para mantener fluyendo la recuperación y el progreso en los municipios de nuestro querido Puerto Rico. Ha sido un año difícil, de grandes retos, pero de cambios y logros venideros. Confíemos en nosotros mismos, en nuestras capacidades, virtudes y tengamos la visión de un futuro mejor.

Estoy al servicio de mi pueblo, mi hogar, Puerto Rico.

# MENSAJE DEL PRESIDENTE DE LA JUNTA DE GOBIERNO

HON. JAVIER  
CARRASQUILLO CRUZ

Durante sus años de existencia, el Centro de Recaudación de Ingresos Municipales (CRIM), ha representado un importante instrumento para el desarrollo económico y social de los 78 municipios de la isla. Siendo la contribución sobre la propiedad una de las principales fuentes de recursos para los ayuntamientos, la labor que realiza todo el personal del Centro incide en la calidad de vida de cada puertorriqueño. Es por esta razón que todos los miembros de la Junta de Gobierno del CRIM nos hemos esforzado por promover un ambiente de compromiso, enmarcados en un alto sentido de responsabilidad y con la conciencia de que cada decisión es crucial para el futuro del país.

Las iniciativas de reestructuración, modificación de procesos y transformación tecnológica implementada, sumadas al compromiso de nuestro personal, han producido aumentos consistentes en los recaudos aún en momentos de



gran dificultad económica para Puerto Rico. En este informe reseñamos gran parte de estas iniciativas y plasmamos un perfil fiscal de las operaciones del Centro. Esperamos que el mismo sea de utilidad para todo aquel cuyo interés sea el conocer más sobre nuestro desempeño.

Desde la Junta de Gobierno, continuaremos los esfuerzos para fortalecer cada día más nuestros Municipios.

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# JUNTA DE GOBIERNO

**Hon. Javier Carrasquillo Cruz**

Alcalde de Cidra  
Presidente

**Hon. Enrique Questell Alvarado**

Alcalde de Santa Isabel  
Vicepresidente

**Hon. William Alicea Perez**

Alcalde de Aibonito  
Secretario

**Hon. Jesús E. Colón Berlinger**

Alcalde de Orocovis  
Tesorero

**Hon. Ramón Luis Rivera Cruz**

Alcalde de Bayamón

**Hon. Alfredo Alejandro Carrión**

Alcalde de Juncos

**Hon. Jorge L. Márquez Pérez**

Alcalde de Maunabo

**Hon. Carmen Yulín Cruz**

Alcaldesa de San Juan

**Hon. William Miranda Torres**

Alcalde de Caguas

**Lcdo. Christian Sobrino Vega**

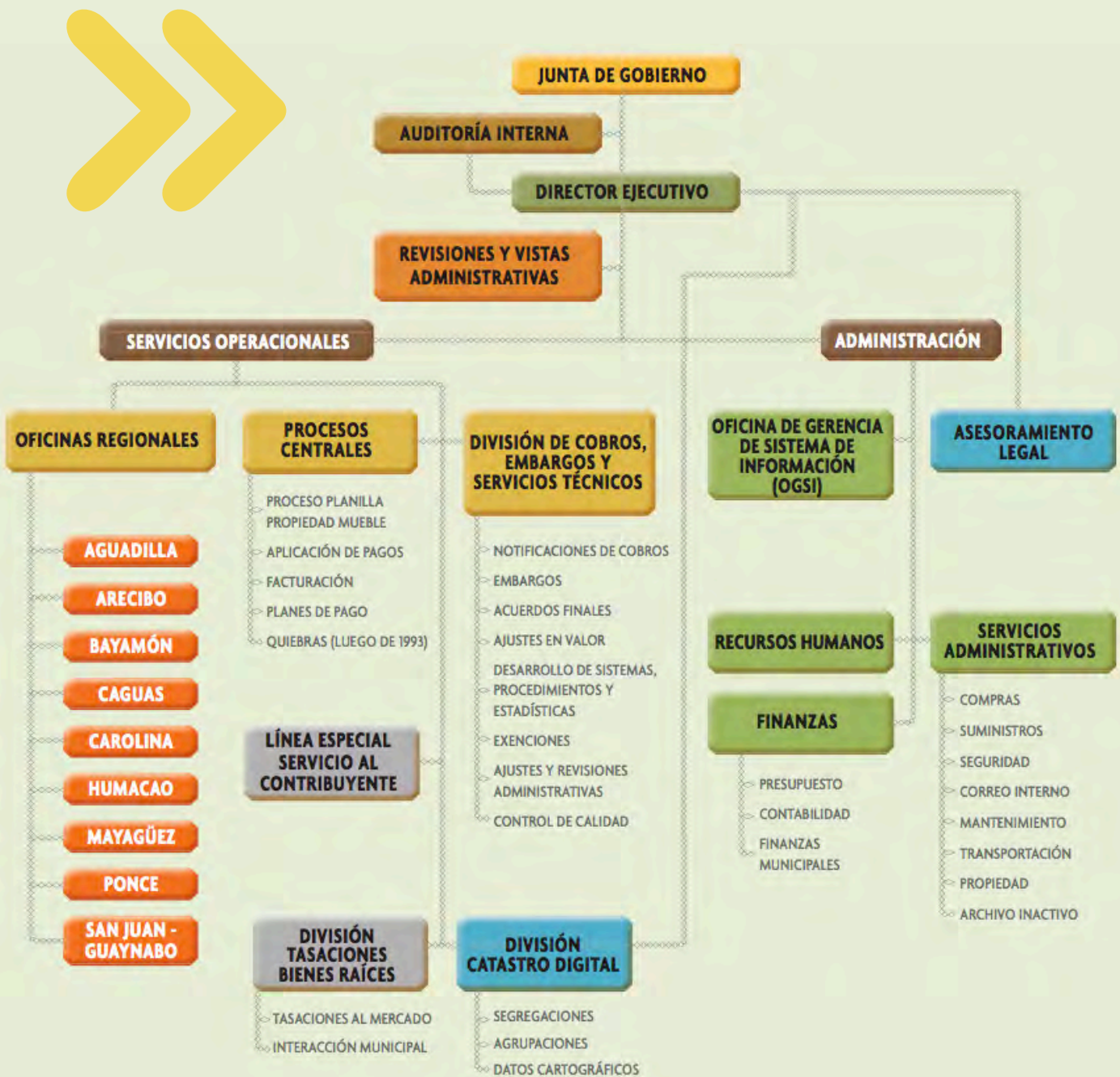
AAFAF

**Lcdo. Omar Negrón Judice**

Comisionado de Asuntos Municipales



# ORGANIGRAMA



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# DIRECTORES ADMINISTRATIVOS

**Lcdo. Esdras Vélez  
Rodríguez**

Subdirector Ejecutivo de  
Operaciones

**CPA Diana M. Claudio  
Saurí**

Directora de Finanzas

**CPA Carlos García  
Rosado**

Director de Auditoría

**Marisol Medina**

Directora del Catastro Digital

**Frank Guardiola  
Meléndez**

Director de Oficina Gerencia de  
Sistemas de Información

**Alberto Maldonado  
Alicia**

Director de Servicios  
Administrativos

**Lcda. Laura G.  
Rechani Ydrach**

Directora de Asesoramiento Legal

**Omar Rivera  
Meléndez**

Director de Recursos Humanos

# GRUPO EJECUTIVO

**Yanis Morales Gracia**

Subdirectora Ejecutiva de  
Administración

**Luis Torres Torres**

Ayudante Ejecutivo

**Denise Segarra  
Hernansaiz**

Ayudante Ejecutivo

**Mayra Viera Oliveras**

Ayudante Administrativa

**William Arroyo Rivera**

Ayudante Administrativo

**Carmen Santos Otero**

Secretaria Confidencial del  
Director

**Eliza Fontáñez  
Fontáñez**






Ayudante Administrativa

**Jailyn Rivera Meléndez**

Secretaria de la Junta de Gobierno

# OFICINAS REGIONALES



 Aguadilla	 San Juan	 Caguas
 Arcibo	 Carolina	 Ponce
 Bayamón	 Humacao	 Mayagüez

## Centro de Recaudación de Ingresos Municipales

En términos de estructura operacional, el CRIM cuenta con una (1) Oficina Central y nueve (9) Oficinas Regionales, ubicadas a través de toda la Isla. Estos centros son Aguadilla, Arcibo, Bayamón, Caguas, Carolina, Humacao, Mayagüez, Ponce y San Juan-Guaynabo.

Estas oficinas atienden a los contribuyentes, además de llevar a cabo funciones técnicas, tales como: tasaciones de propiedades inmuebles, valoración de propiedades muebles e investigaciones, entre otras.

Para ofrecer los servicios, las Oficinas Regionales están estructuradas en las siguientes áreas: Servicio y Cobro al Contribuyente, Propiedad Mueble y Propiedad Inmueble.

# ADMINISTRADORES REGIONALES

**Karina Ronda Carril**

Administradora Región Aguada

**Reynaldo Hernández  
Santa**

Administrador Región Arecibo

**Limary Otero Rivera**

Administradora Región Bayamón

**Virginia Santiago  
Calderón**

Administradora Región Caguas

**Norma Maldonado  
Candelaria**

Administradora Región Carolina

**Stephanie López  
Aponte**

Administradora Región Humacao

**Michelle Oliver Vélez**

Administradora Región Mayagüez

**María Santiago  
Collazo**

Administradora Interina Región  
Ponce

**Astrid Pérez Guzmán**

Administradora Región  
San Juan/Guaynabo



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# SERVICIOS OPERACIONALES

La Oficina de Servicios Operacionales está constituida bajo la dirección de un Subdirector Ejecutivo, tres Directores Auxiliares, una Asesor Especial en Contribuciones sobre la Propiedad Inmueble, un Supervisor de Bienes Raíces y nueve Administradores Regionales: Aguada, Arecibo, Bayamón, Caguas, Carolina, Humacao, Mayagüez, Ponce y San Juan.

En cada oficina regional se llevan a cabo funciones técnicas implícitas en la Ley Núm. 83-1991, conocida como Ley de Contribución Municipal sobre la Propiedad.


El programa que lleva a cabo el área de Servicios Operacionales está definido como parte de la responsabilidad primaria del CRIM, de tasar y recaudar. Para cumplir con dicha responsabilidad, en Servicios Operacionales se desarrollan

e implementan proyectos que persiguen la utilización óptima de los recursos existentes en aras de lograr aumentos en los recaudos por concepto de contribución sobre la propiedad mueble e inmueble para cada uno de los municipios de Puerto Rico.

Este año fiscal 2017-2018, fue un año atípico debido al paso de los huracanes Irma y María. Los meses de septiembre y octubre fueron críticos para Puerto Rico, por lo que de forma inevitable los servicios en el CRIM se afectaron en todas sus áreas.

Se reinicia funciones en el mes de noviembre, bajo grandes limitaciones, intentando ofrecer el mejor servicio posible y siendo solidarios con nuestro capital humano y con la ciudadanía en general.

# CATASTRO DIGITAL



El Catastro Digital es un mapa que consta de varios niveles de información y representa el inventario cartográfico de todas las propiedades en Puerto Rico.

Es de gran importancia para la planificación y el desarrollo social y económico de Puerto Rico. Es una herramienta de gran utilidad para el desarrollo de obra pública, la protección del medio ambiente y para la gestión municipal.

En el CRIM nos enorgullece proveerle a todos los ciudadanos, a través del Portal del Catastro Digital de Puerto Rico, acceso gratuito al inventario cartográfico de las propiedades inmuebles localizadas dentro de los límites territoriales de Puerto Rico. Con esta iniciativa estamos a la par con otras jurisdicciones en los Estados Unidos y de países latinoamericanos y europeos que comparten con el mundo la

valiosa información que recopilan en sus respectivos catastros.

La información catastral que se comparte a través del Portal incluye las colindancias y valoración, para efectos del CRIM, de cada propiedad. Además, en el Portal se presenta información sobre clasificación y calificación del territorio, límites administrativos, bosques y reservas, sitios históricos y zonas inundables. Estas capas de información se pueden visualizar sobre distintos mapas base, incluyendo fotos de diversos años a partir del 1998.

El Portal del Catastro Digital se puede acceder desde su computadora o dispositivo móvil a través del sitio web del CRIM, [www.crimpr.net](http://www.crimpr.net)

A continuación, se provee un resumen de logros y metas trabajadas y alcanzadas en el año fiscal 2017- 2018:

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## PROYECTO DE FOTOGRAMETRÍA Y PLANIMETRÍA DEL CATASTRO DE PUERTO RICO

Este proyecto consiste en la toma de imágenes aéreas de zonas urbanas y rurales con sus elementos de planimetría.

El producto final será un conjunto de orto imágenes e información planimétrica correspondientes al año 2017, incluyendo:

- Huella de los edificios
- Cementerios
- Piscinas
- Tanques de almacenamiento de agua
- Torres de comunicaciones
- Letreros digitales

Durante este año fiscal se culminaron las siguientes fases:

- 1 Análisis de detección de cambio. Con esto, podemos identificar las estructuras nuevas, eliminadas y las que han sufrido cambio cuando se comparan la planimetría del año 2017 con el año 1998.
- 2 Evaluación del modelo de elevación digital (DEM) para la creación de las ortofotos.
- 3 Triangulación aérea, con los informe y documentos relacionados entregados.
- 4 Orto imágenes en resolución de 10 cm de las costas norte, noroeste, San Juan, Ponce, Central, Suroeste, Sureste, Vieques y Culebra.
- 5 Planimetría de las islas Mona, Monito y Desecheo; y de las costas norte, noroeste, San Juan, Ponce, Central, Suroeste, Vieques y Culebra.

## PORTAL SUPLEMENTARIO DEL CATASTRO DIGITAL

Se identificó la necesidad de mejorar la infraestructura tecnológica para así poder brindar un servicio de excelencia. Se inicia el desarrollo de un plan para hacer estas mejoras en los próximos meses o a finales del año 2018.

Con el colapso en las comunicaciones locales y el deterioro de la infraestructura causada por los huracanes Irma y María los servicios que ofrece el CRIM a través de su portal digital se vieron afectados. Para garantizar un acceso continuo a

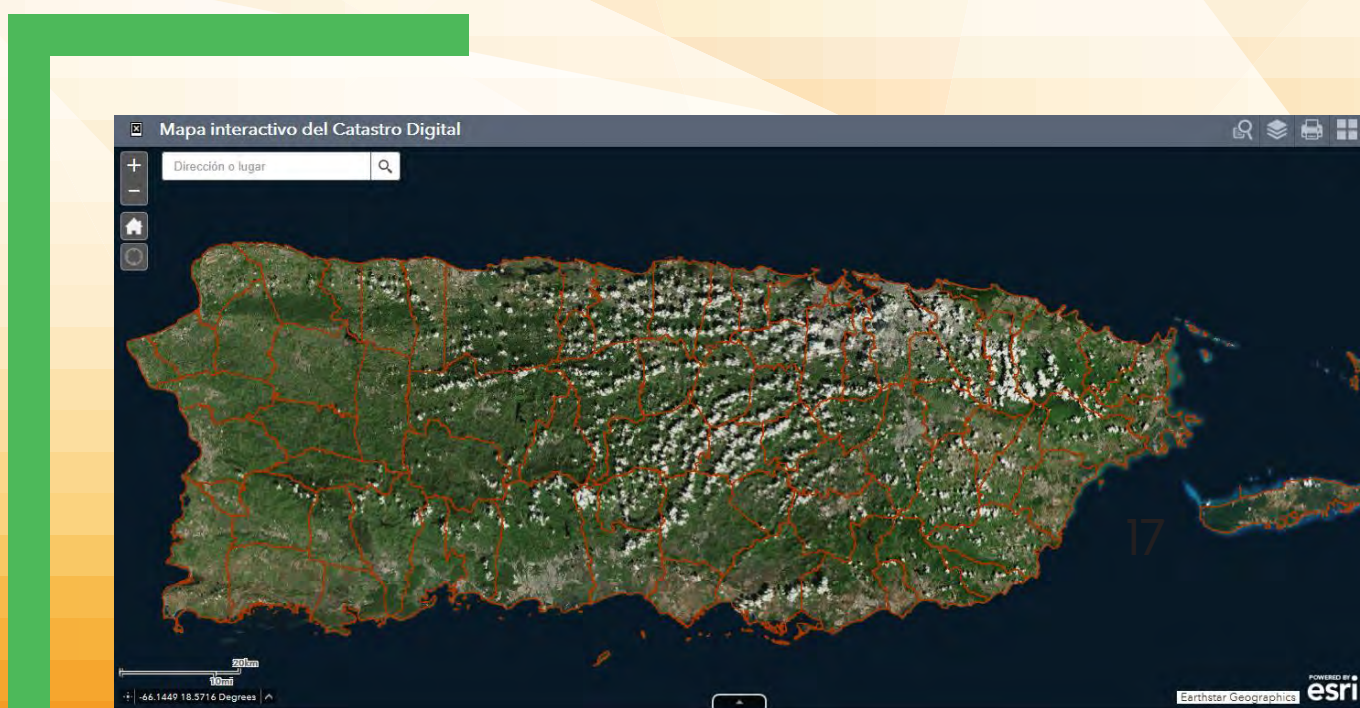
la información catastral se desarrolló una aplicación temporera y alterna, disponible para los usuarios autorizados como una alternativa y un refuerzo a la aplicación oficial de mapas interactivos.

Esta aplicación no consume recursos internos de la entidad. La distribución de usuarios provee una leve mejora en la respuesta de las aplicaciones y en la experiencia del usuario. Algunas de las funcionalidades incluidas en el portal suplementario son las siguientes:

1. **Campo de búsqueda por dirección o lugar**

2. **Acceso a la información catastral**

3. **Apoyo a sistema de referencia espacial**



## APOYO AL CENTRO DE OPERACIONES DE LA EMERGENCIA POSTERIOR AL HURACÁN MARÍA

Con el evento catastrófico de mayor impacto en la historia de Puerto Rico se tuvo que unir voluntades y esfuerzos con el propósito de hacer lo necesario para ayudar a nuestro pueblo. La división del Catastro Digital del CRIM proveyó datos vitales a las agencias encargadas de manejar la emergencia, entre las que se encontraban FEMA, Departamento de la Policía Federal y Estatal, Departamento de Bomberos y expertos en la tecnología del Sistema de Información Geográfica (SIG en español o GIS en inglés); en un esfuerzo conjunto dirigido a salvar la vida de miles de personas.

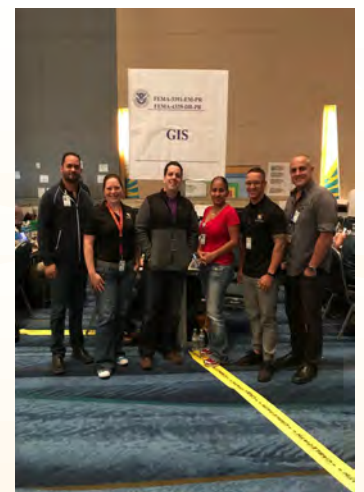
El CRIM proveyó personal especializado



en sistemas de información geográfica en el Centro de Operaciones de la Emergencia (COE), ubicado en el Centro de Convenciones, para ayudar en los análisis geográficos y espaciales, dirigidos al rescate de nuestra gente y a la recuperación de la

## APOYO AL OTORGAMIENTO DE PRESTAMOS FEDERALES PARA MEJORAS (SBA)

Como parte de dar apoyo a los servicios brindados por el gobierno federal, el personal de la Oficina de Catastro Digital facilitó el proceso de aplicaciones para préstamos federales. Se ofreció información de los propietarios y las parcelas directamente a la “Small Business Administration” (SBA) para agilizar los préstamos de bajo interés por desastres que dicha entidad ofrece a las pequeñas empresas y propietarios para recuperarse de los desastres ocasionados por los huracanes Irma y María.





## SERVICIO AL CLIENTE PERSONALIZADO

La división del Catastro Digital por medio de citas coordinadas recibe en sus facilidades a los contribuyentes que interesan resolver algún asunto

relacionado con la cartografía de sus propiedades. Nuestro personal aclara dudas y codifica las propiedades de los interesados.

## REINGENIERÍA DEL FLUJO DE TRABAJO

Para asegurar un mantenimiento de la información y la entrada correcta de datos al catastro, en este año fiscal se implementó un nuevo flujo de trabajo para nuestros procesadores de información catastral, a través de “Laserfiche”. Este programa para la digitalización y manejo de los documentos e información

en el CRIM, establece un control de calidad para asegurar que el registro de información al mapa de catastro, de los límites de la parcela, los atributos de los lotes y el número catastral, estén correctos, ofreciendo datos confiables y completos.

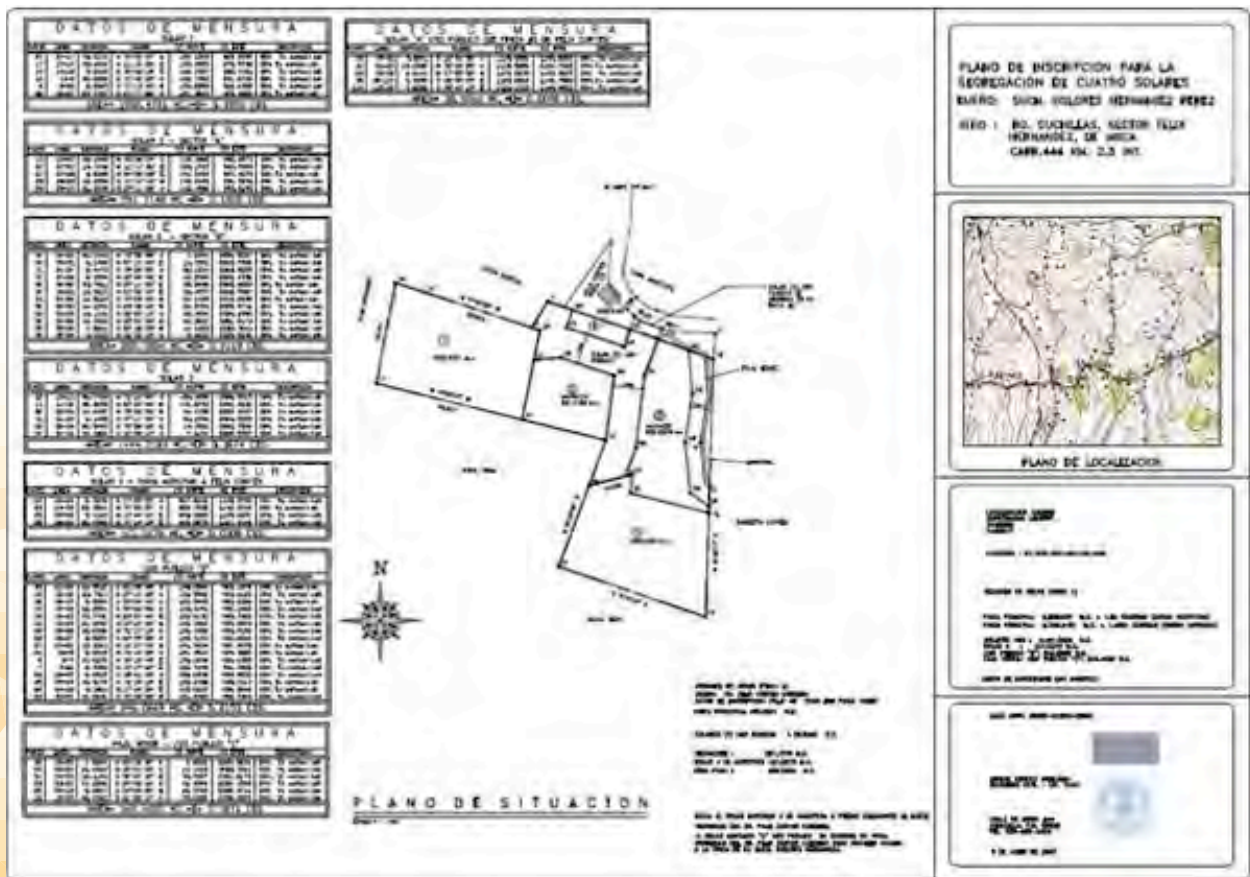


# SEGREGACIONES

Durante este año fiscal se realizó la segregación de 5,634 lotes que surgieron de 2,548 planos recibidos. Gran parte de estos casos lo constituyen las segregaciones de fincas con historial contributivo en zonas rurales, suburbanas, urbanas y algunas comerciales e industriales, los

cuales vamos incorporando en nuestro sistema contributivo como parte del proyecto de actualización de nuestro sistema de mapas y asignación de número catastral de cada propiedad inmueble existente en los 78 municipios de Puerto Rico.

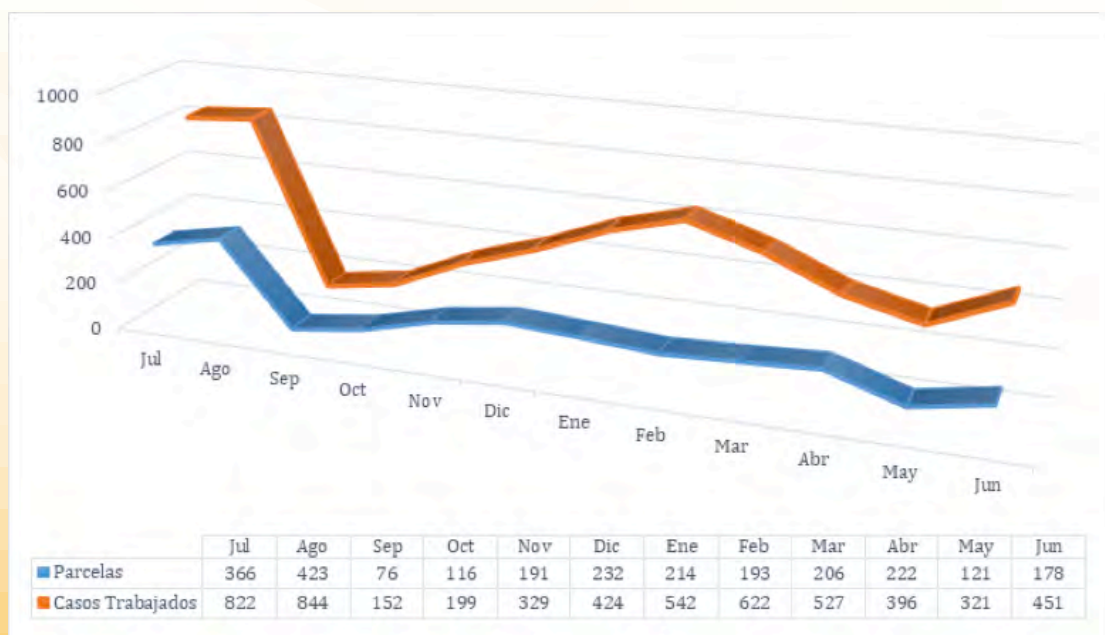
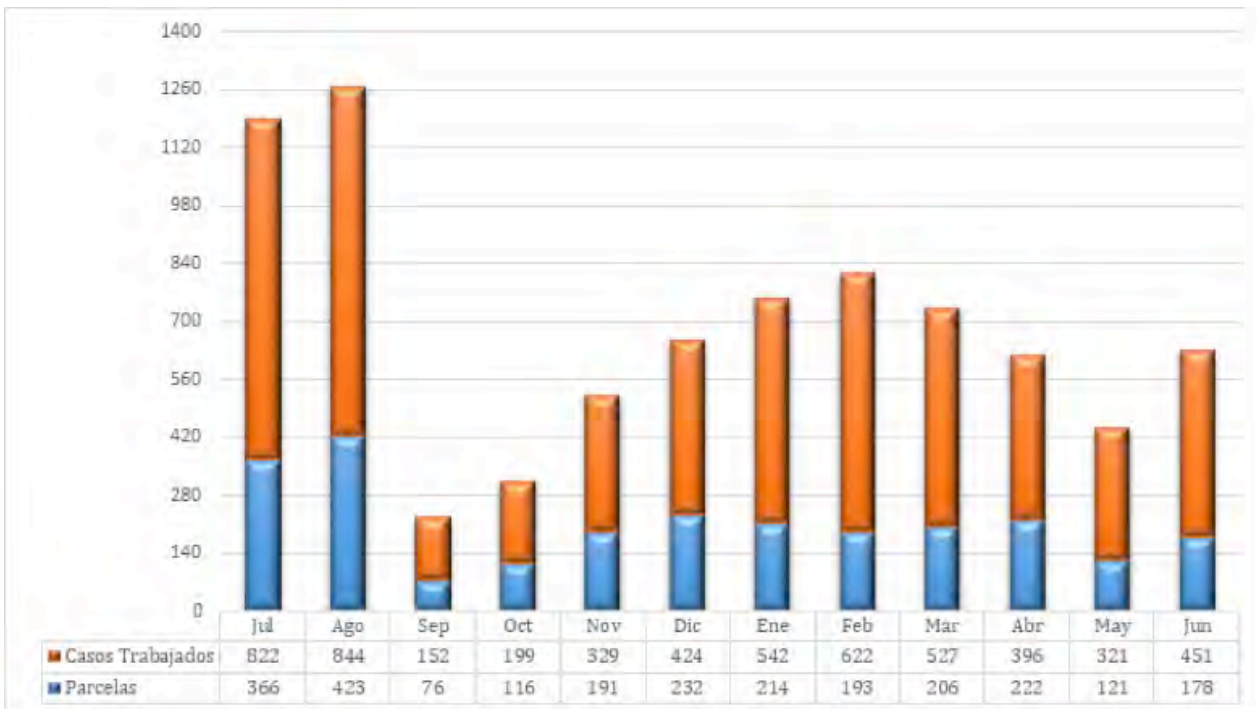
Este es uno de los documentos requeridos por el CRIM para poder realizar una segregación; el plano de lotificación. Este sirve de referencia para marcar los límites de las colindancias de los lotes al trabajar una segregación.



EN LAS SIGUIENTES GRÁFICAS SE PUEDEN OBSERVAR LOS PLANOS RECIBIDOS Y LOTES SEGREGADOS DURANTE EL AÑO FISCAL 2017-2018.

Se puede apreciar en el mes de septiembre el impacto de los huracanes Irma y María, para luego, de noviembre en

adelante, reflejar la recuperación de las operaciones de los trabajos del CRIM.



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# UNIDAD DE BIENES RAÍCES

La Unidad de Trabajo de Tasaciones de Bienes Raíces al Mercado está compuesta por tasadores con licencia de Evaluadores Profesionales, expedida por la Junta Examinadora de Bienes Raíces de Puerto Rico.

Con el fin de establecer el valor en el mercado, de las propiedades que los municipios u otras agencias del Estado Libre Asociado de Puerto Rico interesan adquirir o disponer, mediante compra, expropiación, venta u otro medio; los tasadores profesionales licenciados de

esta unidad preparan tasaciones, revisan informes de valoración de tasadores privados contratados por el municipio o agencia, y realizan estudios de solares municipales en usufructo. No se cobra por este servicio a los municipios y agencias, ni se generan ingresos adicionales al CRIM por este servicio.

Durante este año fiscal 2017- 2018, a pesar de haber sido uno atípico debido al paso de los huracanes Irma y María, se realizó la siguiente labor:





# PROPIEDAD INMUEBLE



Las contribuciones sobre la propiedad inmueble se determinan de acuerdo a los valores tributables establecidos por el CRIM al 1ro de enero de cada año, para todas las propiedades ubicadas en Puerto Rico, la cual se paga por adelantado en la fecha de vencimiento del 1ro de julio y 1ro de enero, con un período de gracia de noventa (90) días después de la fecha de vencimiento.

Al cierre del año fiscal 2017-2018, la cantidad acumulada de propiedades inmueble tasadas para fines contributivos es de 1,308,599; con un valor total tasado que asciende a \$19,141,382,000.

Este importe se reduce por exenciones, parciales o totales, concedidas por la cantidad de \$4,086,374,274 y exoneraciones, parciales o totales, a contribuciones impuestas que representan un valor total de \$7,065,435,914. El valor neto de los bienes tasados sujeto a contribución asciende a \$7,989,571,812, al cual se le impuso contribuciones montantes a \$819,568,781.

En este año fiscal, la base tributaria aumentó por 24,485 propiedades tasadas (se incluye propiedades con mejoras y nuevas).

CONCEPTO	2014	2015	2016	2017	2018
Valoración Tasada	18,503,115,573	18,609,834,641	18,749,853,448	18,951,378,119	19,141,382,000
Valor Exento (Parcial o Total)	3,938,585,147	3,976,449,568	4,095,069,316	4,138,352,455	4,086,374,274
Valoración Tributable Bruta	14,564,530,426	14,633,385,073	14,654,784,132	14,813,025,664	15,055,007,726
Valor Exonerado (Parcial o Total)	6,911,098,340	6,930,993,505	76,988,645,445	7,025,970,635	7,065,435,914
Valoración Neta	7,653,432,086	7,702,391,568	7,666,138,687	7,787,055,030	7,989,571,812
Contribuciones Impuestas	762,122,429	775,629,184	770,090,155	781,171,253	819,568,781

\*Importe es en valor monetario (\$).



## PROPIEDADES INMUEBLE REGISTRADAS



## Relación Comparativa de la Base Tributaria Inmueble Propiedades Exenta, Exoneradas y Tributando



# PROPIEDAD MUEBLE



La contribución sobre la Propiedad Mueble se determina de acuerdo a los valores contributivos autoimpuestos por el contribuyente al 1ro de enero de cada año, según notificado en la planilla de contribución sobre la Propiedad Mueble. Esta planilla se radica todos los años al 15 de mayo.

La propiedad mueble se define como propiedad tangible e intangible utilizada en la industria o negocio que no indiquen permanencia y se puede mover fácilmente de un lugar a otro. Es decir, maquinarias, vasijas, instrumentos o implementos no adheridos a un edificio o al suelo que

indique permanencia.

En mayo de 2018 recibimos 74,381 planillas de Contribución sobre la Propiedad Mueble de las cuales 67,256 fueron recibidas a través del portal cibernético [www.crimpr.net](http://www.crimpr.net). Esto representa que el noventa 90% de las planillas se recibieron por medios electrónicos. Con la planilla 2017 se recaudó \$407 millones de contribución sobre Propiedad Mueble.

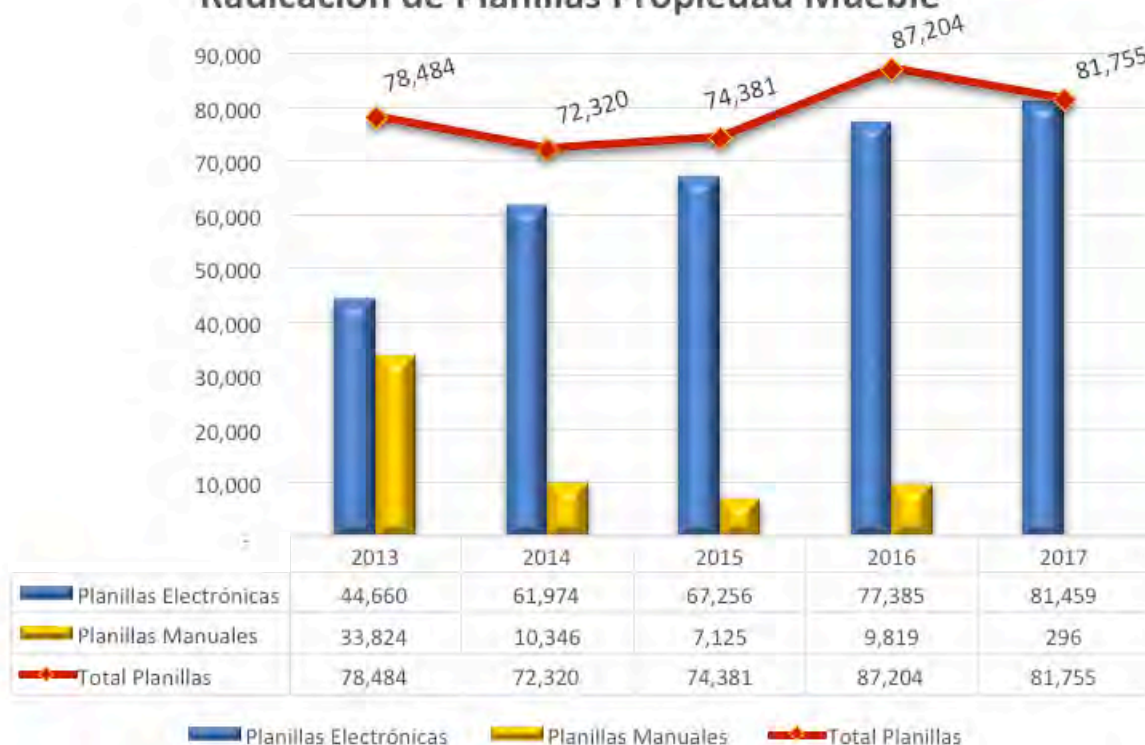
En la siguiente tabla se indica las planillas recibidas por año, valor y contribución.

PLANILLA	VALORACIÓN TOTAL		VALOR EXENTO		VALOR EXONERADO		VALOR TRIBUTABLE		CONTRIBUCIÓN
	PROPIEDADES	VALORACIÓN	PROPIEDADES	VALORACIÓN	PROPIEDADES	VALORACIÓN	PROPIEDADES	VALORACIÓN	
2017	68,465	12,532,527,752	3,866	7,776,067,140	19,654	93,968,856	46,971	4,662,491,756	375,922,531
2016	70,725	13,395,113,699	4,025	8,126,948,359	18,754	92,135,022	50,178	5,176,030,318	413,416,670
2015	70,948	13,292,037,703	4,204	7,871,517,250	18,533	92,955,988	50,372	5,327,564,465	425,206,184
2014	67,167	12,803,561,998	3,946	7,435,748,075	17,614	88,160,462	47,671	5,279,653,461	421,913,276
2013	72,188	12,795,926,848	3,963	7,308,382,423	20,605	103,196,564	49,712	5,384,347,861	428,463,895

## TOTAL DE PLANILLAS RADICADAS PARA LOS AÑOS 2013 AL 2017

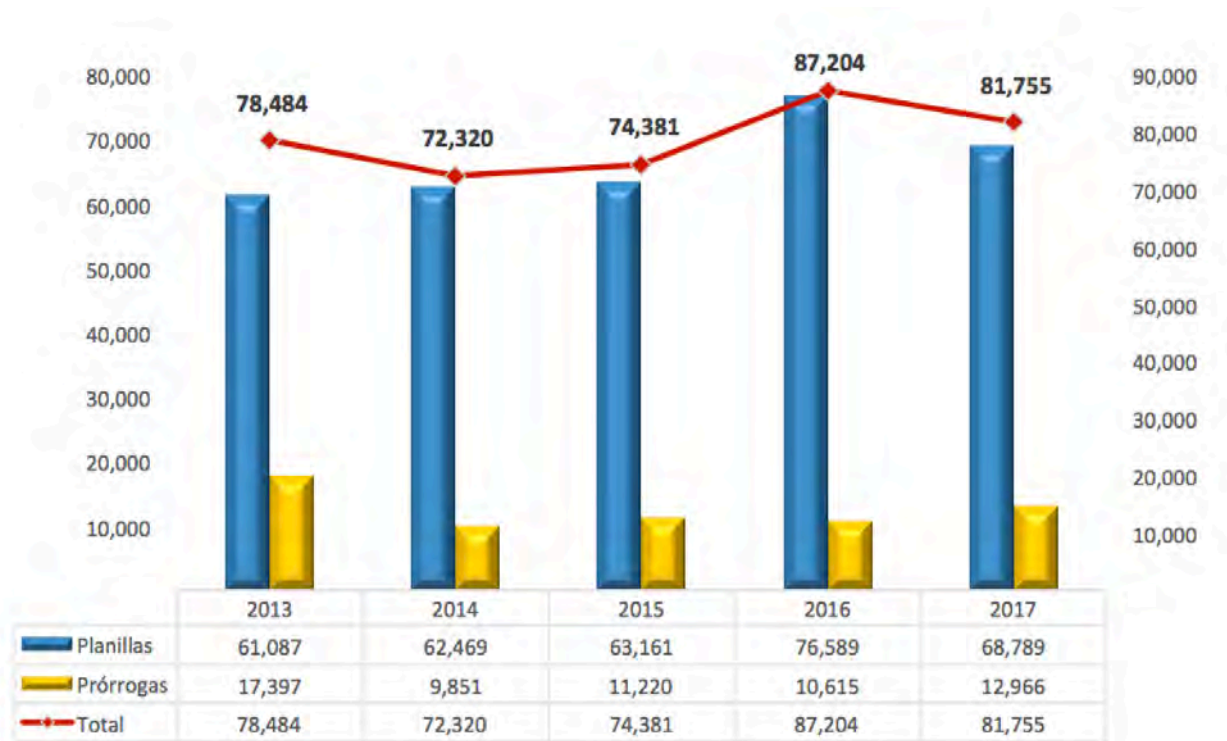
	RADICADAS POR INTERNET			RADICADAS MANUAL			TOTAL		
	Planillas	Prórrogas	Total Internet	Planillas	Prórrogas	Total Manual	Planillas	Prórrogas	Total
AÑO 2013	37,569	7,091	44,660	23,518	10,306	33,824	61,087	17,397	78,484
AÑO 2014	53,714	8,260	61,974	8,755	1,591	10,346	62,469	9,851	72,320
AÑO 2015	57,104	10,152	67,256	6,057	1,068	7,125	63,161	11,220	74,381
AÑO 2016	67,535	9,850	77,385	9,054	765	9,819	76,589	10,615	87,204
AÑO 2017	68,538	12,921	81,459	251	45	296	68,789	12,966	81,755

### Radicación de Planillas Propiedad Mueble





### Total Planillas Propiedad Mueble



# AMNISTÍA

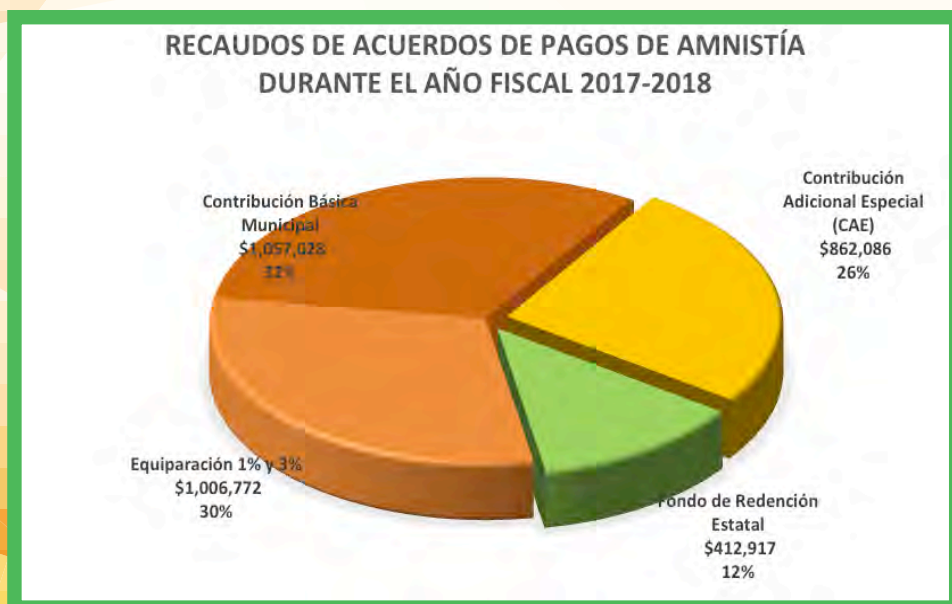
## "PONTE AL DÍA CON EL CRIM" Plan de Incentivos para el pago de Contribuciones Adeudadas

La Ley Núm. 145 aprobada el 9 de diciembre de 2013, tuvo el propósito de relevar del pago de intereses, recargos y penalidades acumuladas sobre la deuda por concepto de contribuciones sobre la propiedad mueble e inmueble conforme se establece en la Ley Núm. 80 del 30 de agosto de 1991, según enmendada, conocida como "Ley del Centro de Recaudación de Ingresos Municipales" y la Ley Núm. 83 del 30 de agosto de 1991, según enmendada, conocida como "Ley de Contribución Municipal sobre la Propiedad de 1991". La amnistía estuvo vigente durante un término de cien (100) días, comenzando el 17 de diciembre de 2013 y concluyó el 27 de marzo de 2014.

El Plan de Incentivos, además, autorizó al CRIM a suscribir acuerdos o planes de pago a plazos para el pago de deuda mediante un acuerdo escrito y un pago mínimo inicial del diez por ciento (10%) al momento de formalizar el acuerdo con el CRIM. El término del referido plan se estableció por un período de uno (1) a cuatro (4) años.

Durante el período de los cien (100) días se otorgaron un total de 15,567 acuerdos de pago, que representan contribuciones por cobrar ascendentes a \$91.1 millones. Durante los años fiscales posteriores se emitieron 792 acuerdos de pagos por concepto de aquellos contribuyentes que tenían algún proceso de intervención, auditoría fiscal o en un proceso de vista administrativa o revisión judicial, luego de desistir del proceso de investigación, administrativo o judicial, con relación a la deuda o deudas objeto del plan, financiando \$4,976,272 adicionales en plazos de 12 y 24 meses. Esto por disposición de la Ley Núm. 145-2013.

Al 30 de junio de 2018 se ha recaudado un total \$78.6 millones con el plan de incentivos para el pago de contribuciones adeudadas, (81% de la cantidad estimada por \$96,131,019). De este importe, se recaudó un total de \$3.3 millones durante el año fiscal 2017-2018. La siguiente gráfica presenta la distribución de los fondos recaudados en la Contribución Básica Municipal, Fondo de Equiparación 1% y 3%, Contribución Adicional Especial y Fondo de Redención Estatal:

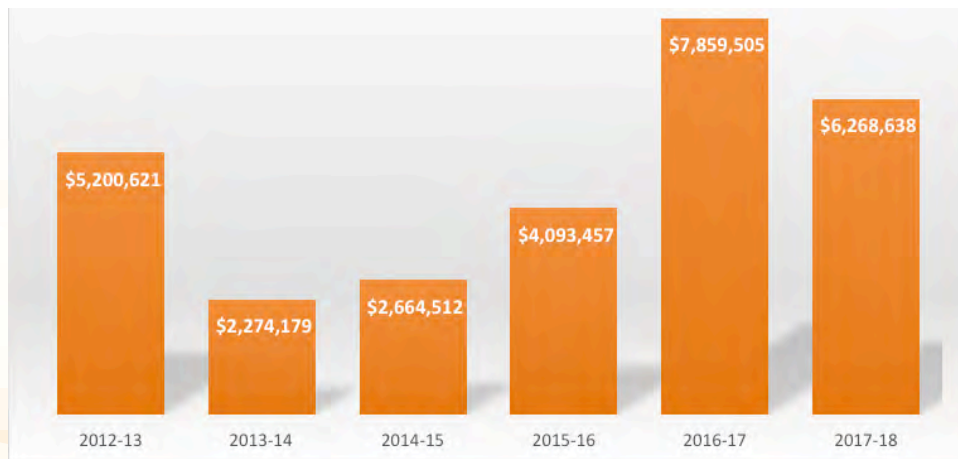




# COBROS Y EMBARGOS

La División de Cobros y Embargos tiene la encomienda de lograr el cobro de deudas morosas acumuladas por concepto de contribuciones sobre la propiedad, inmueble y mueble, en el CRIM. Como plan estratégico de cobros, se envían varias notificaciones, del contribuyente no responder, los intentos de cobro se dirigen al embargo de los depósitos bancarios de estos contribuyentes y a la anotación preventiva de embargos en el

Registro de la Propiedad, lo que puede provocar la ejecución del inmueble. En el área de Cobros y Embargos se recaudaron \$6,268,638 durante el pasado año fiscal. Se incluye grafica de los últimos cinco años fiscales donde se refleja una baja en los recaudos debido al impacto económico ocasionado por el paso de los huracanes Irma y María en el mes de septiembre de 2017.



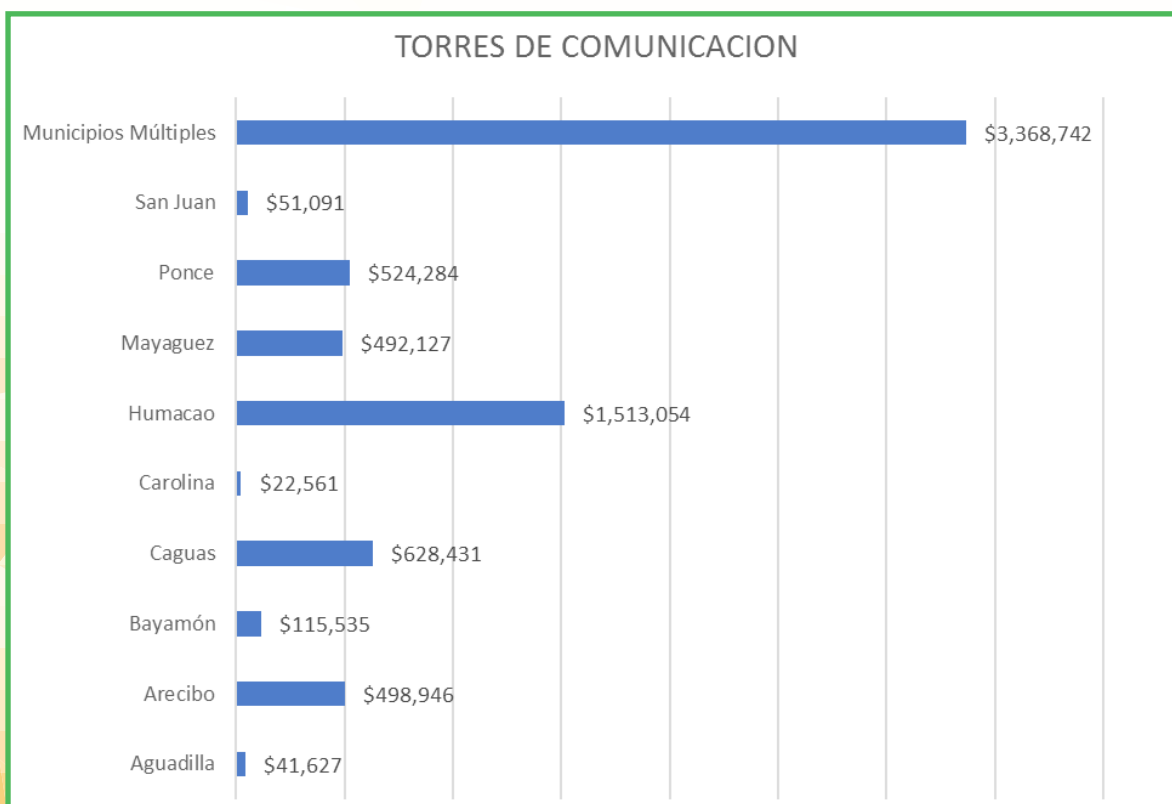
# CONTROL DE CALIDAD

El Área de Control de Calidad es responsable de evaluar, revisar y aprobar todos los ajustes realizados por las Oficinas Regionales y brindar orientación a éstos en casos particulares. También evalúan y revisan las solicitudes de transferencias de deudas, según el Art. 3.30 de la Ley Núm. 83-1991, pagos de buena fe y nuevas fechas de notificación recomendadas por los supervisores y gerentes de los Centros Regionales.

Esta área atiende los casos de gran complejidad como revisiones administrativas, casos referidos por la

Oficina de Asesoramiento Legal para el proceso técnico, tasación de torres de comunicación y revisión de varios reportes emitidos por el área la Oficina de Gerencia de Sistemas de Información.

En el proyecto de las torres de comunicación se efectuó la tasación de más 299 torres, que generó un aumento en facturación de \$7,256,398. Los recaudos obtenidos para estos fines han sido por la cantidad de \$3,693,456. Se incluye información de lo recaudado por Región:



# CENTRO DE SERVICIO DIGITAL

Con las nuevas iniciativas en tecnología se logra mayor eficiencia para agilizar y brindar un mejor servicio. El Centro de Servicio Digital surge de la necesidad de brindar al contribuyente un sistema ágil y concentrado de servicios, enfrentando en sus inicios un gran reto debido a la emergencia general tras el paso del

Huracán María. Se centralizó en este Centro varios servicios que liberan a las regiones de gestiones que pueden ser resueltas con una llamada. Hoy en día son trabajados al momento, ofreciendo una respuesta rápida, confiable y eficiente a solicitudes de los contribuyentes.

Se publica en la página [www.crimpr.net](http://www.crimpr.net), los servicios ofrecidos.

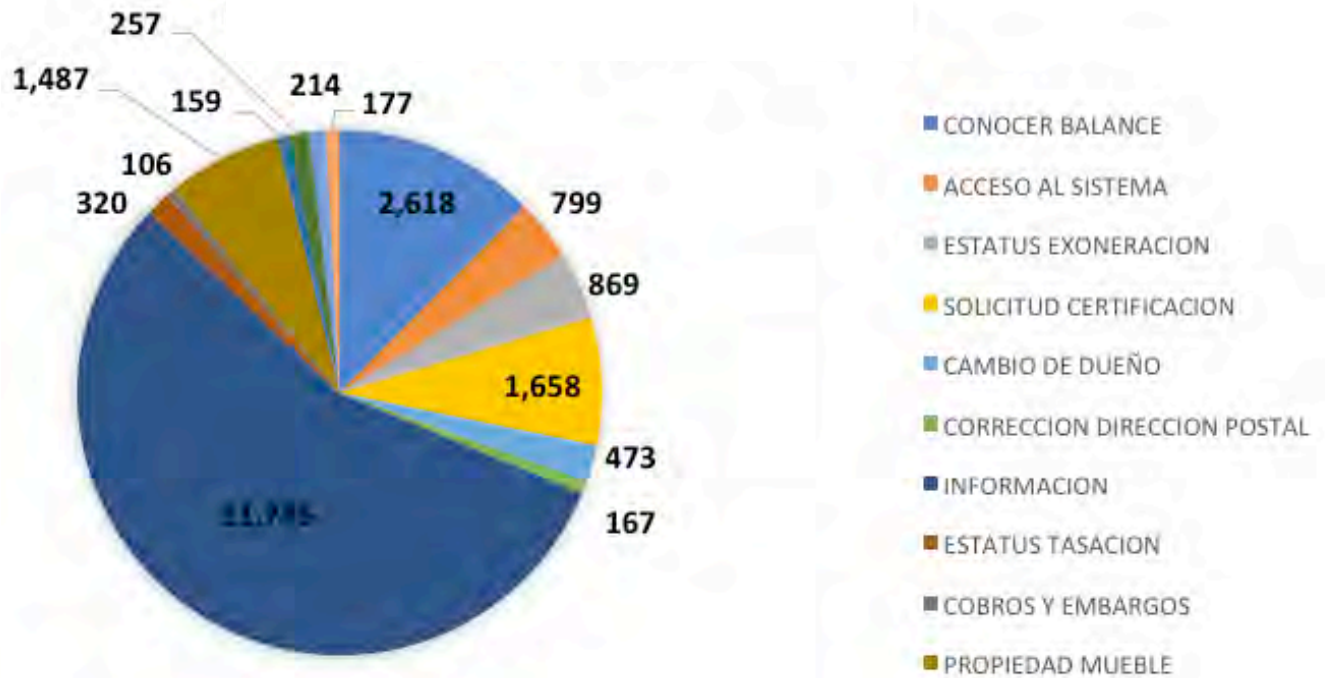
Se desarrolló un plan de trabajo, que incluye orientación general sobre: estatus de exoneraciones, hojas de servicios, notificaciones, certificaciones, solicitudes servicio por Facebook; ayuda técnica y básica en los portales de inmueble- mueble, pagos.

Se atendieron 21,049 consultas y otras solicitudes de servicio; además, se atendieron 2,770 consultas a través del correo electrónico.

Se inicia en el CRIM una nueva etapa de cambios positivos, y el Centro de Servicio Digital es parte de esa nueva era.

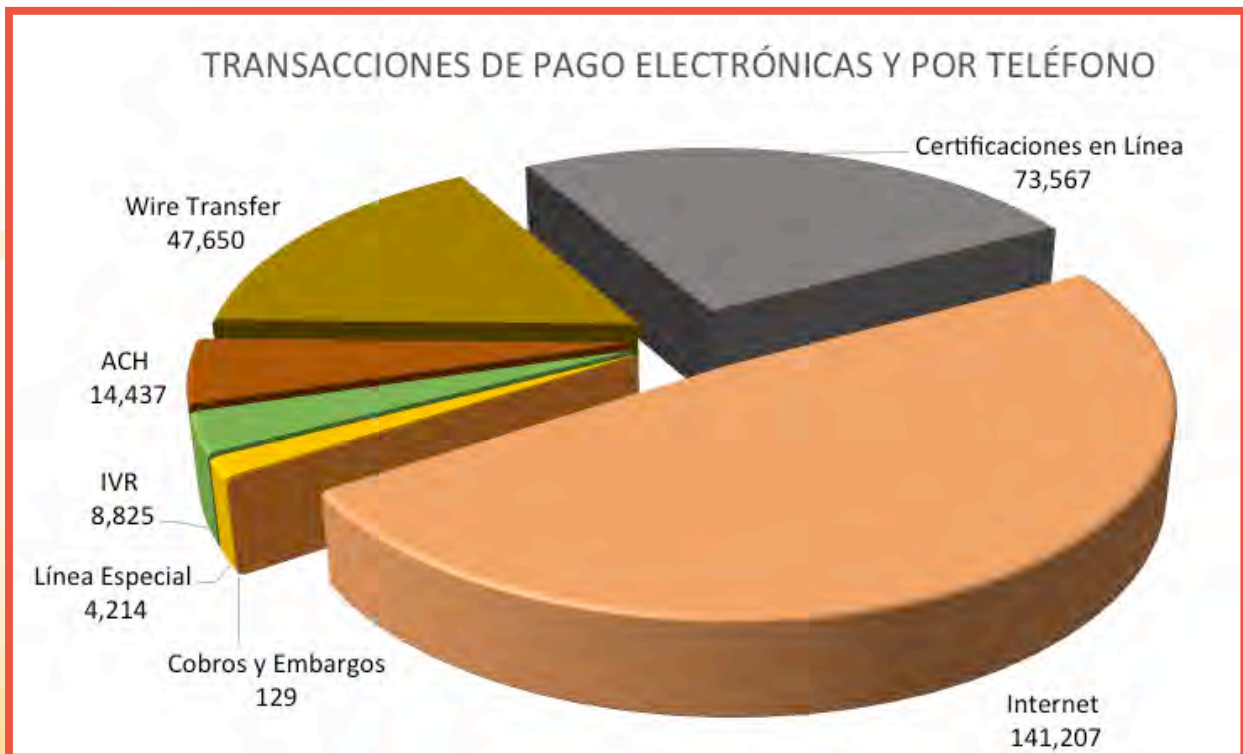
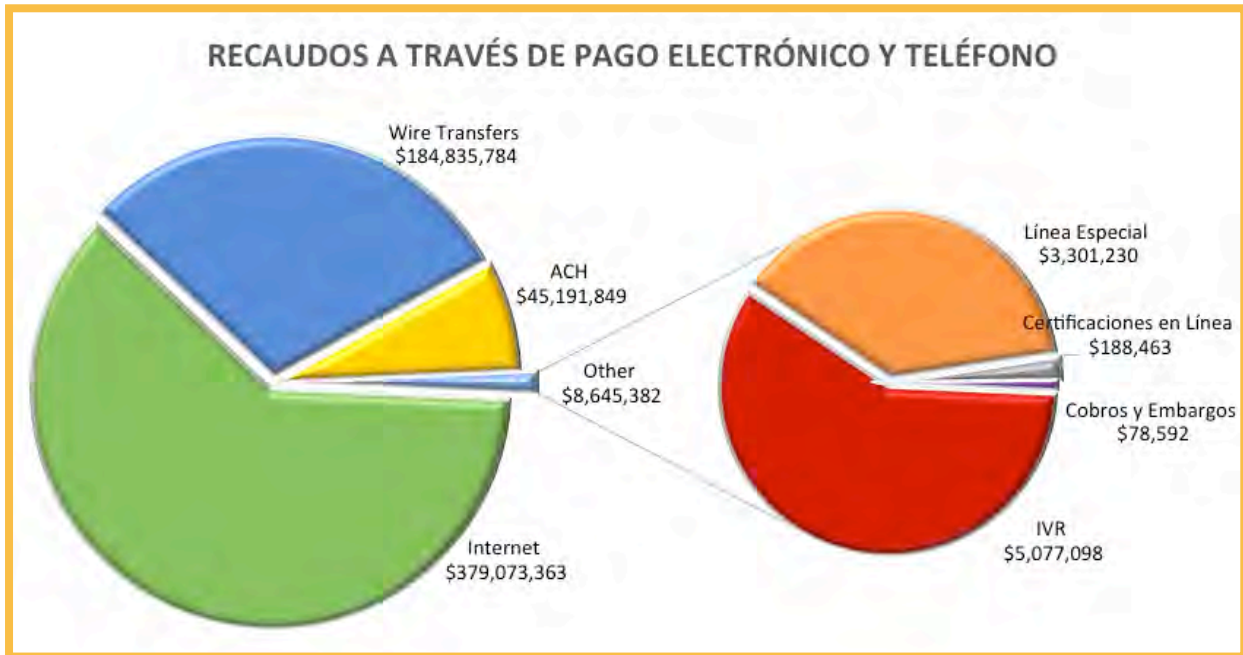
## LÍNEA DE SERVICIO AL CONTRIBUYENTE

EN LA GRÁFICA SE DESGLOSAN TODOS LOS SERVICIOS OFRECIDOS A TRAVÉS DE LA LÍNEA DE SERVICIO AL CONTRIBUYENTE:



**PAGOS A TRAVÉS DE LA PÁGINA CRIMPR.NET, TELÉFONO, IVR Y LÍNEA DE SERVICIO:**

Durante el pasado año fiscal se realizaron transacciones de pago electrónicas y por teléfono que generaron recaudos por un total de \$617,746,378.35.





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# FINANZAS



En la Oficina de Finanzas se ofrece colaboración y apoyo al Director Ejecutivo en la formulación e implementación de la política pública concerniente a las actividades de generación de ingresos, inversión y financiamiento. Asimismo, se ofrece apoyo a los diferentes departamentos operacionales y oficinas administrativas en los procesos de administración de presupuesto, desembolsos de fondos públicos y contabilidad del CRIM.

La Oficina está compuesta por tres áreas funcionales:

## Presupuesto

Responsable de la planificación, análisis, administración y control de las proyecciones de ingresos y gastos del presupuesto anual.

## Finanzas Administrativas

Responsable de la operación fiscal de la agencia:  
(a) pre intervención y procesamiento de desembolsos  
(b) registro y contabilización de los ingresos y gastos.

## Finanzas Municipales

Unidad independiente responsable de contabilizar y distribuir la totalidad de los ingresos recaudados por concepto de:

- Contribución no exonerada sobre la propiedad mueble e inmueble
- Ingresos de asignaciones estatales según dispone la Ley Núm. 80-1991
  - 1) 2.5% de las Rentas Internas Netas del Fondo General (conocido como Subsidio); y
  - 2) 35% de los ingresos netos del Sistema de Lotería Adicional
- Contribución Adicional Especial (CAE) de la propiedad exonerada
- Asignaciones legislativas asignadas a los municipios.

## PRESUPUESTO Y FINANZAS ADMINISTRATIVAS

Este año fiscal reforzamos el enfoque de lograr una administración moderna, efectiva y eficiente, mediante la evaluación continua de los procesos contables a través del sistema de contabilidad ORACLE. Hemos concluido los procesos de mejoras a los módulos de cuentas a pagar, poniendo en producción la emisión de notificaciones electrónicas de pago a suplidores e hicimos una evaluación de procesos contables para identificar transacciones que puedan ejecutarse automáticamente. Identificamos

situaciones que ha requerido mayor tiempo activar el módulo de activo fijos, lo que permitirá la integración confiable con las cuentas contables, Asimismo, continuamos con la capacitación de los empleados en temas relacionados con la presentación de estados financieros, responsabilidades como agente retenedor y fraude en transacciones contabilidad; además, de asistir al Foro de Asuntos Municipales que ofrece el Colegio de CPA anualmente, en relación temas actuales de los que pasa en los municipios.

## FINANZAS MUNICIPALES

Se ha contabilizado la contribución sobre la propiedad mueble e inmueble recaudada en este año fiscal, por un total de \$1,029,082,747, de los cuales \$639,329,457 corresponde a la propiedad inmueble y \$389,753,290 a la propiedad mueble. En total representa una disminución de \$21.0 millones en las recaudaciones en comparación con el año

fiscal 2016-2017. De esta disminución, \$1.5 millones corresponde a los recaudos de la propiedad inmueble y \$19.6 millones a la propiedad mueble.

Realizamos la liquidación anual, distribuyendo a los municipios \$819.9 millones, según se desglosa a continuación:

### CONTRIBUCIÓN MUNICIPAL SOBRE LA PROPIEDAD MUEBLE E INMUEBLE:

•Contribución Básica	\$329,125,389
•Contribución del 1% y 3% al Fondo de Equiparación	\$234,490,963

### ASIGNACIONES ESTATALES:

•2.5% de las Rentas Internas Netas (Subsidio) Asignación presupuestaria aprobada por la Asamblea Legislativa en el Presupuesto General	\$219,730,000
•35% de los Ingresos Netos de la Lotería Electrónica	\$36,646,340

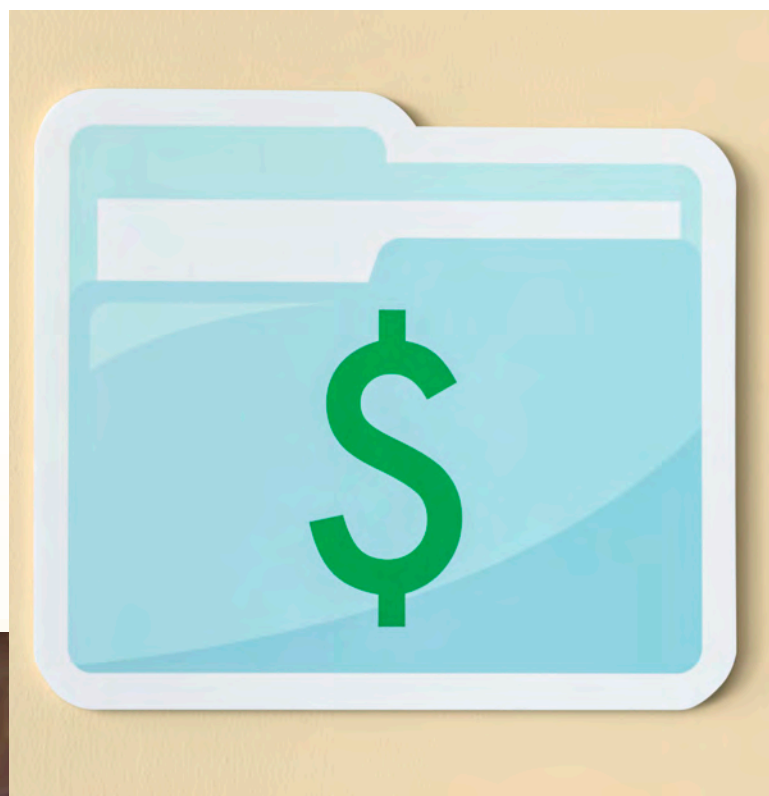
Total Ingresos Distribuidos.....	<b>\$819,992,692</b>
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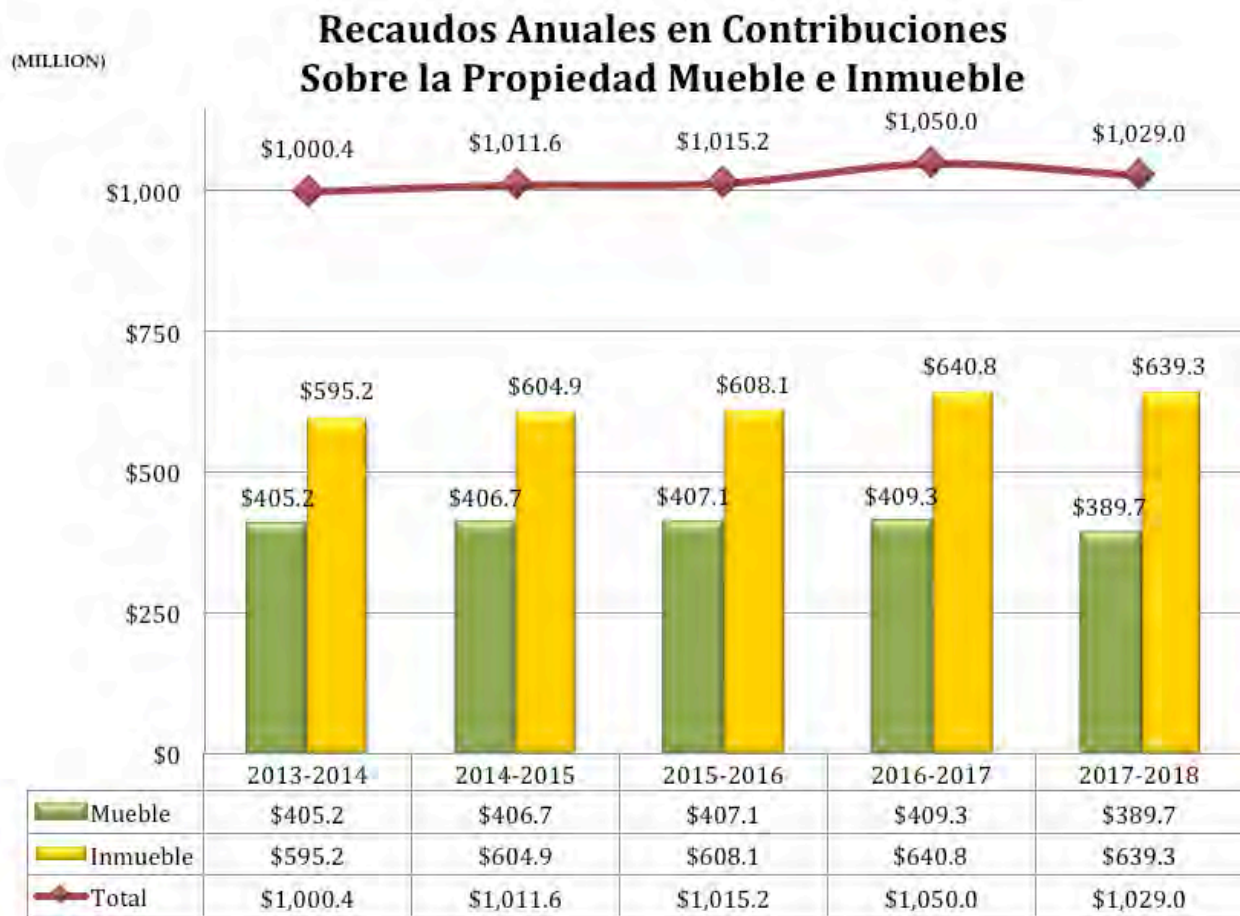
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## PORTAL DE FINANZAS MUNICIPALES

Este Portal ofrece una comunicación directa con los municipios mediante un mecanismo ágil, que les permita acceso inmediato a los datos financieros como lo son: (a) el Estimado de Ingresos, (b) el Detalle de Remesas, (c) los Acuerdos de Pago; (d) las Liquidaciones Finales Anuales; (e) Reporte trimestral de cuentas por cobrar; y (f) Informe de valoración de la propiedad de cada municipio. De esta forma el personal de Finanzas

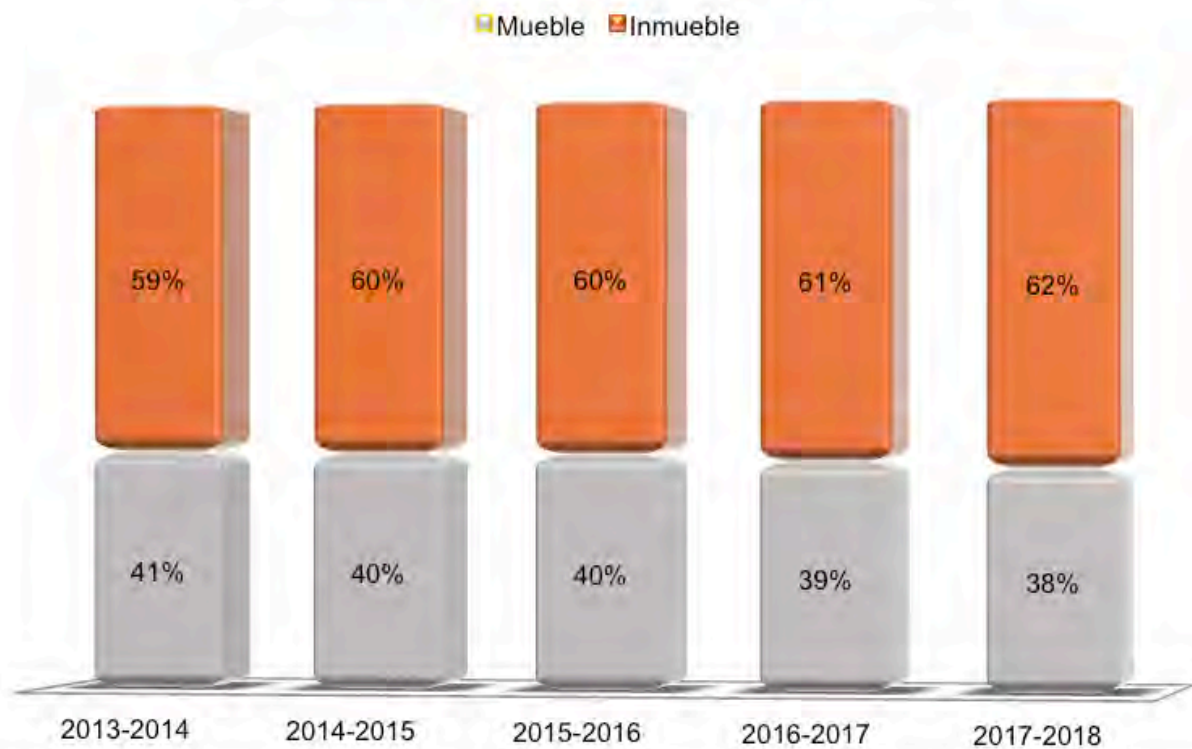
y CRIM Municipal podrán realizar análisis comparativos por año fiscal, así como proyecciones de remesas e ingresos totales, entre otros. De igual manera, esta herramienta provee para tramitar toda la comunicación entre el Municipio y el Área de Finanzas Municipales del CRIM; lo cual proporciona un expediente único entre cada municipio y el CRIM con acceso a la documentación en cualquier momento.





En el año fiscal 2017-2018 hubo una disminución en el cobro de la contribución sobre la propiedad debido al efecto de los huracanes Irma y María, en septiembre de 2017.

## Relación Porcentual De Recaudos



En términos porcentuales, la proporción de los recaudos por concepto de contribución sobre la propiedad mueble

ha disminuido durante los pasados tres (3) años, en proporción al total de recaudos de la contribución.





Los fondos de la Contribución Básica Municipal es la porción de la contribución que se distribuye a los municipios. Estos fondos provienen del 6% de la contribución sobre la propiedad inmueble y el 4% de la contribución sobre la propiedad mueble. Este porcentaje forma parte de la tasa contributiva de cada municipio. La Contribución Básica Municipal se compone de la porción Básica No Exonerada, que se distribuye directamente a los municipios; y Equiparación 1% y 3%, la cual

representa el 3% de la contribución básica municipal de la propiedad inmueble y el 1% de la contribución básica municipal de la propiedad mueble. La porción de Equiparación 1% y 3% se distribuye a los municipios a través del Fondo de Equiparación.

Este año fiscal, la Contribución Básica Municipal disminuyó por \$17.9 millones en comparación con el año anterior, lo que representa una reducción de 3.2%.



La Contribución Adicional Especial (CAE) es un recurso fundamental en los municipios para la realización de obras capitales y mejoras permanentes. Durante el año 2017-2018 hubo un incremento de

\$1.5 millones en comparación con el año anterior, para un total de \$351.4 millones; lo que representa un aumento de un 0.4% comparado con el recaudo del CAE en el año anterior.



El Fondo de Redención de la Deuda Estatal (FRDE) es la aportación de cada municipio al Gobierno Central, equivalente al 1.03% de la contribución, según establecido por Ley Núm. 80-

1991. El recaudo de la contribución destinado para el FRDE disminuyó por \$4.5 millones, equivalente a un 4% en comparación con el año anterior.



A continuación, presentamos un resumen de las fuentes de ingresos que recibe el

CRIM y cómo se distribuyen estos fondos:

### FUENTES DE INGRESO MUNICIPAL (\$ MILLONES)

	2014	2015	2016	2017	2018
<b>Contribución Gobierno Estatal</b>					
Rentas Internas Netas	\$227.58	\$227.58	\$227.58	\$227.58	\$219.73
Propiedad Exonerada	86.10	86.10	86.10	86.10	-
CAE Exonerado	30.19	30.19	30.19	30.19	-
Veinte Centésimas	16.72	16.72	16.72	16.72	-
<b>Subtotal</b>	<b>\$360.59</b>	<b>\$360.59</b>	<b>\$360.59</b>	<b>\$360.59</b>	<b>\$219.73</b>
35% de Ingresos Netos de la Lotería Electrónica	43.40	50.00	51.19	45.95	36.65
<b>Subtotal</b>	<b>\$403.98</b>	<b>\$410.59</b>	<b>\$411.78</b>	<b>\$406.54</b>	<b>\$256.38</b>
<b>Contribución Sobre la Propiedad</b>					
Contribución Mueble e Inmueble	\$1,000.40	\$1,011.60	\$1,015.25	\$1,050.01	\$1,029.08
<b>Total de Ingresos</b>	<b>\$1,404.38</b>	<b>\$1,422.19</b>	<b>\$1,427.03</b>	<b>\$1,456.55</b>	<b>\$1,285.46</b>

### DISTRIBUCIÓN DE INGRESOS (\$ MILLONES)

	2014	2015	2016	2017	2018
<b>Fondos de Redención de la Deuda Pública Estatal y Municipal</b>					
Fondo de Redención Deuda Municipal [Contribución Adicional Especial (CAE)]	\$361.21	\$367.82	\$370.03	\$380.17	\$351.42
Fondo de Redención Deuda Estatal	114.35	115.03	115.45	118.56	114.03
Fondo General	0.16	0.08	0.02	0.02	0.02
<b>Subtotal</b>	<b>\$475.72</b>	<b>\$482.93</b>	<b>\$485.50</b>	<b>\$498.75</b>	<b>\$465.47</b>
Liquidación a Municipios	\$928.66	\$939.26	\$941.53	\$957.80	\$819.99
<b>Distribución Total</b>	<b>\$1,404.38</b>	<b>\$1,422.19</b>	<b>\$1,427.03</b>	<b>\$1,456.55</b>	<b>\$1,285.46</b>



# OFICINA DE SERVICIOS ADMINISTRATIVOS

La Oficina de Servicios Administrativos asiste, apoya y se ocupa de las labores implantadas por el CRIM, en las compras, suministros y servicios. Esta oficina también identifica, evalúa y desarrolla nuevos proyectos, estrategias y programas que promuevan el mejoramiento organizacional.

El departamento es responsable de las compras de bienes y servicios no profesionales, inventario de activos fijos, mantenimiento de la flota vehicular, mensajería interna y externa.

En el año fiscal 2017- 2018 se iniciaron proyectos para mejorar la eficiencia y las facilidades físicas en beneficio de los empleados y visitantes.

Se realizó un análisis y evaluación de las áreas operacionales y regiones que necesitaban ser mejoradas a consecuencia de daños debido al paso del huracán María, identificando las de mayor prioridad.

Asimismo, se llevó a cabo una evaluación de los seguros de propiedad, en busca de alternativas en el mercado que permitieran competir y obtener mejores opciones. Luego del proceso de competencia, se logró negociar mejores cubiertas a través de seguros privados.

Como uno de los objetivos principales, se trabajó en la implementación de medidas y estrategias para lograr procesos administrativos efectivos y eficientes.





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# OFICINA DE AUDITORÍA INTERNA

La Oficina de Auditoría Interna (OAI) se rige por las normas establecidas en su carta constitutiva, aprobada por el Comité de Auditoría de la Junta de Gobierno del CRIM, y de conformidad con las disposiciones contenidas en la Ley Núm. 80-1991.

La OAI es responsable de fiscalizar las transacciones de los fondos públicos y la propiedad, con independencia y objetividad, para determinar si se han realizado de acuerdo con la Ley y las reglamentaciones del CRIM. Esto se realiza a través de las auditorías regulares planificadas, investigaciones especiales, cumplimiento de las notificaciones de pérdida de propiedad y fondos públicos a la OCPR, asesoramiento a la Alta

Gerencia y la Junta de Gobierno sobre procedimientos y reglamentación y los informes de planes de acciones de las auditorías internas y externas.

Además, la OAI da apoyo a la Gerencia en el cumplimiento de sus objetivos proporcionando un enfoque disciplinado y sistemático para evaluar y mejorar la efectividad de los procesos, gestión de riesgo, control y dirección.

A continuación, presentamos el resultado de los trabajos realizados durante el año fiscal 2017-2018, así como los logros obtenidos, de conformidad con lo dispuesto en la Sección 6 del Manual de Políticas y Procedimientos de esta Oficina:

**1**

Auditoría sobre Implementación de Órdenes Administrativas Núm. 2017-01 y 2017-02

**2**

Auditoría de contrataciones

**3**

Auditoría Gastos de Viaje-Oficina Regional de Humacao

**4**

Arqueos de Caja y Fondo de Caja Menuda Oficina Central

**5**

Auditoría Gastos de Viaje-Oficina Central y Regionales

**6**

Arqueos de Caja y Fondo de Caja Menuda Oficinas Regionales

**7**

Se realizaron trece (13) investigaciones de querrelas de contribuyentes y una (1) de descuadre de caja de un recaudador y posible apropiación ilegal.

Requerimiento de entidades externas:

## Oficina de Ética Gubernamental

- 34 requerimientos recibidos y atendidos
- 157 certificaciones trabajadas

## Oficina del Contralor

- Notificaciones de pérdida de propiedad
- Certificación anual de Ley Núm. 96

Se ofreció seminario a personal de la Oficina Central y las Oficinas Regionales sobre los planes de Recuperación de Desastres y Continuidad de Negocios. Se destacó la importancia del

cumplimiento con leyes y reglamentos aplicables a los procesos de compras, desembolsos, contratación, normas laborales, documentación, controles, procedimientos alternos, entre otros.



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# OFICINA DE RECURSOS HUMANOS

Se presentan aquí las iniciativas realizadas y logradas bajo la Oficina de Recursos Humanos en el año fiscal 2017-2018.

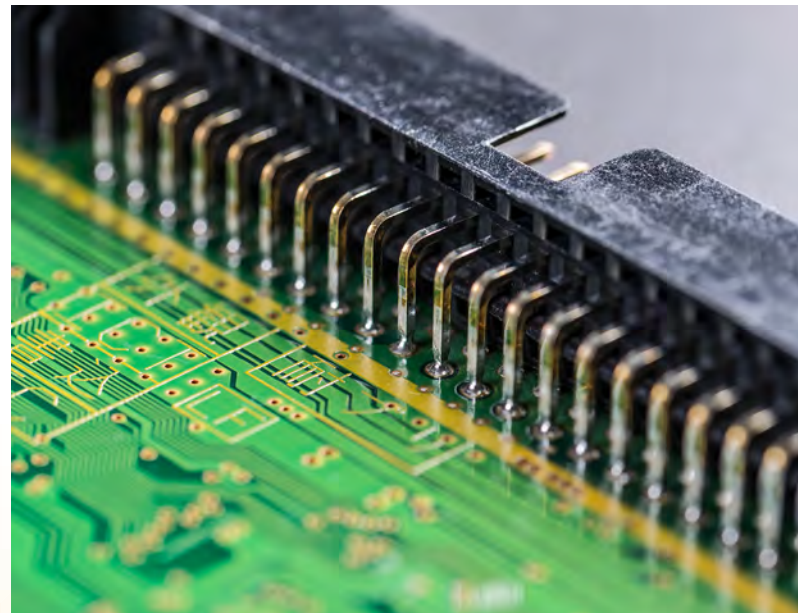
- 1** Se obtuvo un programa de descuentos y beneficios en productos y servicios para los empleados. Esto produjo un 5% de ahorros anuales en todos los beneficios representados.
- 2** Mayores beneficios en planes suplementarios de vida e incapacidad para empleados (Programa MIO)
- 3** Nueva cubierta suplementaria de seguros de propiedad y contingencia.
- 4** Se desarrolló por primera vez el Plan de Emergencia y Continuidad de Negocios ante un evento atmosférico.
- 5** Cumplimiento del octavo período bienal para las horas éticas requeridas por la Ley de Ética Gubernamental.
- 6** Desarrollo de un nuevo Programa de Salud y Bienestar y boletines informativos mensuales.
- 7** Mayores actividades de promoción de la salud: ferias de salud, sangrías en cumplimiento de la Ley 98-2013.
- 8** Programa de Empleo de Verano con una participación de 40 jóvenes.
- 9** Participación en campañas benéficas: Make a Wish, Iván Ayala Kids Cancer Foundation, Hogar Santa Teresita en Arecibo.
- 10** Reinicio del Programa de Detección de Sustancias Controladas y Alcohol.
- 11** Cumplimiento con el Plan de Adiestramiento y actividades de capacitación a empleados y supervisores.

# OFICINA DE GERENCIA DE SISTEMAS DE INFORMÁTICA (OGSI)

La función de la Oficina de Gerencia de Sistemas de Informática es administrar y desarrollar los sistemas que ofrecen la información necesaria a los municipios, asistiendo en el desarrollo de los fundamentos y principios de la autonomía de estos, establecidos en la ley #80 del 30 de agosto de 1991, según enmendada.

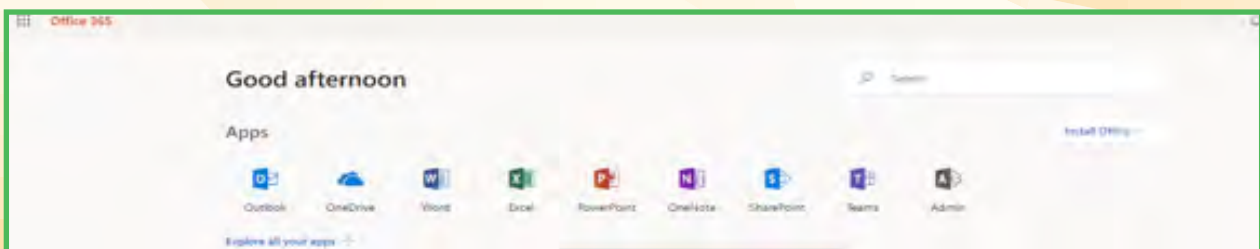
Durante el año fiscal 2017 – 2018 se llevaron a cabo varios proyectos que contribuyen a los planes estratégicos y a realizar mejoras y avances en los servicios tecnológicos ofrecidos.

A continuación, se ofrece un desglose de los proyectos realizados:



## 1. "OFFICE 365"

Se completó la migración de todos los usuarios de la agencia con la adquisición de licencias adicionales al servicio de correo electrónico y aplicaciones de "office" en la nube. Esto representa un ahorro en el licenciamiento de Microsoft y facilita a los empleados a utilizar las aplicaciones sin costo desde sus equipos, entre otros.





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## 2. PROYECTO "VOICE OVER IP" (VOIP)

Se implementó esta nueva tecnología, la cual utiliza teléfonos físicos, teléfonos y consolas emuladas en las computadoras. Con la adquisición de esta tecnología contamos con equipo más moderno, ofreciendo más estabilidad en las comunicaciones entre las oficinas y mayor seguridad en los sistemas. Este proyecto comprende en:

Cambio de infraestructura de los equipos de telefonía, "switches" y "firewalls" en todo el sistema del CRIM, incluyendo las regiones.

Se añadieron baterías (ups) nuevas en todos los racks de comunicaciones para asegurar los equipos y se instalaron líneas dedicadas de corriente.

Todos los "racks" de comunicaciones tienen "ground" para protección de los equipos contenidos en los "racks" para evitar sobrecargas eléctricas.

Renovación de todo el sistema de cables a nivel de "rack" a categoría 6, mejorando la calidad y eficiencia.

Adquisición de teléfonos IP, lo cual nos permite flexibilidad y mayor productividad para nuestros empleados, mejorando la calidad del servicio ofrecido.

Establecimos un centro de atención telefónica ("Call Center") para mayor eficiencia y para tener acceso a herramientas de monitoreo.

Instalación de la herramienta de "Global Protect" para ofrecer mayor seguridad en las conexiones de los usuarios remotos.

Añadió nuevas funcionalidades a los sistemas, proveyendo mayor agilidad y eficiencia.



### 3. "LASERFICHE"

Continuamos la sistematización de procesos y digitalización de documentos.

### 4. EQUIPO DE MONITOREO

Adquisición de pantallas y la aplicación de monitoreo para así garantizar el buen funcionamiento y detectar fallas de una manera más ágil.

Se implementó en cada estación y en cada servidor una protección "End Point McAfee", el cual mantiene protegida a la agencia, proporcionando mejores capacidades de detección y corrección de amenazas para aumentar los controles de seguridad.



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# ASESORAMIENTO LEGAL

La Oficina de Asesoramiento Legal del CRIM, brinda servicios especializados asesorando al Director Ejecutivo sobre asuntos legales internos y externos; además, vela porque se cumpla con la legislación y reglamentación vigente. Asesora e interpone los remedios legales necesarios ante los tribunales y su comparecencia en representación del CRIM ante estos y prepara, otorga y notifica a la Oficina del Contralor de Puerto Rico los contratos de Servicios Profesionales, Técnicos y de Servicios en el Centro.



## ÁREA DE QUIEBRAS

Información relacionada con los pagos recibidos y casos radicados por Asesoramiento Legal para el año fiscal 2017-2018.

Total de pagos recibidos: **\$1,135,040.03**

PAGOS RECIBIDOS EN EL AÑO FISCAL DEL 1 DE JULIO DE 2017 AL 30 DE JUNIO DE 2018.

Julio	\$145,638.82
Agosto	\$60,396.41
Septiembre	\$71,915.43
Octubre	\$54,454.17
Noviembre	\$38,951.63
Diciembre	\$65,432.10
Enero	\$177,997.45
Febrero	\$60,544.33
Marzo	\$65,970.65
Abril	\$258,032.32
Mayo	\$75,168.81
Junio	\$60,477.91

Cuentas impactadas por Transferencias Electrónicas: 3,375

Cuentas impactadas por cheques: 331

Total de cuentas impactadas: 3,706

RECLAMACIONES EN CASOS DE QUIEBRA RADICADOS DURANTE EL AÑO FISCAL 2017-2018

MES	ASEGURADO	NO ASEGURADO	PRIORIDAD	TOTAL
Julio	742,531.33	1,514,374.73	33,988.47	\$2,290,894.53
Agosto	348,189.75	454,994.32	10,134.83	\$813,318.90
Septiembre	526,613.07	37,949.62	572.63	\$563,135.32
Octubre	686,866.63	861,293.93	5,668.95	\$2,553,829.51
Noviembre	490,269.41	409,472.62	34,239.69	\$933,981.72
Diciembre	654,680.29	935,413.01	30,617.38	\$1,620,710.68
Enero	954,375.20	662,790.72	24,266.17	\$1,641,432.09
Febrero	535,966.95	347,210.16	1,632.38	\$885,103.51
Marzo	362,805.87	322,593.77	15,476.47	\$700,876.11
Abril	507,828.03	2,187,274.52	2,797.94	\$2,697,900.49
Mayo	413,646.88	432,547.09	15,212.01	\$861,405.98
Junio	430,326.35	268,938.73	0.00	\$699,265.08

**Asegurado: \$6,654,099.76**

**No Asegurado: \$8,434,853.22**

**Prioridad: \$174,606.92**

**Total Reclamado: \$15,263,853.92**

LEYENDA

**Cantidad:** Casos radicados por el CRIM al mes.

**Asegurado:** Deuda reclamada en propiedad inmueble año corriente y los 5 años previos, según fecha de petición de quiebra.

**No Asegurado:** Deuda de propiedad mueble e inmueble no cubierta bajo renglones de "Asegurado y "Prioridad", incluyendo los recargos y penalidad.

**Prioridad:** Deuda reclamada en propiedad mueble, por planillas radicadas en el año corriente.

Los recobros de las cantidades reclamadas se reciben en

un período entre uno a diez años. El Código de Quiebra impone la obligación de pagar las deudas aseguradas y prioritarias. No todos los casos de quiebra se mantienen en el mismo capítulo que se radicaron; al cambiar por ende cambia la posibilidad de recobro.

Los efectos en servicios esenciales de los huracanes Irma y María afectó la radicación de reclamaciones durante agosto y septiembre 2017 y posteriormente la radicación de casos de quiebra en el tribunal desde agosto a diciembre de ese año.



# LEYES APROBADAS

1

Enmiendas a la Ley Núm. 80 de 30 de agosto de 1991, conocida como “Ley del Centro de Recaudación de Ingresos Municipales”

## **Ley Núm. 81 de 5 de agosto de 2017**

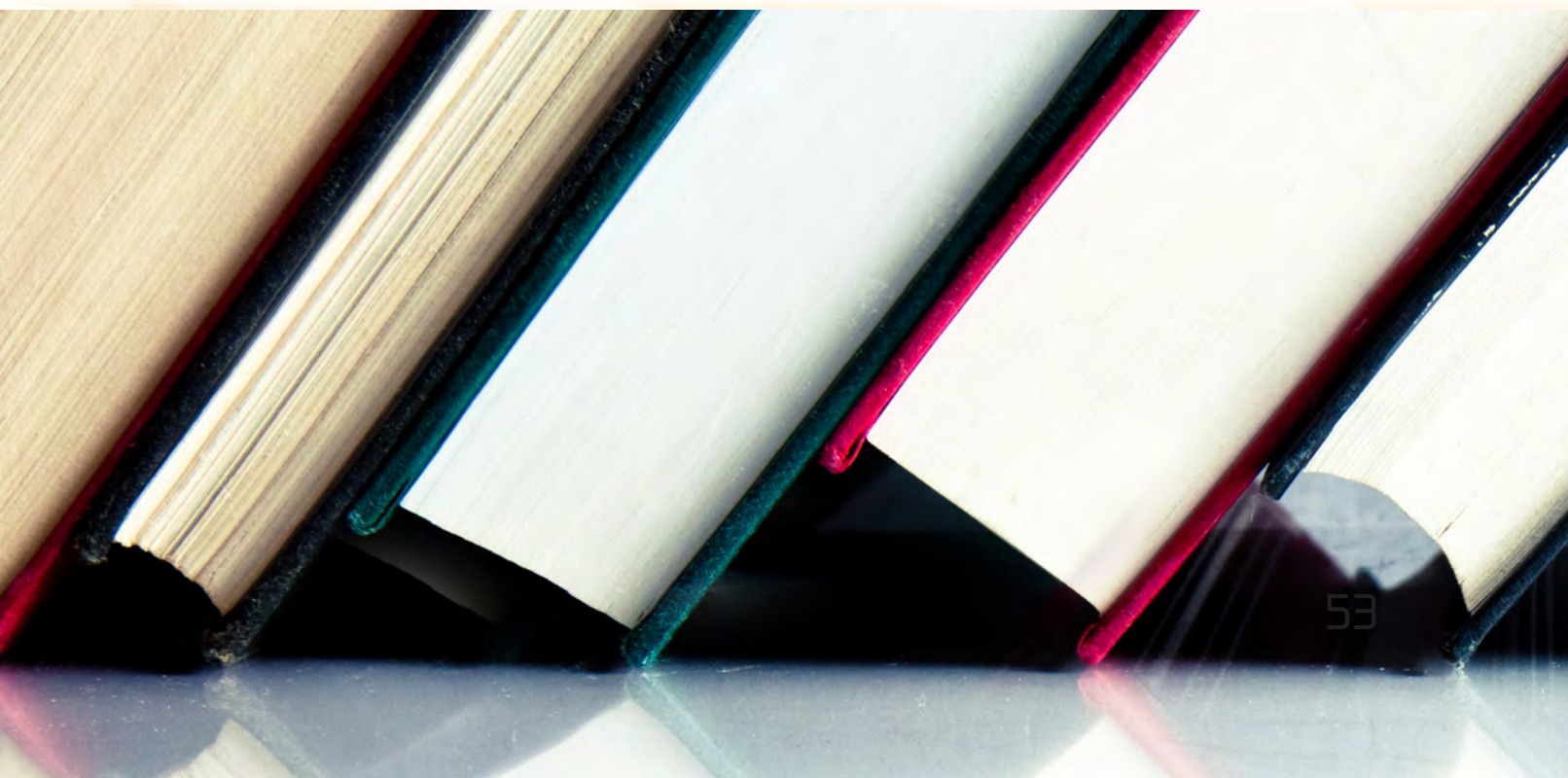
– Para enmendar el Artículo 3 de la Ley Núm. 147 de 18 de junio de 1980, según enmendada, conocida como “Ley Orgánica de la Oficina de Gerencia y Presupuesto”; a los fines de crear la Oficina de Gerencia Municipal adscrita a la Oficina de Gerencia y Presupuesto, transferir algunas de las funciones de la Oficina del Comisionado de Asuntos Municipales a la Oficina de Gerencia y Presupuesto como parte de las medidas necesarias para atemperar el marco legal y jurídico existente para dar el más fiel cumplimiento al Plan Fiscal aprobado por la Junta de Supervisión Fiscal creada al amparo de la Ley Pública 114-187, conocida como el “Puerto Rico Oversight, Management and Economic Stability Act” (PROMESA, por sus siglas en inglés); enmendar los Artículos 1.006, 2.004, 2.008, 3.008, 3.009, 3.011, 3.012, 4.004, 4.014, 4.015, 5.001, 5.012, 5.016, 6.001, 6.003, 6.006, 7.001, 7.001-A, 7.002, 7.006, 7.008, 7.009, 7.010, 7.011, 8.001, 8.003, 8.004, 8.006, 8.008, 8.010,

8.011, 8.012, 8.013, 8.014, 8.016, 9.005-B, 9.015, 10.002, 10.003, 11.004, 12.005, 13.029, 14.005, 14.007, 17.008; derogar el Capítulo XIX; enmendar el Artículo 20.003; y derogar el Artículo 21.009 de la Ley 81-1991, según enmendada, conocida como “Ley de Municipios Autónomos de Puerto Rico”; a los fines de atemperar la Ley de Municipios Autónomos a los cambios de política pública establecidos en esta Ley; enmendar la Sección 2 inciso (a)(7) apartado (I)(a) de la Ley Núm. 113 de 10 de julio de 1974, según enmendada; enmendar el Artículo 4 de Ley Núm. 29 de 30 de junio de 1972, según enmendada, conocida como “Ley de la Agencia de Financiamiento Municipal de Puerto Rico”; enmendar el Artículo 2 inciso (f) de la Ley 19-2014, según enmendada, conocida como “Ley de la Corporación de Financiamiento Municipal”; enmendar el Artículo 5 de la Ley 80-1991, según enmendada, conocida como “Ley del Centro de Recaudación de Ingresos Municipales”; y para otros fines relacionados.

**Ley Núm. 109 de 24 de agosto de 2017**

– Para crear la “Ley para la Reestructuración de la Deuda del Banco Gubernamental de Fomento para Puerto Rico”, a los fines de establecer el marco legal para la reestructuración de la deuda del Banco Gubernamental de Fomento para Puerto Rico (el BGF) a través del Título VI del Puerto Rico Oversight Management and Economic Stability Act, crear la Autoridad de Recuperación de Deuda del BGF (la Autoridad) y disponer sus facultades, poderes y limitaciones, autorizar la creación del Fideicomiso de Entidad Pública (el Fideicomiso) y establecer las disposiciones relacionadas con éste, proveer para la determinación de los balances de ciertos pasivos del BGF y otras entidades gubernamentales, autorizar la transferencia de ciertos activos y obligaciones del BGF a la Autoridad y al Fideicomiso, autorizar a la Autoridad a emitir bonos de reestructuración y establecer las circunstancias y condiciones para ello, crear el gravamen estatutario que garantizará dichos bonos, recalcular ciertas obligaciones municipales, limitar

y proveer para la mediación de ciertas reclamaciones contra municipios, autorizar a las entidades gubernamentales a disponer y constituir gravámenes sobre los bonos de reestructuración, autorizar ciertos desembolsos a los municipios por concepto de la contribución adicional especial; enmendar el Artículo 2 y añadir un Artículo 26 a la Ley 80-1991, según enmendada; añadir Artículos 2.12 y 2.13 a la Ley 83-1991, según enmendada; enmendar los Artículos 3 y 20 de la Ley 64-1996, según enmendada, para reemplazar ciertas referencias al BGF en dichas leyes por un fiduciario designado y definir dicho término, para confirmar la validez de préstamos emitidos por el BGF, proveer que las transacciones realizadas conforme a esta Ley serán válidas y obligatorias para todas las entidades gubernamentales, disponer que ninguna entidad gubernamental tendrá autoridad o legitimación activa para cuestionar esta Ley, la transacción de reestructuración o las demás transacciones contempladas en esta Ley; y para otros fines relacionados.



**Ley Núm. 77 de 5 de agosto de 2017**

– Para enmendar el Artículo 9.003A de la Ley 81-1991, según enmendada, conocida como “Ley de Municipios Autónomos del Estado Libre Asociado de Puerto Rico”; enmendar el Artículo 2.001, inciso B, de la Ley 83-1991, según enmendada, conocida como “Ley de Contribución Municipal sobre la Propiedad de 1991”, a los fines de permitirles a los municipios tasar propiedades muebles e inmuebles, sujetas a contribución municipal, en coordinación con el Centro de Recaudación de Ingresos Municipales (CRIM); convertir el gravamen por concepto de multas y mitigación por estorbo público en una “hipoteca legal tácita” equiparable a las deudas contributivas; incluir las deudas

por multas de estorbo público entre los gravámenes preferentes para los cuales no se necesita acto constitutivo especial, ni inscripción de título para su constitución; enmendar el inciso (c) del Artículo 10 de la Ley 31-2012, conocida como “Ley para Viabilizar la Restauración de las Comunidades en Puerto Rico”, para facultar a los municipios a cobrar, con anterioridad al inicio de los procedimientos, el valor del costo de las tasaciones y planos de mensura necesarios y que el 10% de los gastos administrativos sea el monto a depositar como fianza garantizando el compromiso del solicitante-adquirente, siendo tal fianza, así como los gastos de tasación y planos, no reembolsables; y para otros fines relacionados.

**Ley Núm. 109 de 24 de agosto de 2017** y proveer para la mediación de ciertas reclamaciones contra municipios, autorizar a las entidades gubernamentales a disponer y constituir gravámenes sobre los bonos de reestructuración, autorizar ciertos desembolsos a los municipios por concepto de la contribución adicional especial; enmendar el Artículo 2 y añadir un Artículo 26 a la Ley 80-1991, según enmendada; añadir Artículos 2.12 y 2.13 a la Ley 83-1991, según enmendada; enmendar los Artículos 3 y 20 de la Ley 64-1996, según enmendada, para reemplazar ciertas referencias al BGF en dichas leyes por un fiduciario designado y definir dicho término, para confirmar la validez de préstamos emitidos por el BGF, proveer que las transacciones realizadas conforme a esta Ley serán válidas y obligatorias para todas las entidades gubernamentales, disponer que ninguna entidad gubernamental tendrá autoridad o legitimación activa para cuestionar esta Ley, la transacción de reestructuración o las demás transacciones contempladas en esta Ley; y para otros fines relacionados.

– Para crear la “Ley para la Reestructuración de la Deuda del Banco Gubernamental de Fomento para Puerto Rico”, a los fines de establecer el marco legal para la reestructuración de la deuda del Banco Gubernamental de Fomento para Puerto Rico (el BGF) a través del Título VI del Puerto Rico Oversight Management and Economic Stability Act, crear la Autoridad de Recuperación de Deuda del BGF (la Autoridad) y disponer sus facultades, poderes y limitaciones, autorizar la creación del Fideicomiso de Entidad Pública (el Fideicomiso) y establecer las disposiciones relacionadas con éste, proveer para la determinación de los balances de ciertos pasivos del BGF y otras entidades gubernamentales, autorizar la transferencia de ciertos activos y obligaciones del BGF a la Autoridad y al Fideicomiso, autorizar a la Autoridad a emitir bonos de reestructuración y establecer las circunstancias y condiciones para ello, crear el gravamen estatutario que garantizará dichos bonos, recalcular ciertas obligaciones municipales, limitar

**Ley Núm. 77 de 23 de febrero de 2018** según enmendada, conocida como “Ley de Incentivos Agrícolas de Puerto Rico”, a los fines de restituir ciertas disposiciones en beneficio de los agricultores “bona fide”; hacer enmiendas técnicas; y otros fines relacionados.

– Para enmendar los Artículos 5.43 y 5.50 de la Ley 83-1991, según enmendada, conocida como la “Ley de Contribución Municipal sobre la Propiedad de 1991”, para enmendar los Artículos 2-A y 5 de la Ley 225-1995,

**P. del S. 747 convertido en Ley Núm. 122 de 29 de junio de 2018** de Recaudación de Ingresos Municipales que consulte con los municipios antes de autorizar un acuerdo de plan de pago con un contribuyente o le vaya a otorgar una exoneración.

– Para enmendar el Artículo 3.42 de la Ley 83-1991, según enmendada, conocida como la “Ley de Contribución sobre la Propiedad de 1991”, a los fines de requerirle al Centro



Aquellas en donde se hace referencia a las Leyes Núm. 80-1991 y Núm. 83- 1991, al CRIM y/o a alguna exención en la contribución sobre la propiedad.

**Ley Núm. 76 de 5 de agosto de 2017**

– Para enmendar las Secciones 1034.02, 2021.01, 2021.02, 2023.06, 2030.01, 2030.07, 2041.01, 2041.02, 2051.01, 2051.02, 2052.01, 2054.01, 2054.02 y 2054.05; derogar el apartado (b) de la Sección

2054.03 de la Ley 1-2011, según enmendada, conocida como el “Código de Rentas Internas para un Nuevo Puerto Rico”, a los fines de derogar las contribuciones sobre caudales relictos y donaciones en Puerto Rico; y para otros fines relacionados.

**Ley Núm. 83 de 5 de agosto de 2017**

– Para enmendar los Artículos 2.001, 2.005 y 9.003 de la Ley 81-1991, según enmendada, conocida como “Ley de Municipios Autónomos”; a los fines de expeditar y simplificar el procedimiento de disposición de propiedades que sean declaradas estorbos

públicos; establecer un procedimiento de expropiación forzosa a favor de los municipios con parámetros definidos; establecer que el gravamen por multas y mitigación por estorbo público constituye una hipoteca legal tácita; y para otros fines relacionados.

**Ley Núm. 91 de 8 de agosto de 2017** – Para añadir un nuevo Artículo 115 y reenumerar los actuales Artículos 115 y 116 como los Artículos 116 y 117 respectivamente, de la Ley 187-2015, según enmendada, conocida como “Ley del Portal Interagencial de Validación para la Concesión de Incentivos para el Desarrollo Económico de Puerto Rico”, a los fines de posponer la efectividad de la Ley y relevar a toda agencia, dependencia o instrumentalidad del Gobierno de Puerto Rico, municipio o corporación pública, que sea considerada como una Agencia Emisora-Certificante o Agencia Receptora-Otorgante, de cumplir con los Artículos 6 al 10 y los Artículos 14 al 112 de la Ley en todo aquello que esté relacionado a la Certificación de

Cumplimiento, retroactivamente desde el 17 de noviembre de 2015 hasta el 1ro de enero de 2018; para disponer que toda Agencia Emisora-Certificante o Agencia Receptora-Otorgante deberá continuar aceptando, recibiendo, tramitando, procesando y evaluando solicitudes de incentivos o beneficios contributivos al amparo de cualesquiera de las leyes mencionadas en el Artículo 4 de la Ley 187-2015, así como aprobando, concediendo y otorgando los incentivos o beneficios contributivos contemplados en las mismas, sin sujeción a los requisitos relacionados a la Certificación de Cumplimiento hasta el 31 de diciembre de 2017; y para otros fines relacionados.

**Ley Núm. 95 de 8 de agosto de 2017**

– Para enmendar los Artículos 2, 3, 5, 6, 7, 8, 9, 10, 12, 14, 16, 17, 19 y 23 de la Ley 29-2009, según enmendada, conocida como “Ley de las Alianzas Público Privadas”, a los fines de aclarar, incluir y enmendar las definiciones; modificar el mecanismo para identificar Proyectos Prioritarios; adscribir a la Autoridad para las Alianzas Público Privadas a la Autoridad de Asesoría Financiera y Agencia Fiscal; modificar la composición de la Junta de Directores de la Autoridad para las Alianzas Público Privadas; modificar los requisitos de quórum y toma de decisiones de la Junta y del Comité de Alianza; añadir como uno de los poderes específicos de la Autoridad para las Alianzas Público Privadas la facultad de evaluar y acoger el estudio o cualquier proceso que una Entidad Gubernamental haya realizado con relación a un potencial proyecto de Alianza Público Privada; añadir como uno de los poderes específicos de la Autoridad para las Alianzas Público Privadas la facultad de evaluar y acoger cualquier proceso que una Entidad Gubernamental haya realizado con relación a un potencial proyecto de Alianza Público Privada; facultar a la Autoridad para las Alianzas Público Privadas a prestar servicios a Proyectos Seleccionados; otorgar Contratos de Asistencia para la prestación de servicios y cobrar por servicios prestados; aclarar que si la Autoridad para las Alianzas Público Privadas determina que no se desarrollará una Alianza para una Función, Servicio o Instalación, dicha Función, Servicio o Instalación podrá

ser desarrollado según disponga la ley orgánica de la Entidad Gubernamental responsable por la Función, Servicio o Instalación o cualquier otra ley aplicable; facultar a la Autoridad para las Alianzas Público Privadas a ejercer poderes relativos a la gestión de proyectos; facultar a la Autoridad para desarrollar infraestructura; establecer un término para que la Autoridad para las Alianzas Público Privadas determine cuáles proyectos del inventario son más urgentes y realice el estudio de deseabilidad y conveniencia de dichos proyectos; establecer que el Comité de Alianza deberá evaluar las propuestas dentro de un término razonable; añadir un criterio de evaluación adicional para seleccionar un Proponente; aclarar las disposiciones relativas a publicidad sobre documentos accesibles al público; aclarar las entidades que están exentas de la aplicación de los procesos para fijar tarifas; atemperar la Ley a las disposiciones del Código de Rentas Internas para un Nuevo Puerto Rico de 2011, Ley 1-2011, según enmendada, y aclarar la tasa contributiva aplicable; modificar las disposiciones referentes al uso de fondos; facultar a la Autoridad para las Alianzas Público Privadas a modificar las representaciones que por ley se incluyen en contratos gubernamentales; eliminar las referencias al Banco Gubernamental de Fomento; actualizar las referencias a leyes aplicables; modificar las disposiciones para agilizar el proceso para establecer una Alianza Público Privada; eliminar los Proyectos de Menor Escala y las referencias a los mismos; y para otros fines relacionados.

**Ley Núm. 96 de 10 de agosto de 2017**

– Para crear la “Ley para el Manejo de Estorbos Públicos y la Reconstrucción Urbana de Santurce y Río Piedras” a los fines de proveer un mecanismo alterno, a través de la Administración de Terrenos de Puerto Rico, para facilitar la erradicación de Estorbos Públicos y su conversión en estructuras funcionales, ya sea destinadas a viviendas o comercios en los sectores de Santurce y Río Piedras del Municipio de San Juan, fomentar la adquisición y restauración

de los mismos; otorgar a la Administración de Terrenos de Puerto Rico autoridad para declarar como Estorbo Público aquellas propiedades inmuebles en estado de deterioro y abandono de conformidad con el procedimiento establecido en esta Ley; transferir las propiedades declaradas como Estorbo Público a Personas que se propongan convertirlas es estructuras funcionales; añadir un nuevo inciso (c-1) al Artículo 7 de la Ley Núm. 13 de 16 de mayo de 1962, según enmendada; y para otros fines relacionados.

**Ley Núm. 106 de 23 de agosto de 2017**

– Para establecer la “Ley para Garantizar el Pago a Nuestros Pensionados y Establecer un Nuevo Plan de Aportaciones Definidas para los Servidores Públicos”, a los fines de reformar el Sistema de Retiro de los Empleados del Gobierno de Puerto Rico y el Sistema de Retiro para Maestros, de acuerdo a la realidad económica y fiscal de Puerto Rico y a las disposiciones del Plan Fiscal para Puerto Rico, certificado conforme a las disposiciones de la Ley Pública 114-187, conocida como “Puerto Rico Oversight, Management, and Economic Stability Act” o “PROMESA”, por sus siglas en inglés; establecer que el Fondo General, a través del sistema de “pay as you go”, asuma los pagos que el Sistema de Retiro de los Empleados del Gobierno de Puerto Rico, el Sistema de Retiro para Maestros y el Sistema de Retiro para la Judicatura no puedan realizar; disponer que los tres Sistemas de Retiro sigan cumpliendo con sus obligaciones hacia sus beneficiarios y pensionados aportando al Fondo General sus fondos disponibles y los fondos provenientes de las liquidaciones de sus activos; establecer el Nuevo Plan de Aportaciones Definidas y proveer para su administración; crear la Junta de Retiro, delegarle facultades y deberes; enmendar el Artículo 2 de la Ley

Núm. 12 de 19 de octubre de 1954, según enmendada, conocida como “Ley de Retiro de la Judicatura”; enmendar los Artículos 1-1.04 y 4-101, derogar los incisos 11 y 12 y reenumerar los incisos 13, 14 y 15 como 11, 12 y 13, respectivamente, del Artículo 4- 103 de la Ley Núm. 447 de 15 de mayo de 1951, según enmendada, conocida como “Ley del Sistema de Retiro de los Empleados del Gobierno del Estado Libre Asociado de Puerto Rico”; enmendar los Artículos 1.1, 2.3 y derogar los Artículos 2.4, 2.5 y 2.6 de la Ley 160- 2013, según enmendada, conocida como “Ley del Sistema de Retiro para Maestros del Estado Libre Asociado de Puerto Rico”; enmendar la Sección 1081.01 de la Ley 1-2011, según enmendada, conocida como el “Código de Rentas Internas para un Nuevo Puerto Rico”; derogar la Ley 211- 2015, según enmendada, conocida como “Ley del Programa de Preretiro Voluntario”, garantizar los beneficios a los Preretirados y proveer para que empleados que hayan solicitado dichos beneficios pueda concluir el trámite; autorizar a la Autoridad de Asesoría Financiera y Agencia Fiscal de Puerto Rico a diseñar, implementar y fiscalizar un programa de separación incentivada del servicio público de los empleados de la Rama Ejecutiva; y para otros fines relacionados.

**Ley Núm. 107 de 23 de agosto de 2017**

– Para enmendar los Artículos 2, 3, 4, 5, 6, 8, 11 y 21 de la Ley 214-2004, según enmendada, conocida como la “Ley del Fideicomiso para Ciencia, Tecnología e Investigación de Puerto Rico”, a los efectos de sustituir el Consejo de Fiduciarios por una Junta de Síndicos compuesta por nueve (9) miembros del sector privado y dos (2) miembros del sector gubernamental; atemperar la ley a la realidad actual y excluir al Banco Gubernamental de

Fomento de las funciones que se le delegaban en el estatuto; redefinir la finalidad del Fideicomiso, dirigido por la Junta de Síndicos, para incluir el establecimiento de una alianza entre el Gobierno y el sector privado para la promoción y desarrollo, tanto a nivel educativo, industrial y comercial, del uso de la ciencia, investigación y tecnología como herramienta de desarrollo económico para el beneficio de todos los puertorriqueños; y para otros fines relacionados.

**Ley Núm. 13 de 21 de enero de 2018**

– Para enmendar los Artículos 3(d), 4(b), 5(b) y 6(c) de la Ley 216-2011, según enmendada, a los fines de modificar la vigencia de sus disposiciones; y para otros fines relacionados. En lo pertinente, la enmienda al Artículo 5(b) establece que un adquirente o inversionista

cualificado de una vivienda elegible, a partir del 1 de julio de 2013 pero no más tarde del 31 de diciembre de 2020, estará totalmente exento por un término máximo de 5 años del pago de la contribución sobre la propiedad inmueble.

**Ley Núm. 50 de 24 de enero de 2018**

– Para enmendar los Artículos 1.003, 2.002 y 2.007; añadir un nuevo Artículo 2.008; y redesignar el actual Artículo 2.008 como 2.009, de la Ley 81-1991, según enmendada, conocida como “Ley de Municipios Autónomos

del Estado Libre Asociado de Puerto Rico de 1991”, a los fines de establecer que las deudas por concepto de arbitrios de construcción se constituyan como un gravamen preferente a favor del municipio correspondiente; y para otros fines relacionados.



**Ley Núm. 71 de 2 de febrero de 2018**

– Para declarar la política pública del Gobierno de Puerto Rico en torno al desarrollo agrícola de los terrenos comprendidos dentro del Valle de Añasco y declararlo como una reserva agrícola; ordenar la promulgación y adopción de una resolución de zonificación especial para estimular la producción y desarrollo agrícola, regular la otorgación de permisos de construcción o de uso en contravención con dicha política pública y la segregación de fincas en predios menores de diez (10) cuerdas por la Junta de Planificación, la Oficina de Gerencia de Permisos, y aquellos

municipios donde ubiquen terrenos de la Reserva aquí a establecerse; requerir la identificación de la titularidad de todas las fincas y el deslinde de las fincas con potencial agrícola que sean propiedad privada, de agencias gubernamentales y corporaciones públicas; desarrollar e implantar un plan para el desarrollo integral del Valle de Añasco y garantizar el uso agrícola de los terrenos primarios clasificados como altamente productivos; para fines relacionados a la agricultura, turismo y ecoturismo, y para otros fines.

**Ley Núm. 87 de 14 de abril de 2018**

– Para enmendar el Artículo 3 de la Ley 195-2011, según enmendada, conocida como la “Ley del Derecho a la Protección del Hogar Principal y el Hogar Familiar” a los fines

de extender el beneficio de hogar seguro a aquellas viviendas cuyos titulares optaron por construir las mismas, constituyendo un derecho de superficie.

**Ley Núm. 91 de 14 de abril de 2018**

– Para crear la Ley de Cumplimiento Automático con las Leyes de Incentivos por Emergencia, a los fines de establecer que todo

beneficiario de un decreto de exención se entenderá cumplió con varios requisitos allí dispuestos, a raíz de la emergencia causada por el paso del huracán María.

# ÓRDENES ADMINISTRATIVAS

- 1** **2017-003:** Formas de Pago del Segundo Plazo de Estimada de Planilla Mueble.
- 2** **2017-004:** A todos los empleados. Control y Manejo de los Beneficios Marginales conocidos como Licencia por Vacaciones y Licencia por Enfermedad ante la Emergencia surgida con el paso del Huracán María.
- 3** **2018-01:** A todos los adquirentes de Vivienda elegibles bajo la Ley Núm. 216 del 1 de noviembre de 2011, según enmendada por la Ley Núm. 13 del 21 de enero de 2018. Exención del pago de la contribución sobre Propiedad Inmueble a los adquirentes de Viviendas elegibles, según dispone la Ley Núm. 13-2018, que tiene propósito de extender la vigencia de las disposiciones de la Ley Núm. 2016-2011 hasta el 31 de diciembre de 2020.
- 4** **2018-02:** A todo contribuyente sujeto al pago de contribución estimada sobre propiedad Mueble correspondiente al año natural 2017. Descuento de cinco por ciento (5%) de la contribución determinada sobre la Propiedad Mueble correspondiente al año natural 2017.
- 5** **2018-03:** Enmienda la Orden Administrativa Núm. 2014-01 A todos los preparadores de planillas y contribuyentes. Requisito de radicar electrónicamente las planillas de contribución sobre la propiedad mueble para todos los contribuyentes.
- 6** **2018-04:** A todo contribuyente obligado a rendir la planilla de contribución sobre propiedad mueble. Extensión de tiempo adicional para el pago y la radicación de la planilla de contribución sobre propiedad mueble o prórroga automática del año contributivo 2017.

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7

**2017-005:** Sustituye la Orden Administrativa Núm. 2014-03. Reglas relacionadas al pago de la contribución estimada a partir de los años contributivos comenzados después del 31 de diciembre de 2013.

8

**2017-005:** Enmienda la Orden Administrativa Núm. 2018-04. A todo contribuyente obligado a rendir la planilla de contribución sobre propiedad mueble. Segunda extensión de término para el pago y la radicación de la planilla de contribución sobre la propiedad mueble o la prórroga automática del año contributivo 2017.

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**COMMONWEALTH OF PUERTO RICO  
MUNICIPAL REVENUE COLLECTION CENTER**

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**BASIC FINANCIAL STATEMENTS**

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**For The Fiscal Year Ended June 30, 2018  
(With The Additional Report Required By  
The *Government Auditing Standards*)**

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*López-Vega, CPA, PSC*

Certified Public Accountants / Management Advisors

Member of:

- American Institute of Certified Public Accountants
- Puerto Rico Society of Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

**To the Governing Board  
Municipal Revenue Collection Center  
San Juan, Puerto Rico**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Municipal Revenue Collection Center (the Center)** as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified
Tax Amnesty Fund	Unmodified
Agency Fund	Unmodified
Aggregated Remaining Fund Information	Unmodified

### Basis for Qualified Opinion on the Governmental Activities

As discussed in Notes 1 and 12, the Center's pension plan administrator has not provided the audited actuarial and financial information necessary for the proper recognition and reporting of its net pension liability as of June 30, 2018. As a result, the management has not complied with the accounting and financial reporting requirements for pensions that are provided to the employees of state and local governmental employers through pension plans trusts that comply with the criteria set forth in the GASB Statement No. 68. Accounting Principles Generally Accepted in the United States of America require that governmental employers whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans recognize a liability and pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate share of the collective net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources reported by the pension plan trust.

The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Center's governmental activities has not been determined. Also, the Center's financial statements do not disclose the descriptive information about the pension plans through which the pensions are provided required by the GASB Statement No. 68 for cost-sharing employers. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

### Qualified Opinion on the Governmental Activities

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Center, as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Center, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

**Other Matters**

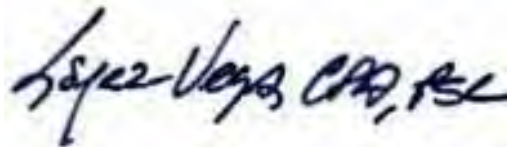
*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 4 - 16 and 72, respectively, be presented to supplement the basic financial statements. Such information, although is not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted historical pension information, required as supplementary information related to new pension standards (GASB Statement No. 68) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although is not a part of the basic financial statements, is required by the Governmental Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the omitted information.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the Center's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



**LOPEZ-VEGA, CPA, PSC**

San Juan, Puerto Rico  
December 20, 2018

Stamp No. 2742215 of the Puerto Rico  
Society of Certified Public Accountants  
was affixed to the record copy of this report.





## **INTRODUCTION**

The Management's Discussion and Analysis (MD&A) of the Municipal Revenue Collection Center (the Center) provides an overview of the Center's operational as well as financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Center's performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding.

The MD&A is an element of the reporting model adapted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and is included in this report.

## **ORGANIZATION STRUCTURE**

The Center is a municipal entity with legal personality, separate and independent from the Commonwealth of Puerto Rico, created in 1991 as part of the Municipal Reform. The Center is led by an Executive Director, who is appointed by the Governing Board. The Executive Director of the Center exercises the functions and powers provided by law, as well as those delegated to it by the Governing Board.

The Governing Board is comprised of eleven (11) members, from which nine (9) are mayors, the Commissioner of Municipal Affairs, and the President of the Government Development Bank for Puerto Rico ("GDB"). Act No. 109-2017, known as Law for the Restructuring of the Debt of the Government Development Bank for Puerto Rico, amended Act No. 80-1991 for define that GDB will act as a designated trustee until AAFAF assume these functions or appoint a financial institution to assume these functions, which must occur on or before the closing date (as such term is defined in the Act). Effective on August 2017 the Executive Director of AAFAF assumed representation on CRIM's Governing Board.

## **CENTER'S SERVICES**

The Center has one (1) Central Office and nine (9) Regional Offices located throughout the Island. The offices are located in Aguada, Arecibo, Bayamón, Caguas, Carolina, Humacao, Mayagüez, Ponce and San Juan. These offices serve taxpayers, in addition to carrying out technical functions, such as real estate appraisals, machinery and property valuation, among others.

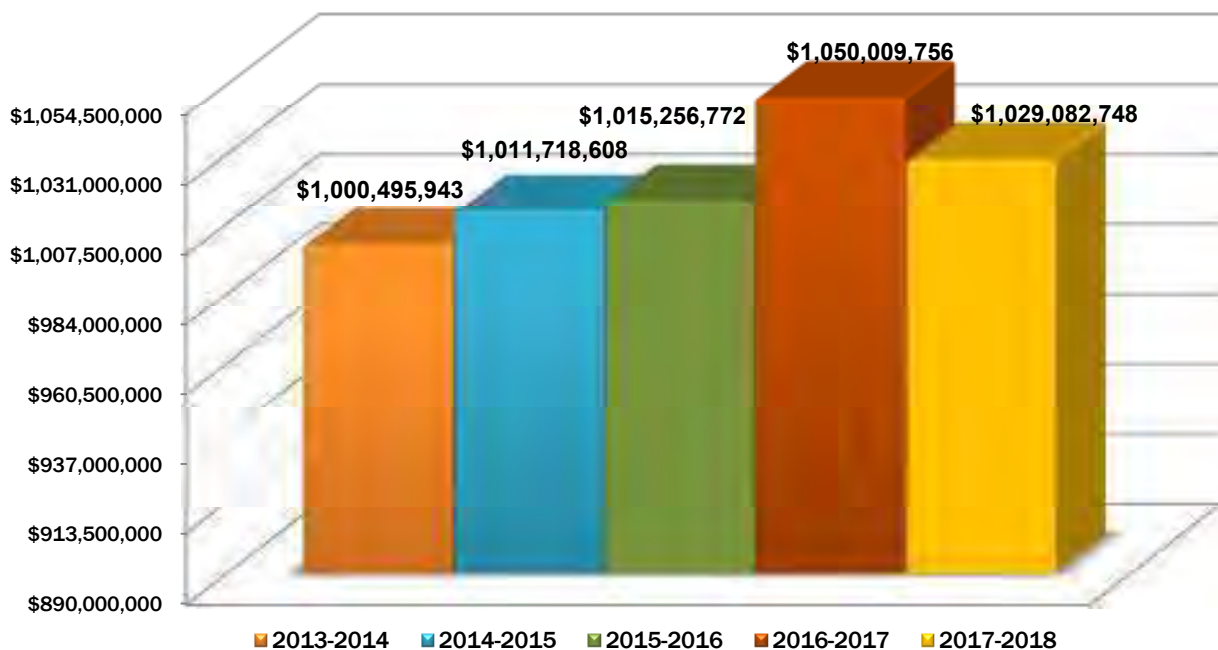
The Center provides fiscal services to all the municipalities including but not limited to notification, assessment and collection of both personal and real property taxes. To offer the service it renders, its principal source of revenue is derived from up to five percent (5%) of the municipal property tax collections.

## **OPERATIONAL HIGHLIGHTS**

The Center experienced a decrease on its tax collections from \$1,050.0 million in the fiscal year 2016-2017 to \$1,029.0 million in the current fiscal year, representing an decrease of \$21.0 million. This decrease in collections was mainly caused by the passing of the Hurricanes Irma and Maria in September 2017. CRIM reinstated functions in November 2017. The effect of these hurricanes is reflected in Personal Property Tax. The amounts do not include assignments from the Commonwealth of Puerto Rico and revenues awarded from the Puerto Rico Additional Lottery System.

**OPERATIONAL HIGHLIGHTS (CONTINUED)**

The following chart show how the Center has increased revenue collections during the last five (5) years:



During the fiscal year 2017-2018 the Collections and Executions Department continued their effort of collecting delinquent balances by mailing collection letters and bank executions. The following table shows the actions' results and trend of collections:

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Notifications, Bank Executions and Annotations on the Property Registry	2,368	7,215	27,235	6,202	2,441
Collections	\$11,132,790	\$6,995,818	\$8,347,741	\$7,859,505	\$5,115,267

In order to be more efficient and provide a faster and more reliable service to our taxpayers, many of the Center's services were provided through the Center's customer service phone line and through its website. With these tools the Center resolve twenty-three thousand eight hundred nineteen (23,819) questions and consultations. In addition, a total of two hundred ninety thousand twenty-nine (290,029) taxpayer's questions were received and resolved through the use of electronic mail. The phone calls and email consultations were primarily to online system access, owners or address changes, certifications, account balance, payments and general orientation. These services resulted on collections of approximately \$617.7 million during the fiscal year 2017-2018.

**OPERATIONAL HIGHLIGHTS (CONTINUED)**

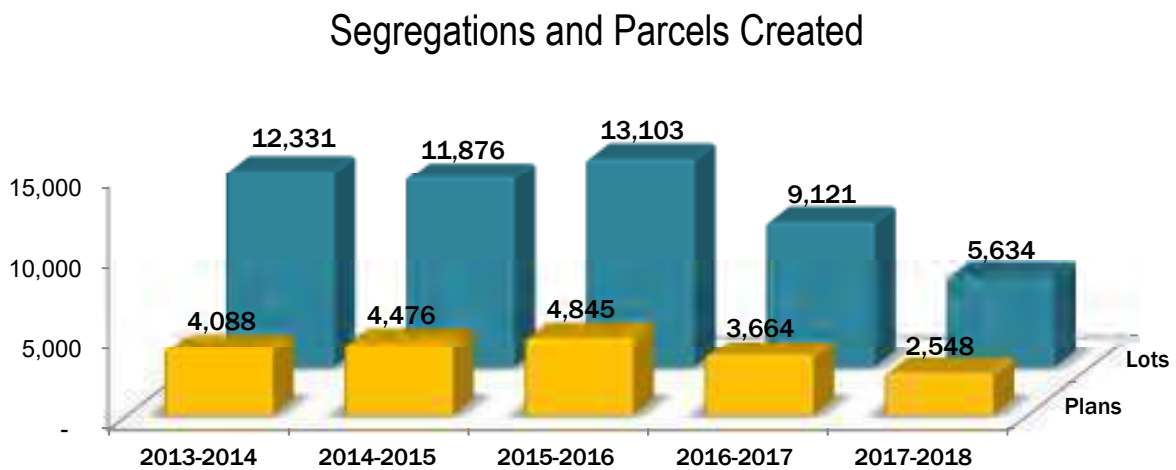
The following table shows a summary of transactions and the amount collected:

COLLECTIONS	TRANSACTIONS	AMOUNT
Website	203,294	\$609,100,996
IVR	8,825	5,077,098
Phone Line	4,214	3,301,230
Collections and Executions	129	188,462
Certifications	73,567	78,592
<b>TOTAL</b>	<b>290,029</b>	<b>\$617,746,378</b>

During the fiscal year 2013-2014, the Center implemented a project related to the electronic filing of the Personal Property Tax Return. During the current year, the Center updated electronic filing program, requiring all taxpayer filled Tax Return through Personal Property Portal. In this fiscal year there were approximately eighty-one thousand four hundred and fifty-nine (81,459) returns electronically filed and the related collections amounted to \$389 million.

Other efforts have been made to increase property assessment. The Center continued to incorporate all the outstanding land parcels in the system known as the Digital Cadastre of Puerto Rico (the Cadastre). The Cadastre is a mechanism by which productivity and effectiveness of the Center were improved. The inclusion of new parcels to the Cadastre had the effect of expanding the tax base, thus creating the opportunity to increase collections.

The following chart depicts the segregations and parcels completed during the last five (5) years:



During the fiscal year 2017-2018, the Cadastre is kept up to date, registering the cases in the same year that taxpayer fill the request for segregations or record of plots.

**OPERATIONAL HIGHLIGHTS (CONTINUED)**

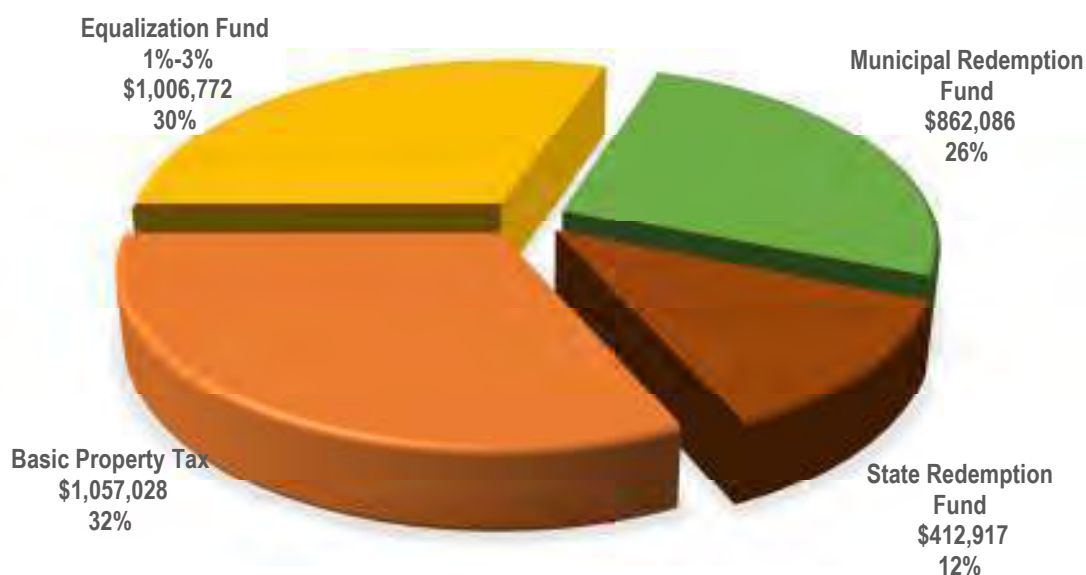
**Tax Incentive Program: Amnesty**

On December 2013, the Governor of Puerto Rico signed the Act No. 145, as amended. The principal objective of the Act No. 145 was to increase the collections of taxes for the benefit of municipalities, the Central Government and to purge the Center's registers. The Act No. 145 establish an Incentive Program for the Payment of Tax Due (Amnesty) for the period of 100 days; December 18, 2013 through March 27, 2014. This Act release total payment of interest, surcharges and penalties accumulated on real and personal property tax debts. Also, authorize the Center to sign payment plans agreements for up to four (4) years. A total of 15,567 agreements were issued and the estimated amount that will be collected on these agreements amounts to \$91.1 million. During the subsequent fiscal years, 792 agreements were issued for those taxpayers who withdrew from any intervention process, fiscal audit, administrative process or judicial review, financing \$4,976,272 in additional installments of 12 and 24 months.

As of June 30, 2018, a total of \$78.6 million of these agreements was collected (81.9% of the financed amount of \$96.1 million).

During the fiscal year 2017-2018, a total of \$3.3 million was collected from the payment agreements. The following graphic represents the distribution between Basic Property Tax, Municipal Redemption Fund, Equalization Fund, Municipal Redemption Fund, Commonwealth General Fund, and State Redemption Fund. In fiscal year 2017-2018, Center achieved the amount of five (\$5) million for administrative expenses, as stated in the Act No. 145-2013.

**AMNESTY PAYMENTS PLAN AGREEMENTS COLLECTIONS  
FISCAL YEAR 2017-2018**





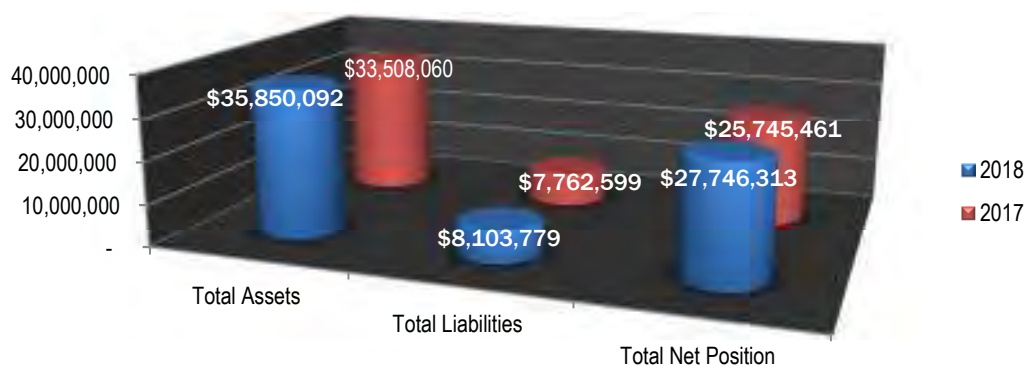
## FINANCIAL HIGHLIGHTS

### Government-wide highlights

**Net Position** – The total assets of the Center exceeded its total liabilities for fiscal year ended June 30, 2018 by \$27,746,313 as presented in “total net position”. Of this amount, the unrestricted portion amounted to \$10,087,227, the restricted portion amounted to \$524,537; and \$17,134,549 is related to the net investment in capital assets. The Center’s total net position increased by \$2,000,852 in comparison with the prior fiscal year balance.

<u>Condensed Statements of Net Position</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>%</u>
Current and other assets	\$ 18,715,543	\$ 15,853,235	\$ 2,862,308	18.06%
Capital assets	17,134,549	17,654,825	(520,276)	(2.95)%
<b>Total assets</b>	<b>35,850,092</b>	<b>33,508,060</b>	<b>2,342,032</b>	<b>6.99%</b>
Current and other liabilities	3,259,071	1,739,879	1,519,192	87.32%
Long-term liabilities	4,844,708	6,022,720	(1,178,012)	(19.56)%
<b>Total liabilities</b>	<b>8,103,779</b>	<b>7,762,599</b>	<b>341,180</b>	<b>4.40%</b>
<b>Total net position</b>	<b>\$ 27,746,313</b>	<b>\$ 25,745,461</b>	<b>\$ 2,000,852</b>	<b>7.77%</b>

The following chart presents a comparison of total assets, total liabilities and total position of the Center for the fiscal years ended June 30, 2018 and 2017.



## FINANCIAL HIGHLIGHTS (CONTINUED)

### Governmental Fund highlights

**Government Funds – Fund Balances** - As of June 30, 2018, the Center's Governmental Funds reported a combined ending fund balance of \$15,885,005, representing an increase of \$1,247,350 in comparison with the prior year balance. Of this total amounts, \$524,537 represents the restricted fund balance for specific purposes according to the law; \$5,051,323 represents unassigned fund balance; \$4,335,283 are committed to specific purposes as established by the Governing Board, such as improvement to the telecommunications system, computer servers virtualization, migration to internet protocol, relocation of the San Juan-Guaynabo office and general maintenance and painting; and \$5,973,862 are assigned for payment of contracts and obligations.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Center's basic financial statements, which include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

### Basic Financial Statements

The basic financial statements include two (2) kinds of financial statements that present different views of the Center: the government-wide financial statements and the fund financial statements. These financial statements also include the notes to the basic financial statements which provide more details about the information reported in the statements.

### Government-Wide Financial Statements

The Government-Wide Financial Statements provide a broad view of the Center's operations in a manner similar to a private sector business. The statements provide both short and long-term information about the Center's financial position, which assists the Center's in assessing the Center's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. They take into account all revenue and expenses connected with the fiscal year even if cash involved has not been received or paid. The Government-Wide Financial Statements include two (2) statements:

- **Statement of Net Position** – presents all the Center's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in the Center's net position may serve as a useful indicator of whether the financial position of the Center is improving or deteriorating.
- **Statement of Activities** – presents information showing how the Center's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the time of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as earned but unused vacation leave).

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Governmental Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Center, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. The Fund Financial Statements focus on individual parts of the Center's governmental funds, reporting the Center's operations in more detail than the Government-Wide Statements. All of the funds of the Center can be divided into two (2) categories. It is important to note that these fund categories use different accounting approaches and will be interpreted differently. The two (2) categories of funds are the following:

- **Governmental Funds Financial Statements** – Governmental Funds are used to account for essentially the same activities reported in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, the Governmental Fund Financial Statements focus on near-term inflows and outflows of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified-accrual basis of accounting.

These statements provide a detailed short-term view of the Center's finances that assists in determining whether there will be adequate resources available to meet the current needs of the Center. Because the focus of the Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for Governmental Activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both, the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities. These reconciliations are presented on the page immediately following each Governmental Fund Financial Statement.

The Center has three (3) Governmental Funds: 1) the General Fund, 2) the Tax Amnesty Fund and 3) the Special Revenue Fund. The Basic Governmental Funds Financial Statements can be found immediately following the Government-Wide Financial Statements.

- **Fiduciary Funds** – These funds are used to account for resources held for the benefit of the municipalities. Fiduciary Funds are not reflected in the Government-Wide Financial Statements because the resources of these funds are not available to support the Center's own activities. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. They use the accrual basis of accounting. The Center's Fiduciary Funds record the assets held for distribution by the Center as an agent for the municipalities. The Statement of Fiduciary Net Position-Agency Fund can be found immediately following the Governmental Funds Financial Statements.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The notes to the financial statements can be found immediately following funds financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS–VARIANCES

The following summarizes the main variances in the Government-Wide Financial Statements totals:

#### Statement of Net Position

Total assets increased by approximately \$2.34 million (6.99%) in comparison with the prior fiscal year. This increase was caused mainly by an increase of current and other assets amounting to \$2.86 million and a decrease in capital assets of \$520 thousand.

Total liabilities increase by approximately \$341 thousand (4.40%) in comparison with the prior fiscal year. This is the net effect of: (a) an increase in current liabilities of approximately \$1.52 million; and (b) a decrease in long-term debt by approximately \$1.18 million during the year ended June 30, 2018.

Total net position increased by approximately \$2.00 million (from \$25.75 million in 2017 to \$27.75 million in 2018), mainly as a result of the change in net position in the Statement of Activities. Below we summarize the main reasons for such increase.

#### Statement of Activities

Total revenues decreased by approximately \$737.7 thousand (2.42%) in comparison the with prior fiscal year. This effect was caused by the decrease in revenues related to property tax administrative fees amounting to \$660.3 thousand and a net decrease in other revenues of \$77.4 thousand.

Total expenses decreased by approximately \$3.11 million (10.07%) in comparison with the prior fiscal year. The main reason for the decrease in expenses was the decrease in professional and consulting services by \$2.54 million. Also, there was a reduction in travel and representation expense of \$215.6 thousand; a decrease of utilities expense of \$162.1 and a decrease in rent expense of \$153.8.

Also, transfers from other funds decreased by \$587 thousand compared with the prior year. There were no transfers during 2017.

As a result of the variances discussed above, the total change in net position decreased by \$1.79 million (from \$214 thousand million in 2017 to \$2.00 million in 2018).



**GOVERNMENT-WIDE FINANCIAL ANALYSIS–VARIANCES (CONTINUED)**

The following table shows the condensed statements of activities of the Center for the fiscal years ended June 30, 2018 and 2017.

<u>Condensed Statements of Activities</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>%</u>
General revenues:				
Property tax administrative fees	\$ 27,798,002	\$ 28,458,348	\$ (660,346)	(2.32)%
Sales of certifications and maps	591,157	683,476	(92,319)	(13.51)%
Interest and miscellaneous income	61,272	32,619	28,653	87.84%
Service charges to banks	975,950	1,333,782	(357,832)	(26.83)%
Federal grant	344,109	-	344,109	100.00%
<b>Total revenues</b>	<b>29,770,490</b>	<b>30,508,225</b>	<b>(737,735)</b>	<b>(2.42)%</b>
Expenses:				
Taxpayers' and technical services	15,296,214	19,944,075	(4,647,861)	(23.30)%
Administration	12,473,424	10,936,579	1,536,845	14.05%
<b>Total expenses</b>	<b>27,769,638</b>	<b>30,880,654</b>	<b>(3,111,016)</b>	<b>(10.07)%</b>
Transfers from other funds	-	587,402	(587,402)	(100.00)%
Change in net position	2,000,852	214,973	1,785,879	830.75%
Net position, beginning of year	25,745,461	25,530,488	214,973	0.84%
<b>Net position, end of year</b>	<b>\$ 27,746,313</b>	<b>\$ 25,745,461</b>	<b>\$ 2,000,852</b>	<b>7.77%</b>

The following table shows the Center's expenses by type for the years ended June 30, 2018 and 2017.

<u>Expenses by type</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>%</u>
Salaries and fringe benefits	\$ 21,031,610	\$ 21,330,918	\$ (299,308)	(1.40)%
Professional and consulting services	1,377,279	3,914,799	(2,537,520)	(64.82)%
Travel and representation	297,933	513,577	(215,644)	(41.99)%
Depreciation	930,083	983,348	(53,265)	(5.42)%
Supplies	70,136	90,552	(20,416)	(22.55)%
Rent	1,348,453	1,502,263	(153,810)	(10.24)%
Repairs and maintenance	815,346	854,108	(38,762)	(4.54)%
Utilities	780,183	942,321	(162,138)	(17.21)%
Printed forms	185,422	61,622	123,800	200.90%
Postage	484,028	427,141	56,887	13.32%
Insurance	195,848	82,651	113,197	136.96%
Trainings	5,592	38,971	(33,379)	(85.65)%
Interest	168,878	103,086	65,792	63.82%
Other	78,847	35,297	43,550	123.38%
<b>Total expenses</b>	<b>\$ 27,769,638</b>	<b>\$ 30,880,654</b>	<b>\$ (3,111,016)</b>	<b>(10.07)%</b>

## FINANCIAL ANALYSIS OF THE CENTER'S GOVERNMENTAL FUND

The focus of the Center's Governmental Funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Center's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. There are approximately \$4.33 million of fund balance committed to indicate that it is not available for new spending because it has already been committed to cover special projects according to the resolutions of the Governing Board, and there is approximately \$5.97 million assigned to liquidate contracts and purchase orders. Restricted funds of approximately \$524 thousand will be used according to the requirements of the Act No. 145 of December 9, 2013, as amended.

The General Fund is the operating fund of the Center. At the end of the current fiscal year, unassigned fund balance was \$4.298 million while the total fund balance reached \$14.578 million. The Center's General Fund balance increased by \$1.625 million during the fiscal year ended June 30, 2018.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final budgets amounted to \$29.196 million, and remained substantially the same except for reclassification of expenditures made throughout the fiscal year. For the fiscal year 2018, the general fund actual expenditures amounted to \$26.087 million, which represents approximately \$3.109 million less than the final budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

The Center's capital assets for its government activities as of June 30, 2018 amounted to \$36.263 million with an accumulated depreciation of \$19.129 million, resulting in a book value of \$17.134 million. This investment in capital assets includes land, construction in progress, building, building improvements, office equipment, computer hardware and software and vehicles.

### Debt administration

The Center's long-term debt obligations consist of accrued compensated absences. Information of these debts can be found in Note 7 to the Basic Financial Statements.

### Adoption of GASB Statement No. 68

The GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment to GASB Statement No. 27, was effective for the fiscal year ended June 30, 2015. This Statement requires participants of cost-sharing defined benefit pension plans that are administered through trusts that comply with certain criteria to recognize in their financial statements their proportionate share of the collective net pension liability, net pension expense and deferred outflows/inflows of resources related to pensions. The Center's pension plan is administered by the Employees Retirement System Administration (ESR). The ESR has not provided to the Center the audited actuarial and financial information necessary for the proper recognition and reporting of its net pension liability as of June 30, 2017 (measurement date). Accordingly, the Center could not comply with the accounting and financial reporting requirements set forth in GASB Statement No. 68. Consequently, the Center's financial statements do not report or disclose the required information for its pension plan for the fiscal year 2017-18.

## ECONOMIC FACTORS

The Commonwealth of Puerto Rico (the Commonwealth) and its instrumentalities are currently facing a severe fiscal and liquidity crisis. This is the culmination of many years of significant governmental deficits, a prolonged economic recession (which commenced in 2006), high unemployment, population decline, and high levels of debt and pension obligations.

Also, credit rating agencies have been downgrading their ratings on the Commonwealth debt obligations based on, among other problems, years of deficit financing, pension underfunding, budgetary imbalance, and as mentioned before, years of prolonged recession.

As more fully explained in Notes 2, 13 and 16 to the financial statements, the Governments of the United States of America and the Commonwealth of Puerto Rico have approved and implemented certain laws to overcome this crisis. Following are some of the measures implemented to this end:

- ***Puerto Rico Fiscal Agency and Financial Advisory Authority – Act No. 2 of 2017***

On January 18, 2017, the Commonwealth of Puerto Rico approved Act No. 2, known as “*The Puerto Rico Fiscal Agency and Advisory Authority (FAFAA)*” in order to empower the Authority to oversee compliance with the certified budget and fiscal plan approved pursuant to the Puerto Rico Oversight, Management and Economic Stability Act of 2016 (PROMESA); to delegate to the Authority the power to revise matters including, but not limited to, agreements, transactions and regulations of the agencies and instrumentalities of the Government of Puerto Rico; to provide that it shall be the only entity authorized to enter into creditors’ agreements, and/or renegotiate or restructure the public debt, in whole or in part, or any other debt issued by any Government body including, but not limited to, agencies, boards, commissions, instrumentalities, public corporations or applicable political subdivision; to provide that the Executive Director of the FAFAA shall be the legal successor of the President of the Government Development Bank of Puerto Rico (GDB) in every board, committee, commission or Council; to repeal Chapter 6 of Act No. 21-2016, as amended, and the Puerto Rico Fiscal Oversight and Recovery Organic Act, Act No. 208-2015; and for other related purposes.

- ***Puerto Rico Financial Emergency and Fiscal Responsibility Act – Act No. 5 of 2017***

On January 29, 2017, the Commonwealth of Puerto Rico approved Act No. 5, known as “*Puerto Rico Financial Emergency and Fiscal Responsibility Act*” to facilitate and encourage a voluntary negotiation process under PROMESA between the Governor and/or the FAFAA, on behalf of the Government of Puerto Rico, and the creditors of the Government of Puerto Rico and its instrumentalities. This Act Authorizes the Government of Puerto Rico, within the parameters established by PROMESA, to designate certain services necessary for the health, safety and welfare of the residents of Puerto Rico and provided by the Government of Puerto Rico and its instrumentalities as “essential services”, in accordance with the Constitution of Puerto Rico.

**ECONOMIC FACTORS (CONTINUED)**

- ***Fiscal Plan Submissions and Certifications – Commonwealth of Puerto Rico and Government Development Bank of Puerto Rico***

On a letter dated January 18, 2017, the Financial Oversight and Management Board of Puerto Rico (“the Board”) provided the Governor the fiscal plan targets and guidelines, on a category-by-category basis, that the certified plan should satisfy. Also, the Board approved the Governor’s request that it extend the PROMESA stay on litigation through May 1, 2017 on conditions agreed to by the Governor, including a commitment not to attempt to procure short-term liquidity loans that could restrict fiscal options. On February 28, 2017, the Governor submitted a proposed fiscal plan and, after the review, analysis and deliberation with the Board’s members, economists, consultants, attorneys and Governor’s representatives, the Board informed the Governor on March 9, 2017 that it had determined the proposed fiscal plan did not satisfy PROMESA’s requirements. On March 11, 2017, the Governor submitted to the Board a revised fiscal plan. On March 13, 2017, the Board approved and certified this final plan.

- ***Filing of Title III of PROMESA for the District of Puerto Rico***

On May 3, 2017, the Financial Oversight and Management Board for Puerto Rico approved and certified the filing in the United States District Court for the District of Puerto Rico of a voluntary petition under Title III of PROMESA for the Commonwealth of Puerto Rico. This filing was necessary due to the expiration on May 1, 2017 of the stay against litigation provided by PROMESA, and thus making the government vulnerable to lawsuits by its creditors. The voluntary filing under Title III would preclude those lawsuits while allowing the possibility of consensual negotiations to continue. Also, on May 5, 2017, another voluntary petition under Title III of PROMESA was approved, certified and filed for the Puerto Rico Sales Tax Financing Corporation (“COFINA”) and, on May 22, 2017, the Board approved, certified and filed similar voluntary petitions for the Puerto Rico Highway and Transportation Authority (“HTA”) and the Government of Puerto Rico Employees Retirement System (“ERS”).

- ***Restructuring Support Agreement (“RSA”) under the provisions of Title VI of PROMESA – Government Development Bank of Puerto Rico***

On May 15, 2017, the FAFAA and the Government Development Bank of Puerto Rico announced a Restructuring Support Agreement (“RSA”) with a significant portion of GDB’s financial creditors, which became effective pursuant to its terms on May 17, 2017. The RSA contemplates dividing GDB’s assets into two separate entities: one for the benefit of its financial creditors consisting of bondholders, municipal depositors and non-government entity depositors (“New Issuer”), and a Public Entity Trust (“PET”) for the benefit of other depositors (government entity depositors).

The RSA terms are to be consummated pursuant to a consensual restructuring of the GDB’s liabilities using a Title VI Qualifying Modification. Once approved by the requisite financial creditors of the GDB, the Financial Oversight and Management Board and the U.S. District Court (Puerto Rico), the RSA will provide GDB’s stakeholders a recovery based on the claim type.

As described on Note 16, on March 23, 2018, GDB ceased its operations and on November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant a Qualifying Modification under Title VI of PROMESA (the Qualifying Modification).

## **CONTACTING CRIM FINANCIAL MANAGEMENT**

The Center's financial statements are designed to present users with a general overview of its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Municipal Revenue Collection Center at PO Box 195387, San Juan, PR 00919-5387.



	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 13,864,204
Accounts receivable	516,531
Due from other funds	<u>4,334,808</u>
Total current assets	<u>18,715,543</u>
Noncurrent assets:	
Nondepreciable assets	6,723,658
Depreciable assets	<u>10,410,891</u>
Capital assets, net of accumulated depreciation	<u>17,134,549</u>
 Total assets	 <u>\$ 35,850,092</u>
Liabilities:	
Current portion of:	
Accrued compensated absences	\$ 428,533
Accounts payable and accrued expenses	<u>2,830,538</u>
Total current liabilities	<u>3,259,071</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	4,757,208
Claims and judgments	<u>87,500</u>
Total noncurrent liabilities	<u>4,844,708</u>
 Total liabilities	 <u>8,103,779</u>
Net position:	
Net investment in capital assets	17,134,549
Restricted	524,537
Unrestricted	<u>10,087,227</u>
 Total net position	 <u>27,746,313</u>
 Total liabilities and net position	 <u>\$ 35,850,092</u>

	<u>Governmental Activities</u>
<b>Expenses:</b>	
Taxpayers' and technical services	\$ 15,296,214
Administration	<u>12,473,424</u>
<b>Total expenses</b>	<u>27,769,638</u>
<b>General revenues:</b>	
Property tax administrative fees	27,798,002
Sales of certifications and maps	591,157
Service charges to banks	975,950
Interest and miscellaneous income	61,272
Federal grant	<u>344,109</u>
<b>Total general revenues</b>	<u>29,770,490</u>
<b>Change in net position</b>	2,000,852
Net position, beginning of fiscal year	<u>25,745,461</u>
<b>Net position, ending of fiscal year</b>	<u>\$ 27,746,313</u>

	General Fund	Tax Amnesty Fund	Special Revenue Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 12,277,626	\$ 1,306,661	\$ 279,917	\$ 13,864,204
Accounts receivable	452,339	-	64,192	516,531
Due from other funds	4,727,064	-	-	4,727,064
<b>Total assets</b>	<b>\$ 17,457,029</b>	<b>\$ 1,306,661</b>	<b>\$ 344,109</b>	<b>\$ 19,107,799</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 2,830,360	\$ 178	-	\$ 2,830,538
Due to other funds	48,147	-	344,109	392,256
<b>Total liabilities</b>	<b>2,878,507</b>	<b>178</b>	<b>344,109</b>	<b>3,222,794</b>
<b>Fund balances</b>				
Restricted	-	524,537	-	524,537
Committed	4,335,283	-	-	4,335,283
Assigned	5,945,172	28,690	-	5,973,862
Unassigned	4,298,067	753,256	-	5,051,323
<b>Total fund balances</b>	<b>14,578,522</b>	<b>1,306,483</b>	<b>-</b>	<b>15,885,005</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,457,029</b>	<b>\$ 1,306,661</b>	<b>\$ 344,109</b>	<b>\$ 19,107,799</b>

Total Fund Balances-Governmental Funds		\$ 15,885,005
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. In the current period, these amounts are:		
Non-depreciable assets	\$ 6,723,658	
Depreciable capital assets	29,540,098	
Accumulated depreciation	<u>(19,129,207)</u>	
Total capital assets		17,134,549
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds. Those liabilities consist of:		
Reserve for claims and judgments	87,500	
Accrued compensated absences	<u>5,185,741</u>	
Total long-term liabilities		<u>(5,273,241)</u>
Total Net Position of Governmental Activities		<u>\$ 27,746,313</u>

	General Fund	Tax Amnesty Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues:</b>				
Property taxes administrative fees	\$ 27,798,002	\$ -	\$ -	\$ 27,798,002
Sales of certifications and maps	591,157	-	-	591,157
Service charges to banks	975,950	-	-	975,950
Interest and miscellaneous income	61,272	-	-	61,272
Federal grant	-	-	344,109	344,109
<b>Total revenues</b>	<b>29,426,381</b>	<b>-</b>	<b>344,109</b>	<b>29,770,490</b>
<b>Expenditures:</b>				
Taxpayers' and technical services	15,088,878	207,336	-	15,296,214
Administration	12,882,817	-	344,109	13,226,926
<b>Total expenditures</b>	<b>27,971,695</b>	<b>207,336</b>	<b>344,109</b>	<b>28,523,140</b>
Excess of revenues over expenditures	1,454,686	(207,336)	-	1,247,350
<b>Other financing sources (uses):</b>				
Transfers in	170,156	-	-	170,156
Transfers out	-	(170,156)	-	(170,156)
<b>Total other financing sources (uses)</b>	<b>170,156</b>	<b>(170,156)</b>	<b>-</b>	<b>-</b>
Net change in fund balances	1,624,842	(377,492)	-	1,247,350
Fund balances, beginning	12,953,680	1,683,975	-	14,637,655
Fund balances, ending	<u>\$ 14,578,522</u>	<u>\$ 1,306,483</u>	<u>\$ -</u>	<u>\$ 15,885,005</u>



Net Change in Fund Balances - Total Governmental Funds

Amounts reported for governmental activities in the Statement of Activities are different because:	\$ 1,247,350
Governmental funds report capital outlays as expenditures. However, in the government-wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets additions recorded in the current period.	409,807
Depreciation expense on capital assets is reported in the government-wide Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(930,083)
Long-term accrued compensated absences are reported in the government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, long-term accrued compensated absences were amounts not reported as expenditures in the governmental funds. The following amount represents the net change in the long-term accrued compensated absences from prior year.	<u>1,273,778</u>
Change in Net Position of Governmental Activities	<u>\$ 2,000,852</u>

	Citizen's Participation	Property Taxes	Municipal Redemption
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 125,632,692	\$ 325,386,475
Cash with fiscal agent	-	137	238,517,649
Due from:			
Taxpayers-real property, net of allowance for uncollectables of \$2,766,428,621	-	618,769,197	-
Taxpayers-personal property, net of allowance for uncollectables of \$376,559,990	-	97,536,894	-
Municipalities, net of allowance for uncollectables of \$41,088,095	-	240,026,580	-
Commonwealth, net of allowance for uncollectables of \$8,313,077	-	12,950,376	-
Others	4,000	-	-
<b>Total assets</b>	<b>\$ 4,000</b>	<b>\$ 1,094,915,876</b>	<b>\$ 563,904,124</b>
<b>Liabilities</b>			
Due to:			
Commonwealth Government	\$ -	\$ 300,373,732	\$ -
Municipalities-real property	-	618,769,197	-
Municipalities-personal property	-	97,536,894	-
Municipalities-restricted for debt service	-	-	563,904,124
Municipalities-other	4,000	73,897,245	-
Other funds	-	4,338,808	-
<b>Total liabilities</b>	<b>\$ 4,000</b>	<b>\$ 1,094,915,876</b>	<b>\$ 563,904,124</b>

## 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

The Municipal Revenue Collection Center (the Center) was created by Act No. 80 of August 30, 1991, as amended, as part of the Municipal Reform Legislation. The Center was created for the purpose of establishing a separate and independent municipal entity from the Commonwealth of Puerto Rico (the Commonwealth), to collect, receive and distribute the property tax revenues of the Municipalities. Prior to the enactment of this Act, the Commonwealth, through the Department of Treasury, accounted for these revenues. The Center is exempt from the payment of taxes on its revenues and properties.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board Codification Section 2100 has been considered and there are no agencies or entities which should be presented together with the Center's Financial Statements.

### B. Basis of Accounting

#### *Accounting estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue, expenses and/or expenditures during the reporting period. Actual results could differ from those estimates.

#### *Cash and cash equivalents*

The Center has defined cash and cash equivalents to include cash on hand, demand, deposits, and short-term investments with original maturities of three (3) months or less from the date of acquisition.

#### *Capital assets*

Capital assets include land, construction in progress, building, building improvements, and equipment, and are reported in the government-wide financial statements.

The Center defines capital assets as assets, which have an initial individual cost of more than \$200 at date of acquisition and an estimated useful life of five (5) or more years. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their acquisition value / entry price (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date).

Additions, improvements and other capital outlays that significantly extend the useful life of capital assets are capitalized. The costs of normal maintenance and repairs that do not add value to the assets or materially extend assets lives are not capitalized; instead, they are expensed as incurred.

## 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### ***Capital assets (Continued)***

Capital assets accounted for in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements. Also, capital assets are depreciated using the straight-line method over the assets estimated life. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in the depreciation and amortization expense amounts reported in the financial statements. Land and construction in progress are non-depreciable assets. The estimated useful lives of capital assets are as follows:

<u>Types of Capital Assets</u>	<u>Years</u>
Building/Infrastructures	40
Building/Infrastructure improvements	40
Office equipment	5
Computer hardware and software	5
Vehicles	5
Office equipment under capital lease	5

### ***Deferred outflows/inflows of resources***

In addition to assets, the Statement of Net Position 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the Statement of Net Position 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three (3) items that qualify for reporting in this category:

1. **Government-mandated or voluntary non-exchange transactions received before the time requirements have been met** – Federal and state grants received before the beginning of the fiscal year to which they pertain are recognized as deferred inflows of resources on both the Balance Sheet of the Governmental Funds and in the Government-Wide Statement of Net Position. The amounts deferred would be recognized as an inflow of resources (revenue) in the period in which the time requirements are fulfilled.
2. **Unavailable revenue reported under the modified-basis of accounting** – Amounts collected or to be collected after the availability period are recognized as *unavailable revenue* in the Governmental Funds' Balance Sheet. The amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available. Since this deferred inflow of resources is the result of the modified-accrual basis of accounting, it is only reported in the governmental fund financial statements.

## 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Deferred outflows/inflows of resources (Continued)*

- 3. Deferred outflows/inflows of resources related to pensions** - Amounts reported for changes in calculation of the net pension liability that result from: a) differences between expected and actual experience; b) changes of assumptions; c) net difference between projected and actual earnings on pension plan investments; d) changes in proportion and difference between the Center's contributions and proportionate share contributions; and e) Center's contributions subsequent to the measurement date.

### *Long-term obligations*

In the Government-Wide Financial Statements, special and other long-term obligations are reported as noncurrent liabilities in the Statement of Net Position. The liabilities reported in this statement include the Center's long-term liabilities for the acquisition of office equipment, and the long-term accrued compensated absences.

### *Compensated absences*

Compensated absences are those absences for which employees will be paid, such as a vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Center and its employees is accrued as employees earn its rights to benefits. Until February 3, 2017, employees earned their right to annual vacation leave at the rate of thirty (30) working days per calendar year up to a maximum permissible accrual of sixty (60) working days for regular employees. The excess was payable, if not used by the employee, by June 30 of the next fiscal year. Employees earned sick leave at the rate of eighteen (18) working days per calendar year. Sick leave is only payable if the regular employee resigns and has more than ten (10) years of employment, or retires. The maximum permissible accrual is ninety (90) working days for all employees and the excess is payable if not used by employee by March 31 of the next fiscal year.

On February 4, 2017, the Government enacted Law No. 8 for the Administration and Transformation of the Human Resources of the Government of Puerto Rico. This Law established and recognized that the government is a Single Employer. Under the provisions of this Law, annual vacation days were reduced from thirty (30) to fifteen (15) days. The vacation days may be accumulated to a maximum of sixty (60) days. Also, the employees hired before the effectiveness of this Law will be granted annually eighteen (18) days of sick leave. However, the employees hired after the effectiveness of this Law, will be granted annually twelve (12) days of sick leave. In both cases, the sick leave days may be accumulated to a maximum of ninety (90) days.

On July 10, 2018, the Law No. 125 was enacted in order to recognize the CRIM as a municipal entity. In accordance with this Law, the CRIM's employees are not subject to Law No. 8 described before. Based on the Law No. 125, the CRIM established that all employees will earn their right to annual vacation leave at the rate of thirty (30) working days per calendar year up to a maximum permissible accrual of sixty (60) working days for regular employees. The days in excess will not be paid, and will be lost if not used by the employees.



## 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### ***Compensated absences (Continued)***

Also, employees will earn sick leave at the rate of eighteen (18) working days per calendar year. Sick leave is only payable if the regular employee resigns and has more than ten (10) years of employment, or retires. The maximum permissible accrual is ninety (90) working days for all employees and the days in excess will not be paid, and will be lost if not used by the employees.

The Center accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the Government-Wide and the Governmental Funds' Financial Statement presentations.

### ***Claims and judgments***

The estimated amount of the liability for claims and judgments, which is due on demand, such as from adjudicated or settled claims, is recorded in the general fund when the liability is incurred.

Those cases that, as a result of the settlement a property tax credit is awarded, such a credit is recorded by management as a contra-account in the property tax receivable balance.

### ***Accounting for pension costs***

The Center's employees are covered by the retirement plans administered by the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). The Commonwealth of Puerto Rico is considered to be the sponsor of the ERS, a multi-employer defined contribution plan.

The Center accounts for pension costs in accordance with the requirements of ***GASB Statement No. 68*** "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27" as a participant employer of the retirement plans administered by the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). Accordingly, pension costs are reported based on its proportional share of the collective net pension liability, pension expense and deferred outflows/inflows of resources reported by the Plan. For purposes of measuring, (1) the net pension liability, (2) deferred outflows of resources related to pensions, (3) deferred inflows of resources related to pensions, (4) pension expense, (5) information about the pension plan's fiduciary net position and (6) additions to/deductions from the plan's fiduciary net position all have been determined on the same basis as they are reported by the Plan.

Effective on July 1, 2017 the Center and other participants of the ERS converted to a new PayGo model. Under the PayGo funding, the participant employers directly pay the pension benefits as they are due rather than attempt to build up assets to pre-fund future benefits. Paygo payments are recorded as expenditures in the governmental fund financial statements.

## 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Measurement Focus

The Center's basic financial statements include both Government-Wide (Statement of Net Position and Statement of Activities) and Governmental Funds Financial Statements (Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balances).

#### ***Government-Wide Financial Statements***

The Government-Wide Financial Statements report information of all the non-fiduciary activities of the Center. For the most part, the effect of inter-fund activity has been removed from these Government-Wide Financial Statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and, 2) contributions that are restricted to meeting the operational or capital requirements of a specific function. Management fees and other items not properly included among program revenues are reported instead as general revenues.

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the Fiduciary Fund Financial Statement. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### ***Governmental Fund Financial Statements***

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Center considers revenue to be available if it is collected within sixty (60) days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Separate Fund Financial Statements are provided for Governmental Funds and Fiduciary Funds, even though the later are excluded from the Government-Wide Financial Statements. Major individual government funds are reported as separate columns in the fund financial statements.

## 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Basic Financial Statements Presentation

#### *Financial reporting presentation*

Financial information of the Center is presented in this report as follows:

1. Management's Discussion and Analysis introduces the basic financial statements and provides analytical overview of the Center's financial activities.
2. The Government-Wide Financial Statements report information of all of the non-fiduciary activities of the Center. The Statement of Net Position presents the Center's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:
  - a. **Net investment in capital assets** – Consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. The portion of the debt or deferred inflows of resources attributable to the unspent debt proceeds is not included in the calculation of net investment in capital assets. Instead, the portion of the debt or deferred inflows of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.
  - b. **Restricted net position** – The restricted component of net position consists of restricted assets (subject to restrictions beyond the Center's control) reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Restrictions are externally imposed (by creditors, grantors, contributors, or laws and regulations of other governments) or imposed by the law through constitutional provisions or enabling legislation.
  - c. **Unrestricted net position** – Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position is often designated to indicate that management does not consider them to be available for general operations. These types of constraints are internal and management can remove or modify them.

The Government-Wide Statement of Activities was prepared following the option available for single-program governments using a single column reporting expenses (by functions) first followed by revenues (by major sources). The difference between these amounts is the change in net position and followed by beginning and ending net position.

## 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Basic Financial Statements Presentation (Continued)

#### *Financial reporting presentation (Continued)*

##### d. Net position flow assumption

Sometimes, the Center will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Center's policy to consider restricted – net position to have been depleted before unrestricted – net position applied.

3. Governmental Funds Financial Statements focus on information about the Center's General Fund, Tax Amnesty Fund and Special Revenue Fund.

- a. **General Fund:** The General Fund is the operating fund of the Center and it is used to account for all financial resources except those required to be accounted for in another fund.

- b. **Tax Amnesty Fund:** During the fiscal year ended June 30, 2014, the Legislature of the Commonwealth enacted Act No. 145 of December 9, 2013 (Act No.145), as amended, which established a Tax Incentive Plan, effective for 100 days. The Plan consisted of an exemption from payment of certain interest, penalties and surcharges accumulated over real property taxes imposed before the fiscal year 2013-2014, over personal property taxes imposed before 2013, and the requirement made to the Center of eliminating from its accounting books certain tax debts. Also, the Act No. 145 established that the Center will create a special fund in which the collections under the above mentioned plan will be deposited. Ninety five percent (95%) of such collections were assigned and distributed to the municipalities during the fiscal years ended June 30, 2014, 2015 and 2016. Also, five percent (5%) of such collections were assigned to the Center during those years up to \$5,000,000. Since the fiscal year ended June 30, 2017, one hundred percent (100%) of the collections were assigned and distributed to the municipalities. The transactions and balances of the five percent (5%) assigned to the Center are reported in the Tax Amnesty Fund.

On May 16, 2014, the Legislature of the Commonwealth enacted the Act No. 55 of 2014, as an amendment to the Act No. 145. This Act stated that the Center shall distribute collections under Tax Amnesty Act no later than ninety (90) days after the tax amnesty expiration date.

- c. **Special Revenue Fund:** This fund accounts for the proceeds of specific revenue source, such as federal and state grants, that are legally restricted to expenditures for specific purposes. This legal restriction may be imposed either by governments that provide funds, or by outside parties. This fund accounts for substantially all federal monies received by the Center.

## 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Basic Financial Statements Presentation (Continued)

#### *Financial reporting presentation (Continued)*

4. The statements and notes are followed by the required supplementary information that contains the budgetary comparison schedule for the General Fund. The Schedule of the Center's Proportionate Share of the Net Pension Liability and the Schedule of Center's Contributions are also required supplementary information required by GASB, but are not presented as further explained in Note 12 of the financial statements.
5. The Statement of Fiduciary Net Position is reported using the economic measurement focus and the accrual basis of accounting, similar to the Government-Wide Financial Statements described above. The Center reports the following fiduciary funds:
  - a. **Agency fund:** This fund reports resources held by the reporting government in a purely custodial capacity. There are three major agency funds reported by the Center as follows:
    - i. **Property Tax Fund:** Pursuant to Act No. 80 of August 30, 1991, as amended, the Center is empowered to bill and collect property taxes in order to distribute property tax collections to the municipalities.
    - ii. **Municipal Redemption Fund:** This fund is used to service the debt of the municipalities.
    - iii. **Citizens' Participation Fund:** The Center is responsible for receiving and distributing funds assigned by the Commonwealth for citizens' participation in the municipality development program, (the Program). The Program was established by Act No. 2 of July 9, 1973, as amended, and is funded through legislative appropriations. The funds of the Program are distributed to the municipalities based on some specific criteria established by the Act.
6. Notes to the financial statements

The emphasis in the fund financial statements is on major funds. The model defined in GASB No. 34 establishes criteria for determination of a major fund. In summary, the Center reports as major funds, the General Fund, the Tax Amnesty Fund and the Special Revenue Fund.

### E. Fund Balances –Governmental Funds

The Governmental Funds Financial Statements present fund balances classifications that comprise a hierarchy that is based primarily on the extent to which the Center is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the Governmental Fund Financial Statements are as follows:

- **Non-spendable:** This classification includes amounts that cannot be spent because they are either: a) not in spendable form or b) are legally or contractually required to be maintained intact. The Center has currently no funds under this classification as there are no items that are not expected to be converted to cash within the next year.



## 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### E. Fund Balances –Governmental Funds (Continued)

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either: (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Center's Governing Board (the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the Center's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the Center's Executive Director through the budgetary process.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

#### Fund balance flow assumptions

The Center would typically use restricted balance first, followed by committed resources, and the assigned resources, as appropriate opportunities arose, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

### F. Financial Risk

The Center carries commercial insurance to cover casualty, theft, tort claims and other losses. The cost of insurance for the year ended June 30, 2018 amounted to \$195,848. The current insurance policies have not been cancelled or terminated.

## 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### G. Reconciliation of Government-Wide and Fund Financial Statements

The basic financial statements of the governmental funds includes a reconciliation between the total fund balances of the governmental funds and the total net position of governmental activities as reported in the Government-Wide Statement of Net Position. The two (2) elements of the reconciliation are:

- long-term liabilities, including compensated absences, loans and notes payable, that are not due and payable in the current period, and therefore, are not reported in the governmental funds, and
- capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds.

Likewise, the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances of the governmental funds includes a reconciliation between the excess (deficiency) of revenues over (under) expenditures and the change in net position as reported in the Government-Wide Statement of Activities.

The reconciliation explains, among other things, that the governmental funds report capital outlays as expenditures, but are capitalized and their costs allocated over their estimated useful life in the Government-Wide Financial Statements.

## 2-CASH AND CASH EQUIVALENTS

### A. Deposits

The Center is authorized to deposit only in bank institutions approved by the Department of Treasury of the Commonwealth. Such deposits should be kept in separate accounts in the name of the Center. It is the Center's policy to have all bank account openings approved by the Board. During the year ended June 30, 2018, the Center invested its funds in interest-bearing accounts.

### B. Custodial Credit Risk

**Custodial credit risk – deposits:** is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Center maintains cash deposits in commercial and governmental banks located in Puerto Rico. Under Commonwealth of Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of insurance provided (up to \$250,000) by the Federal Deposit Insurance Corporation (FDIC). All securities pledged as collateral by the Center are held by agents designated by the Puerto Rico Secretary of Treasury but not in the Center's name. The total deposits in commercial and governmental banks, at June 30, 2018, amounted to \$702,411,408.

**2-CASH AND CASH EQUIVALENTS (CONTINUED)****B. Custodial Credit Risk (Continued)*****Deposits in commercial banks***

The Center has the following depository accounts in two (2) commercial banks. All deposits are carried at cost plus accrued interest, if any.

<u>Depository Account</u>	<u>Bank Balance at June 30, 2018</u>
Deposits insured by the FDIC	\$ 500,000
Deposits subject to the collateral requirements	<u>463,393,622</u>
Total deposits	<u>\$ 463,893,622</u>

**Deposits in Governmental Bank**

Deposits in governmental bank, all of which are uninsured and uncollateralized, are exposed to custodial credit risk. At June 30, 2018, the Center's bank balance in the Governmental Development Bank for Puerto Rico (GDB), the Commonwealth's governmental bank, amounted to \$238,517,786 which is distributed as follows:

<u>Depository Account</u>	<u>Bank Balance at June 30, 2018</u>
Agency Fund	<u>\$ 238,517,786</u>
Total deposits	<u>\$ 238,517,786</u>

On January 18, 2017, the Commonwealth of Puerto Rico approved Act No. 2, known as "*The Puerto Rico Fiscal Agency and Advisory Authority (FAFAA)*" in order to empower the Authority to oversee compliance with the certified budget and fiscal plan approved pursuant to the Puerto Rico Oversight, Management and Economic Stability Act of 2016 (PROMESA) and to delegate to the Authority the power to revise matters including, but not limited to, agreements, transactions and regulations of the agencies and instrumentalities of the Government of Puerto Rico. Among other things, it shall be the only entity authorized to enter into creditors' agreements, and/or renegotiate or restructure the public debt, in whole or in part, or any other debt issued by any Government body including, but not limited to, agencies, boards, commissions, instrumentalities, public corporations or applicable political subdivision. In addition, the FAFAA shall assume all fiscal agency, financial advisory and reporting functions of the GDB under Act No. 272 of May 15, 1945, as amended. It shall oversee all matters related to the restructuring, renegotiation or adjustment of any existing or future obligation, and the liability management transactions for any existing or future obligation of the Government of Puerto Rico.

## 2. CASH AND CASH EQUIVALENTS (CONTINUED)

### Deposits in Governmental Bank (Continued)

On January 29, 2017, the Commonwealth of Puerto Rico approved Act No. 5, known as "*Puerto Rico Financial Emergency and Fiscal Responsibility Act*" to facilitate and encourage a voluntary negotiation process under PROMESA between the Governor and/or the FAFAA, on behalf of the Government of Puerto Rico, and the creditors of the Government of Puerto Rico and its instrumentalities. This Act authorizes the Government of Puerto Rico, within the parameters established by PROMESA, to designate certain services necessary for the health, safety and welfare of the residents of Puerto Rico and provided by the Government of Puerto Rico and its instrumentalities as "essential services", in accordance with the Constitution of Puerto Rico. This Act amends and repeals portions of the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act, Act No. 21-2016, as amended by Act No. 40-2016 and Act No. 68-2016 (the "Moratorium Act") and of certain Executive Orders issued by then Governor of Puerto Rico Hon. Alejandro García Padilla that provided for emergency periods and a temporary stay of litigation.

With regards to the emergency measures related to the Government Development Bank (GDB), the Governor may take any actions he deems reasonable and necessary to permit the GDB to continue carrying out its operations, including 1) prescribing such conditions or restrictions for the conduct of the business of the GDB, including dispensing with the compliance, in whole or in part, of any requirement prescribed by otherwise applicable law (i.e. the requirement of maintaining deposit reserves levels); 2) ordering the limitation, postponement or suspension of any payment, in whole or in part, of any obligation pursuant to terms the Governor prescribes to address the GDB's liquidity needs or facilitate its ability to carry out its operations; 3) suspending payments on any obligation guaranteed by the Bank, on any letter of credit and on any obligation or commitment to lend or extend money or credit; 4) taking any action with respect to the GDB as provided for in Act No. 17 of September 23, 1948, as amended, or Act No. 22 of July 24, 1985, as amended, as applicable; and 5) delegating to the Bank, its Board or its employees authority to take actions in furtherance of these emergency measures.

If any restriction is placed on disbursements made by the GDB regarding these measures, the Bank shall not, without the authorization of the Governor, 1) disburse any loans or credit facility; 2) honor requests to withdraw or transfer any deposit, including by check or other means, of an agency, public corporation or instrumentality of the Commonwealth [other than those listed in point three (3)]; 3) subject to the availability of funds and the aggregate disbursements established by the Governor, honor any request to withdraw or transfer any deposit held by, or request to honor any check written by, the Legislative and Judicial Branches, the University of Puerto Rico, the Office of the Comptroller, the Office of the Electoral Comptroller, the State Elections Commission, the Government Ethics Office, the Independent Prosecutors Panel, or a Municipality of the Commonwealth, provided, however, than an authorized officer of the requesting entity certifies along with supporting documentation that such funds will be used for the payment of essential services. If any restriction is placed on disbursements from the GDB, then any value disbursed to a creditor after such restriction is imposed shall be subtracted from the value of any distribution that such creditor is entitled to receive, as of the first date of the restriction, if the GDB is subsequently liquidated or placed into a receivership.

## 2. CASH AND CASH EQUIVALENTS (CONTINUED)

### Deposits in Governmental Bank (Continued)

On March 13, 2017, the GDB submitted its proposed fiscal plan to the Financial Oversight and Management Board and it was certified on April 28, 2017. This plan contemplates an orderly wind down of its operations within a three-to-four years' period (by fiscal year 2021). The main objectives of this fiscal plan are as follows:

- All fundamental new business banking and origination activities have ceased
- Service the existing loan portfolio through maturity or refinancing by third party financial institutions
- Coordinate and execute all possible collection efforts on loans held by the GDB and collateral supporting the loans, when applicable
- Formalize the process for a transparent and orderly sale of real estate assets at fair market value
- Restructure the GDB's workforce through the "Single Employer Program" and voluntary incentivized separation program.

The Plan assumes that Municipality Loans, select Revenue/Public Corporation Loans and the sale of real estate owned assets are the only sources of revenue to the GDB after June 30, 2017. Those loan assets deemed by the Bank to be "nonperforming" (i.e. Commonwealth's appropriation loans) will remain as such and, therefore, would not be a source of future inflows, although the GDB reserves the right to pursue collection efforts to maximize recovery values. In respect to municipal escrow deposit accounts (monies representing undisbursed loan proceeds that were trapped at GDB as a result of restricted disbursement procedures and Executive Order 2016-10), the Plan assumes that their balances will be off set against their applicable municipal loans. However, no mechanism by which the projected excess cash flows should be allocated to the GDB depositors and other creditors has been established. This situation puts at risk the collection and accessibility of municipal funds deposited at the GDB, including certificates of deposit and investment funds, "CAE" and "IVU" Municipal Administration Fund deposits and federal programs funds.

On May 15, 2017, FAFAA and the GDB announced a Restructuring Support Agreement ("RSA") with a significant portion of the Bank's financial creditors, which became effective pursuant to its terms on May 17, 2017. The RSA contemplates dividing GDB's assets into two separate entities: one for the benefit of its financial creditors consisting of bondholders, municipal depositors and non-government entity depositors ("New Issuer"), and a Public Entity Trust ("PET") for the benefit of other depositors (government entity depositors). The RSA terms are to be consummated pursuant to a consensual restructuring of the GDB's liabilities using a Title VI Qualifying Modification. Once approved by the requisite number of financial creditors of the GDB, the Financial Oversight and Management Board and the U.S. District Court (Puerto Rico), the RSA will provide GDB's stakeholders a recovery based on the claim type.



## 2. CASH AND CASH EQUIVALENTS (CONTINUED)

### Deposits in Governmental Bank (Continued)

On June 30, 2017, the GDB submitted a revised Fiscal Plan to the Financial Oversight and Management Board incorporating the RSA framework and was approved by the entity on July 12, 2017. On July 14, 2017, the Board authorized the GDB to pursue the restructuring of its debts under Title VI of PROMESA and conditionally certified GDB's Restructuring Support Agreement ("RSA") under the relevant provisions of Title VI. As indicated earlier, the RSA provides for the organized and consensual restructuring of a substantial portion of the GDB's liabilities, including GDB public bonds, deposit claims by Municipalities and certain non-public entities and claims under certain GDB-issued letters of credit and guarantees ("Participating Bond Claims"). In exchange for releasing the GDB from liability relating to these claims, the claim-holders will receive new bonds to be issued by a new entity (the "New Issuer"). In order to secure and service the new bonds, the GDB will transfer to the New Issuer its entire municipal loan portfolio, certain real estate assets available for sale, proceeds of certain public entity loans and a certain amount of cash. The new bonds will consist of three tranches (or series), A, B or C, each with different terms – including different coupon rates and upfront exchange ratios – from which the claimants can choose. In general, the higher the exchange ratio between the value of the current claim and the value of the new bonds, the lower the coupon rate.

	<b>Tranche A</b>	<b>Tranche B</b>	<b>Tranche C</b>
<b>Amortization + Collateral Priority</b>	First	First	Second
<b>Upfront Exchange Ratio</b>	55%	60%	75%
<b>Coupon (%)</b>	7.50%	5.50%	3.50%
<b>Maturity</b>	July 1, 2040	July 1, 2040	July 1, 2040

Tranches A and B will be secured by a first lien on the assets to be transferred from GDB to the New Issuer with respect to principal payments and will be entitled to amortizing principal payments from available cash on an equal basis.

Tranche C will be secured by a second lien on the assets with respect to principal payments and, unless an event of default occurs, will not be entitled to any principal payments until Tranches A and B are paid in full. Interest will be paid semi-annually on an equal basis on all three tranches to the extent of available cash from collections. Interest will be paid "in-kind" if cash on the related semi-annual payment date is insufficient. The RSA already has the support of 51% of the Participating Bond Claims. According to FAFAA, as of June 21, 2017, 394 individual parties, holding more than \$2.45 billion in claims against GDB, had signed the RSA, the vast majority of which constitute on-island creditors. More than 300 on-island bondholders and an additional 50 on-island credit unions have entered into the RSA. The RSA is also supported by the Ad Hoc Group of GDB bondholders, which holds more than \$1 billion of GDB public bonds. Under the RSA, Puerto Rico Municipality Depositors and on-island GDB bondholders are treated equally with off-island GDB bondholders, all as general unsecured creditors. Initially, the GDB will service the New Bond Collateral ("NBC"); after a transition period, a qualified and independent asset manager will service the NBC and an independent collateral monitor will monitor the assets.

## 2. CASH AND CASH EQUIVALENTS (CONTINUED)

### Deposits in Governmental Bank (Continued)

Due to the effects of the hurricanes, loss of communication, impairment to municipal revenues and liquidity, and the impact to GDB real estate owned assets, FAFAA, GDB and the RSA Requisite Bondholders agreed on revising certain milestones. They agreed on certain amendments to the RSA structure (Amended RSA) resulting in: 1) Simplified structure (one security offered to Participating Bond Claims instead of original three) and 2) All municipal deposits will be applied against corresponding municipal loans to provide cash flow relief to municipalities to mitigate near-term impact of hurricanes.

The RSA Summary are as follow:

- RSA is consistent with the previously certified GDB Fiscal Plan, as it contemplates the conclusion of the orderly wind-down of GDB and a Title VI Qualifying Modification for the restructuring of GDB's Participating Bond Claims.
- RSA contemplates dividing GDB's assets into (i) the Recovery Authority for the benefit of bondholders, municipal depositors, and non-government entity depositors, and (ii) the Public Entity Trust (PET) for the benefit of other Government Entity Depositors.
- GDB will continue to exist as a legal entity for the purpose of resolving (i) outstanding legal matters and claims that exist or may be asserted by or against GDB and (ii) certain public entity loans that will remain at GDB and for which GDB shall have a contractual duty to the Recovery Authority to use commercially reasonable best efforts to maximize proceeds and transfer such proceeds, if any, to the Recovery Authority.
- GDB and the PET will be pre-funded at the time of closing of the Restructuring (as defined in the RSA) and will not require further financial assistance from the Recovery Authority, the PET or the Government.
- Prior to the closing of the Restructuring, the Amended RSA will simplify the GDB restructuring transaction while simultaneously providing additional relief to municipalities as they recover from the severe damage and devastation caused to Puerto Rico and its municipalities in the wake of Hurricanes Irma and María. The amendment to the RSA provides that, upon consummation of the transaction, each municipality will be authorized to apply the full amount of deposits held at GDB against the balance of any loan owed by such municipality to GDB. Additionally, to provide municipalities with immediate liquidity, the amendment to the RSA gives each municipality the opportunity to receive immediate payment, before consummation of the transaction, of 55% of such municipality's undisbursed certified Excess CAE held at GDB in exchange for releases. The other 45% should be applied against the balance of any loan owed by such municipality to GDB.

As described on Note 16, on March 23, 2018, GDB ceased its operations and on November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant a Qualifying Modification under Title VI of PROMESA (the Qualifying Modification).

### 3-RECEIVABLES

The accounts receivable consist of an amount of \$452,339 due for services charged to financial institutions for access through the web to the Center's tax system and sale of maps. It also includes a portion of a claim submitted to the Federal Emergency Management Agency (FEMA) amounted to \$64,192 to mitigate the impact of the expenditures incurred due to the damages caused by the Hurricane Maria.

### 4-ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2018 are summarized as follows:

Description	General Fund	Tax Amnesty Fund	Total Governmental Funds
Accounts payable	\$ 1,042,978	\$ 178	\$ 1,043,156
Accrued liabilities	1,787,382	-	1,787,382
Total	\$ 2,830,360	\$ 178	\$ 2,830,538

### 5-INTERFUND TRANSACTIONS

#### A. Due from/to other funds

Receivable Fund	Payable Funds	Amount
General Fund	Special Revenue Fund	\$ 344,109
	Fiduciary Fund – Property Tax Fund	4,382,955
		\$ 4,727,064
Fiduciary Fund:		
Citizens' Participation Fund	General Fund	\$ 4,000
Property Tax Fund	General Fund	44,147
		\$ 48,147

#### B. Transfers-in (out)

Transfers among individual funds were made for operational purposes as follows:

Originating Fund	Receiving Fund	Purpose	Amount
Tax Amnesty Fund	General Fund	Transfer of cash balance	\$ 170,156
Total			\$ 170,156

## 6-CAPITAL ASSETS

The Center's capital assets activity for the year ended June 30, 2018 is as follows:

<u>Governmental Activities:</u>	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassifications</u>	<u>Balance at June 30, 2018</u>
Capital assets, not being depreciated					
Land	\$ 6,715,000	\$ -	\$ -	\$ -	\$ 6,715,000
Construction in progress	379,035	8,658		(379,035)	8,658
Total capital assets, not being depreciated	<u>\$ 7,094,035</u>	<u>\$ 8,658</u>	<u>\$ -</u>	<u>\$ (379,035)</u>	<u>\$ 6,723,658</u>
Capital assets, being depreciated:					
Building/infrastructure	9,785,000	-	-	-	9,785,000
Building/infrastructure improvements	3,709,607	72,820	-	379,035	4,161,462
Office equipment	3,007,947	213,646	(182,106)	-	3,039,487
Computers hardware and software	5,683,247	54,697	(712,487)	-	5,025,457
Vehicles	148,159	59,985	-	-	208,144
Other equipment	7,320,548	-	-	-	7,320,548
Total capital assets, being depreciated	<u>29,654,508</u>	<u>401,148</u>	<u>(894,593)</u>	<u>379,035</u>	<u>29,540,098</u>
Less accumulated depreciation for:					
Building/infrastructure	(3,424,750)	(244,625)	-	-	(3,669,375)
Building/infrastructure improvements	(1,128,281)	(120,638)	-	-	(1,248,919)
Office equipment	(2,371,158)	(179,985)	182,106	-	(2,369,037)
Computers hardware and software	(4,739,774)	(371,120)	712,487	-	(4,398,407)
Vehicles	(109,207)	(13,714)	-	-	(122,921)
Other equipment	(7,320,548)	-	-	-	(7,320,548)
Total accumulated depreciation	<u>(19,093,718)</u>	<u>(930,082)</u>	<u>894,593</u>	<u>-</u>	<u>(19,129,207)</u>
Total capital assets, being depreciated, net	<u>10,560,790</u>	<u>(528,934)</u>	<u>-</u>	<u>379,035</u>	<u>10,410,891</u>
Governmental activities capital assets, net	<u>\$ 17,654,825</u>	<u>\$ (520,276)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,134,549</u>

The Center follows the provisions of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, an amendment of GASB Statement No. 34. This Statement establishes guidance for accounting and reporting for impairment of capital assets and insurance recoveries. The Center did not recognize any impairment loss during the fiscal year ended June 30, 2018.

## 7-LONG-TERM LIABILITIES

Long term liability activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Change</u>	<u>Ending Balance</u>	<u>Due within One year</u>
Claims and judgments	\$ 87,500	\$ -	\$ 87,500	\$ -
Accrued compensated absences	<u>6,459,519</u>	<u>(1,273,778)</u>	<u>5,185,741</u>	<u>428,533</u>
Total long-term liabilities	<u>\$ 6,547,019</u>	<u>\$ (1,273,778)</u>	<u>\$ 5,273,241</u>	<u>\$ 428,533</u>

The long-term liabilities are described as follows:

- 1. Claims and judgments** - Represents the estimated loss of legal cases to be paid subsequent to June 30, 2018. The awarded amount, if any, will be paid with unrestricted funds.
- 2. Accrued compensated absences** – The Government-Wide Statement of Net Position includes \$3,209,572 of accrued sick leave benefits, \$1,855,447 of accrued vacation benefits, and \$120,722 of accrued compensatory time, representing the Center's commitment to fund such costs from future operations.

## 8-FUND BALANCES

Fund balances are classified as follow:

<u>Fund Balance Classifications</u>	<u>General Fund</u>	<u>Tax Amnesty Fund</u>	<u>Total Governmental Funds</u>
<b>Restricted</b>			
To be used in the enforcement of property tax collection and oversight, training and professional development of the appraisers	\$ -	\$ 524,537	\$ 524,537
<b>Committed</b>			
Computer servers virtualization	113,557	-	113,557
Relocation of the San Juan-Guaynabo Office	172,343	-	172,343
General maintenance and painting	5,900	-	5,900
Telecommunications and migration to internet protocol	52,418	-	52,418
Water collection system	5,390	-	5,390
Wall construction – Urb. Milaville García	14,285	-	14,285
Advertising – property tax receivable project	1,537	-	1,537
Sale of delinquent property tax receivable project	28,143	-	28,143
Image actualization – digital cadaster	3,375,576	-	3,375,576
Emergency Fund	566,134	-	566,134



**8-FUND BALANCES (CONTINUED)**

Fund Balance Classifications	General Fund	Tax Amnesty Fund	Total Governmental Funds
<b>Assigned</b>			
General, administrative and operational Expenditures	5,945,172	28,690	5,973,862
<b>Unassigned</b>	4,298,522	753,256	5,051,323
Total fund balances	\$14,578,522	\$ 1,306,483	\$ 15,885,005

**General Fund**

The General Fund has unassigned fund balance of \$4,298,067 at June 30, 2018. Also, the General Fund and the Tax Amnesty Fund have assigned funds consisting of balances reserved for outstanding contracts of \$5,945,172 and \$28,690, respectively. In addition, the General Fund has \$4,335,283 committed for special projects as determined by the Board's Resolutions.

**9-AGENCY FIDUCIARY FUND**

**A. Agency Funds**

Agency funds report resources held by the Center in a purely custodial capacity. The Center received resources from grants or other legally sources that are transferred to the Municipalities. The Center serves only as a cash conduit, that is, it has not administrative or direct financial involvement in the program, therefore these resources were reported in an agency fund as required by GASB Statements No. 34, and neither revenue nor expenditures are recorded, and no fund balance is required.

The agency fiduciary fund is used to account for the: (a) citizens' participation fund, (b) municipal redemption fund and (c) property taxes fund, which are custodial in nature and do not involve measurement of results of operations. These agency funds are described below:

**I. Citizens' Participation Fund**

The Center is responsible for the receiving and distribution of funds assigned by the Commonwealth for Citizens' Participation in the Municipal Development Program (the Program). The Program was established by Act No. 81 of August 30, 1991, as amended by Act No. 84 of October 29, 1992 and is funded through legislative appropriations. Programs funds are distributed to the Municipalities based in certain specific criteria established by the Act.

**9-AGENCY FIDUCIARY FUND (CONTINUED)**

**II. Municipal Redemption Fund**

The Municipal Redemption Fund is used to service the debt of the Municipalities. The GDB is the fund's trustee. GDB maintains records of outstanding municipal bonds and notes, makes principal and interest payments on their due dates, and notifies the Center of the amounts paid. The fund increases by the collections of the designated portions of real and personal property taxes. During the fiscal year 2017-2018, the Center collected for the Municipal Redemption Fund the amount of \$351,408,862. Total debt service payments amounted to \$319,336,344. Of such amount, principal and interest amounted to \$188,269,694 and \$131,066,650, respectively.

Outstanding notes and bonds of all Municipalities as of June 30, 2018 amounted to \$2,510,125,082. On July 1, 2018, the Center made a payment amounting to \$241,084,728, including principal of \$173,958,504 and interest of \$67,126,224.

**III. Property Tax Fund**

Real property taxes are assessed every July based on the taxable values as of January 1, using the estimated values of 1957. Assessed values of personal property are based on the book value at January 1 of each year. Property taxes are assessed for all properties located at the Commonwealth. Real property taxes are billed by the Center and are due in two (2) equal installments in July and January following the assessment date. Personal property taxes are self-assessed and are due in May 15, when the related property tax return is required to be filed. Personal property tax payers are required to make four (4) quarterly estimated payments to pay the self-assess contribution on or before May 15.

The property tax rates per annum vary among municipalities. For the fiscal year 2017-2018, the rates were comprised as follows:

	<u>Personal Property</u>		<u>Real Property</u>	
	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
Basic	3.00%	4.00%	5.72%	6.00%
Contribution to debt redemption funds:				
State	1.03%	1.03%	1.03%	1.03%
Municipal	1.00%	5.00%	1.20%	5.50%

Total property tax rates varied from 5.80% to 9.83% for personal property and 8.03% to 12.33% for real property.

The property tax fund includes a total of approximately \$3.86 billion in gross receivables. Of these, approximately \$3.4 billion and \$474 million are included in the accounts of real and personal property taxes, respectively. Management has performed an in-depth analysis of the aged receivables and has determined to establish an allowance for uncollectible accounts of 82%.

**9-AGENCY FIDUCIARY FUND (CONTINUED)**

The following table summarizes the accounts receivable from real and property taxes of the Center's Agency Fiduciary Fund.

Account Type	Principal	Discounts	Interest	Penalties and Others	Total	Reserve
Governmental agencies	\$ 8,503,088	\$ -	\$ 12,626,709	\$ 844,814	\$ 21,974,611	\$ 21,974,611
Bankruptcy	95,699,288	(10,192)	51,421,228	13,837,527	160,947,851	156,230,192
Remaining accounts receivable balance	<u>1,760,763,827</u>	<u>(1,134,045)</u>	<u>1,736,946,986</u>	<u>179,795,473</u>	<u>3,676,372,241</u>	<u>2,964,783,809</u>
Total	<u>\$ 1,864,966,203</u>	<u>\$ (1,144,237)</u>	<u>\$ 1,800,994,923</u>	<u>\$ 194,477,814</u>	<u>\$3,859,294,703</u>	<u>\$3,142,988,612</u>

**B. Impact of the Certified Fiscal Plan of the Commonwealth of Puerto Rico**

One of the measures approved for the reduction of governmental expenditures included in the fiscal plan certified by the Financial Oversight and Management Board is the progressive reduction of the subsidies given to the Municipalities, mainly the ones that are paid through the monthly advances of property taxes made by the Municipal Revenues Collection Center (CRIM).

Based on the approved budget of Commonwealth of Puerto Rico for fiscal year 2017-2018, the Center experienced a reduction of revenues of \$150,173,903. This reduction represents a decrease of 36.94% in revenues compared to the prior fiscal year. Also, during fiscal year 2017-2018, basic property taxes decrease by \$7,512,714 or 3.10% compared to prior fiscal year. Accordingly, during fiscal year 2017-18, total revenues experience a reduction of \$157,686,617 or 24.31%, as shown in the following table:

Revenue Source	2017-18	2016-17	Decrease	Percentage
State reimbursement of property tax exemptions	\$ -	\$ 116,300,247	\$ (116,300,247)	-100%
35% of Puerto Rico Additional Lottery System	36,646,340	45,950,243	(9,303,903)	-20.25%
2.5% NIR General Fund	219,730,000	227,575,000	(7,845,000)	-3.45%
State reimbursement of 0.20% of property tax rates	<u>-</u>	<u>16,724,753</u>	<u>(16,724,753)</u>	<u>-100%</u>
Sub-total	256,376,340	406,550,243	(150,173,903)	-36.94%
1% and 3% basic property taxes	<u>234,490,963</u>	<u>242,003,677</u>	<u>(7,512,714)</u>	<u>-3.10%</u>
Total	<u>\$ 490,867,303</u>	<u>\$ 648,553,920</u>	<u>\$ (157,686,617)</u>	<u>24.31%</u>

## 9-AGENCY FIDUCIARY FUND (CONTINUED)

### Exemptions and Discounts

Several Commonwealth Acts, primarily to promote economic development, provide for property tax exemptions. Under various industrial incentives acts, qualifying businesses are exempted totally or partially from real and personal property taxes for periods, which vary, by Municipality. Retailers with an annual sales volume of less than \$150,000 are granted an exemption from taxes on the first \$50,000 of the assessed value of personal property. The Commonwealth transfers to the municipalities the taxes exempted on property. The amount transferred by the Commonwealth for exempted property is fixed at \$86,109,750 per fiscal year. Also, the Commonwealth annually transfers \$30,190,497 related to exempted property for the Municipal Debt Redemption Fund (CAE). These transfers were made until June 30, 2017.

As shown in the previous table, the State reimbursements or property tax reimbursements were eliminated during fiscal year 2017-2018.

Act No. 16 of May 31, 1960, as amended, authorizes the Secretary of the Treasury of the Commonwealth to grant a discount of .20% of the annual basic tax over the assessment value of all real property not exempt from taxes. The Department of the Treasury will reimburse the .20% discount to the municipalities. The Center has credited discounts of \$22,904,501 for the fiscal year ended at June 30, 2017. However, the Special Act of Fiscal and Operational Sustainability of the Government of the Commonwealth of Puerto Rico, Act No. 66 of June 17, 2014, as amended, established that the amount of funds assigned listed in Article 2.06 of the Law No. 83-1991 (Exemption Fund) will be equivalent to the subsidy for fiscal year 2013-2014. The .20% discount for fiscal year 2016-2017 amounted to \$16,724,753.

As shown in the previous table, the State reimbursement for the discount of 0.20% of the annual basic tax over the assessment value of all real and personal property not exempt from taxes was eliminated during fiscal year 2017-2018.

### Equalization Process

Act No. 80 establishes a fund known as the Equalization Fund ("Fondo de Equiparación") and a subsidy known as the Income Guarantee Subsidy ("Garantía de Ingreso") for the purpose of ensuring that all municipalities receive at least the same amount of funds they received under prior Acts. The Equalization Fund includes the following:

- a) All funds derived from basic property taxes assessed by the Commonwealth prior to the 1991 Municipal Reform corresponding to a tax rate of 1% for personal property and a tax rate of 3% over the assessed value of all real property in Puerto Rico, not otherwise exempt. For the fiscal year ended June 30, 2018, this amount totaled \$234,490,963
- b) 2.50% for the fiscal years after 2002-2003 of the net internal revenue of the Commonwealth General Fund. For the fiscal year ended June 30, 2018, this amount totaled \$219,730,000. As shown in the previous table, this amount was reduced by \$7,845,000 during fiscal year 2017-2018.

**9-AGENCY FIDUCIARY FUND (CONTINUED)**

**Equalization Process (Continued)**

- c) An amount equal to 35% of the Puerto Rico Additional Lottery System net operational income as of June 30, 2018. For the fiscal year ended June 30, 2018, the funds certified to be received by the Center from the Treasury Department amounted to \$36,646,340.
- d) An amount equal to 2% of the state imposed penalties described under Secs. 5001 of Title 9, known as "Ley de Vehículos y Tránsito de Puerto Rico" to be distributed to municipalities by the Center.

Funds received under items (a) above are distributed to the corresponding municipalities. Funds received under items (b) and (c) above are distributed to the municipalities up to the amounts required to make each municipality's revenues equal its revenues from these sources for the prior fiscal year (i.e., equalize the municipalities). Any excess funds received under items (b) and (c) above are distributed to the municipalities using the four (4) factors provided by Act No. 80 of 1991. If funds are not sufficient to equalize all the municipalities, only the municipalities with less than fifty thousand (50,000) habitants are equalized. Funds under (d) are currently collected and distributed to the corresponding municipalities directly by the Puerto Rico Treasury Department; therefore such amounts are not part of the Schedule of Liquidation.

As described before, during the fiscal year 2017-2018, the Center's funds experience a reduction of \$157,686,617. Therefore, the funds collected during the fiscal year were not sufficient to provide an equalization of revenues for all the municipalities. Accordingly, a deficit of funds for the equalization of revenues resulted in the amount of \$24,661,617, as shown in the following table:

Funds required for the Equalization of revenues	\$ 515,528,920
1% and 3% basic property taxes	(234,490,963)
2.5% NIR General Fund	(219,730,000)
35% of Puerto Rico Additional Lottery System	<u>(36,646,340)</u>
Deficiency of funds for equalization of revenues	<u>\$ 24,661,617</u>

Taking into consideration the deficit of funds, the liquidation schedule for the fiscal year 2018 was prepared computing the equalization of funds to those municipalities with a census of less than 50,000 habitants. Then the deficiency of funds was distributed among those municipalities with a census of more than 50,000 habitants.

**9-AGENCY FIDUCIARY FUND (CONTINUED)****Equalization Process (Continued)**

The Center distributed to the municipalities \$563,590,716, \$36,646,340, and \$219,730,000 during the fiscal year 2018, related to the basic municipal property tax, to the Electronic Lottery System and the Net Internal Revenues of the General Fund, respectively. As of June 30, 2018, the balance due from the Commonwealth of Puerto Rico related to the Electronic Lottery System amounted to \$12,950,375, which is related to the funds liquidation for fiscal year ended June 30, 2017.

As described on Note 16, one of the measures approved for the reduction of governmental expenditures included in the fiscal plan certified by the Financial Oversight and Management Board is the progressive reduction of the subsidies given to the Municipalities. Based on the approved budget of Commonwealth of Puerto Rico for fiscal year 2018-2019, the estimated reduction of revenues will be \$41,126,340. Accordingly, during fiscal year 2018-2019, the municipality's income will experience a reduction of 16.04%

**C. Debt service provided by the Property Tax Fund**

The property tax fund provides debt services to the municipal governments for the repayments of the following debts:

- **Line of credit agreements:** In accordance with Act No. 42 of January 29, 2000, the Board approved a line of credit with GDB amounting to \$166,449,961 to finance the accumulated debt due from municipalities up to June 30, 2000 for the excess of remittances received by the municipalities. The line of credit proceeds was used to pay off statutory and fiduciary obligations. This line of credit will be repaid from the increase of .48% of fixed subsidy of the net internal revenue of the Commonwealth granted to the municipalities. In accordance with Act No. 146 of October 11, 2011, the Center approved a line of credit amounting \$105,000,000 to repurchase the tax liens sold to Puerto Rico Public Finance Corporation on June 30, 1998. The line of credit will be repaid from the increase of .48% of fixed subsidy of the net internal revenue of the Commonwealth granted to the municipalities. The amount collected from the delinquent tax debt would be applied to principal. The Center cannot determine the amount to be collected from the delinquent tax debts. For these lines of credit, the Center has received the signed resolutions and notes payable from municipalities. Once the municipalities completed such documents, each individual note became part of the Municipal Redemption Fund.
- **Insurance and other withholdings:** As part of the monthly remittances distributed by the Center, the municipalities authorize the Center to withhold funds for the payment of the following obligations:
  - (1) **Municipal insurance policies:** The Municipalities carry commercial liability insurance to cover casualty, theft, tort claims, and other losses. Insurance policies are negotiated by the Puerto Rico Treasury Department. Since 2012, the municipalities were allowed to negotiate their insurance policies directly with the insurance providers. As of June 30, 2018, 77 of the 78 municipalities negotiate their insurance policies with private insurance providers. From those municipalities, fifty seven (57) made their insurance payments through the Center's monthly remittances.



## 9-AGENCY FIDUCIARY FUND (CONTINUED)

### C. Debt service provided by the Property Tax Fund (Continued)

- (2) **Loans:** The Center also withholds all amounts due by municipalities on their loans payable to the GDB and commercial banks.
- (3) **Payments due to governmental entities:** Certain amounts due to other governmental entities under payment plans subscribed by the municipalities or by statutory acts.
- (4) **Center's administrative expenses:** An amount equal to 5% of collections of the property taxes is set aside to cover for the Center's administrative expenses.

## 10-TAX ABATEMENTS

The government of the Commonwealth of Puerto Rico has enacted various laws in order to provide economic incentives to the industries performing business in the Island. Under these laws, the government promotes the creation of new employments, the investment in the acquisition of equipment, the investment in the modernization and improvement of existing facilities and the construction of new infrastructure. In order to assess the economic development expected, the government entered into agreements granting to eligible businesses and companies, tax exemptions on income taxes, property taxes (real and personal). Also, exemptions are granted on municipal license taxes, construction excise taxes and other municipal income taxes levied by municipal ordinances.

The following is a summary of the purpose and tax benefits provided to business and companies by most significant laws enacted by the Commonwealth of Puerto Rico to assess economic development.

### **ACT 362 OF 1999 - Film Industry and other related activities.**

**Purpose:** To promote the film industry and other related activities; to create incentives for private investments and to attract foreign capital; to create an adequate infrastructure for the maximum development of this industry; to define the areas and scope of this Act and to install the operational mechanisms that shall allow its maximum development in the shortest term possible for the benefit of Puerto Rico.

### **Tax Benefits (Exemptions):**

- A tax credit equivalent to forty percent (40%) of those items of the Budget paid to Residents of Puerto Rico, as certified in writing by Company's accountant.
- A tax credit equal to the lesser amount of: forty percent (40%) of the amount of the investment in cash paid to the Film Entity engaged in an Infrastructure Project, in exchange for primary-issue stock or shares, or twenty percent (20%) of the Budget of the Infrastructure Project.
- Subject to a fixed income tax of seven percent (7%).
- The property devoted to a Film Project or Infrastructure Project that is otherwise subject to taxation, shall be entitled to a ninety percent (90%) exemption from all municipal and Commonwealth taxes on real or personal property, for a ten (10)-year period.
- No Film Entity shall be subject to municipal license taxes, construction excise taxes and other municipal income taxes levied by a municipal ordinance.

## 10-TAX ABATEMENTS (CONTINUED)

### **ACT 73 OF 2008 - "Economic Incentives Act for the Development of Puerto Rico"**

**Purpose:** Provide the adequate environment and opportunities to continue developing a local industry; to offer an attractive tax proposal to attract direct foreign investment and to promote economic development and social betterment in Puerto Rico.

#### **Tax Benefits (Exemptions):**

- The tax-exempt businesses that hold a decree under this Act shall be subject to a fixed income tax rate of four percent (4%) on their net industrial development income, with other provisions that would lower the tax rate. Also, 100% exemption on the income earned from eligible investments.
- A Special Deduction for Investment in Buildings, Structures, Machinery, and Equipment in the taxable year during which these were incurred, in lieu of any capitalization of expenses.
- A Tax Credit for purchasing products manufactured in Puerto Rico equal to twenty-five percent (25%) of the purchases of such products.
- A Tax Credit to reduce the cost of electric Power of up to 10% of the payments made to the Electric Power Authority for net electric power consumption.
- Sixty-percent (60%) exemption on municipal license fees, municipal construction excise taxes and other municipal taxes levied by any municipal ordinance.
- Ninety-percent (90%) exemption on municipal and Commonwealth taxes on real and personal property.

### **ACT 74 OF 2010 - "Puerto Rico Tourism Development Act of 2010"**

#### **Purposes:**

- To make Puerto Rico a world-class tourist destination.
- To ensure adequate conditions for the continuous development and worldwide competitiveness of Puerto Rico's hotel industry.
- To provide the environment to continuously raise local and foreign capital for investment in tourism projects.
- To improve the incentives offered to the Puerto Rican tourist industry according to the evolution of the best tourist products offered, the challenges faced, and the opportunities offered by today's world.
- To reduce the high costs of construction and operation of tourism-related businesses in Puerto Rico.
- To take action to reduce energy costs through the various renewable source alternatives.

#### **Tax Benefits (Exemptions):**

- Tourism development income shall be exempt from income taxes pursuant to the following terms and conditions: (i) For all tourist activities not established in Vieques or Culebra, the exemption percentage on said income shall be of up to ninety percent (90%). (ii) For all tourist activities established in Vieques and Culebra, the exemption percentage on said income shall be of up to one hundred percent (100%).

## 10-TAX ABATEMENTS (CONTINUED)

### **ACT 74 OF 2010 - "Puerto Rico Tourism Development Act of 2010" (Continued)**

#### **Tax Benefits (Exemptions) (Continued):**

- Any property devoted to a tourist activity shall enjoy up to a ninety percent (90%) exemption on all municipal and state taxes on real and personal property for a period of ten (10) years.
- A new business shall not be subject to the payment of license fees, construction excise taxes, and other municipal taxes. An existing business shall enjoy up to a ninety percent (90%) exemption.
- Shall enjoy up to a one hundred percent (100%) exemption from the payment of the taxes on Use and Consumption items.
- All exempt businesses and their contractors or subcontractors shall enjoy up to a one hundred percent (100%) exemption on any tax, levy, fee, license, excise tax, rate, or charge for the construction of works to be devoted to a tourist activity within a municipality, imposed by any ordinance of any municipality.

### **ACT 118 OF 2010 - "Municipal Economic and Tourist Development Incentives Act"**

**Purpose:** Foster the economic development of municipalities.

#### **Tax Benefits:**

- A Gradual Tax Rate Schedule for the net income generated at a tourist facility from 8% to 25%, depending on the total amount of private capital investment of the Grantee.
- The income from the operation of games of chance at a tourist facility shall not be subject to any sales tax and that the Facility shall enjoy an exemption of ninety percent (90%) of the preferential tax on real and personal property used.

### **ACT 27 OF 2011 - "Puerto Rico Film Industry Economic Incentives Act"**

**Purpose:** Provide an adequate framework for the continued development of our film industry and other related activities; providing tax incentives to attract foreign capital and foster the economic development and social wellbeing of Puerto Rico.

#### **Tax Benefits (Exemptions):**

- Tax Credit amounting to forty percent (40%) of those amounts certified by the Auditor as disbursed in connection with all Puerto Rico Production Expenditures, except for payments made to Nonresident Talent; and twenty percent (20%) of those amounts certified by the Auditor as disbursed in connection with Puerto Rico Production Expenditures consisting of payments to Nonresident Talent.
- In the case of infrastructure projects, the credit granted shall be equal to twenty-five percent (25%) of those amounts certified by the Auditor to have been disbursed in connection with the development and/or expansion of the infrastructure project.

## 10-TAX ABATEMENTS (CONTINUED)

### **ACT 27 OF 2011 - "Puerto Rico Film Industry Economic Incentives Act" (Continued)**

#### **Tax Benefits (Exemptions) (Continued):**

- Grantee's net income directly derived from the exploitation of activities covered under a Grant shall be subject to a fixed income tax rate of four percent (4%), in lieu of any other tax, if any, provided in the Code or any other Puerto Rico law.
- The real or personal property devoted to activities covered by a Grant that is otherwise subject to taxation, shall be entitled to a ninety percent (90%) exemption from all municipal and Puerto Rico taxes on real or personal property.
- No Grantee shall be subject to municipal license taxes, construction excise taxes, and other municipal income taxes imposed by a municipal ordinance.
- A special tax shall be imposed, collected and paid in lieu of any other taxes and regardless of any exemption provided in the Code, of twenty percent (20%) on the total amount received by any Nonresident Talent.

### **ACT 20 OF 2012 - "Act to Promote the Export of Services"**

**Purpose:** Provide the adequate environment and opportunities to develop Puerto Rico as an international service center, encourage local professionals to stay and return, and attract foreign capital.

#### **Tax Benefits:**

- Eligible businesses shall be subject to a fixed income tax rate of four percent (4%) on income. However, the fixed income tax rate for a taxable year shall be reduced by one percent (1%) when certain conditions are met.
- Personal or real property used in the operation of the activity covered by a decree, shall enjoy ninety percent (90%) of the exemption on municipal and state taxes.

### **ACT 168 OF 1968, as amended - "Act to Grant Tax Exemption to Hospitals"**

**Purpose:** To grant tax incentives to Hospitals and other applicable health provider's facilities in order to promote its development by providing the ability to raise funds to invest on its operations needs

#### **Tax Benefits (Exemptions):**

- Tax Credit up to fifteen percent (15%) of the total eligible payroll expense to be used to reduce up to fifty percent (50%) of income taxes over eligible health service revenues.
- Exemption of a hundred percent (100%) for the payment of real and personal property over assets used to provide health services.

## 10-TAX ABATEMENTS (CONTINUED)

### **ACT 168 OF 1968, as amended - "Act to Grant Tax Exemption to Hospitals" (Continued)**

#### **Tax Benefits (Exemptions) (Continued):**

- Exemption of a hundred percent (100%) for the payment of state excise taxes over the acquisition of any equipment, machinery and effects used to provide medical treatment or diagnostics.
- No Hospital or eligible health service facility shall be subject to municipal license taxes, excise taxes and other municipal income taxes levied by a municipal ordinance.

### **ACT 225 OF 1995, as amended - "Agricultural Tax Incentive Act"**

**Purpose:** To establish public policy in the agricultural sector and other related economic sectors. Also to establish the requirements to qualify "bona fide farmers" and to provide them with all kind of exemptions for the payment of income taxes, property taxes (real and personal), municipal licenses, construction excise taxes and any other state or municipal taxes or rights.

#### **Tax Benefits (Exemptions):**

- Exemption of ninety percent (90%) of income taxes for revenues earned from agricultural business.
- Tax Credit up to fifty percent (50%) of the total eligible investment.
- Exemption of a hundred percent (100%) for the payment of real and personal property over assets used intensively for agricultural businesses and purposes.
- Exemption of a hundred percent (100%) for the payment of state excise taxes over the acquisition of any equipment, machinery and effects used in the agricultural business.
- No "bona fide farmer" shall be subject to municipal license taxes, excise taxes and other municipal income taxes levied by a municipal ordinance.

### **ACT 83 OF 2010 - "Green Energy Incentive Act"**

**Purpose:** To further renewable energy generation, in accordance with short, medium and long-term mandatory goals; to empower the Energy Affairs Administration to incentivize compliance with compulsory goals and development of sustainable renewable energy and alternative renewable energy; to establish measures aimed at fostering the development of sustainable energy systems that further energy use savings and efficiency through the establishment of a fund denominated "Green Energy Fund"; to organize and standardize the existing incentive and create new incentive that stimulate the proliferation of these energy sources, and to amend certain existing laws.

## 10-TAX ABATEMENTS (CONTINUED)

### **ACT 83 OF 2010 - "Green Energy Incentive Act" (Continued)**

#### **Tax Benefits (Exemptions):**

- Fixed income tax rate of four percent (4%) on revenues derived from eligible businesses and companies.
- Exemption of ninety percent (90%) for the payment of real and personal property over assets used in eligible businesses or companies.
- Exemption of sixty percent (60%) on municipal license taxes, excise taxes and other municipal income taxes levied by a municipal ordinance.

### **Other Acts Enacted by the Commonwealth of Puerto Rico**

The following are other Acts enacted by the Commonwealth of Puerto Rico, which may grant tax incentive and benefits to eligible participants.

- Act 148 – 1988 "Act for the Rehabilitation of Santurce"
- Act 75 – 1995 "Special Act for the Rehabilitation of Río Piedras"
- Act 14 – 1996 "Special Act for the Rehabilitation of Castañer"
- Act 178 – 2000 "Special Act for the Creation of the Theatrical Distric"

These enacted laws only applied to tax payers which businesses or companies are located in certain Municipalities or sectors of Puerto Rico.

### **Municipal Ordinances and Agreements**

**Purpose:** In order to promote economic development behind the boundaries of the Municipality, most of the seventy eight (78) Municipal Legislatures has approved and issued ordinances in other to grant exemption to businesses and companies from the payment of property taxes (personal and real), municipal license taxes, construction excise taxes and other municipal income taxes levied by a municipal ordinance.

#### **Tax Benefits (Exemptions):**

The percentages of exemptions granted by each of the seventy eight (78) Municipalities for the payment of property taxes (personal and real), municipal license taxes, construction excise taxes and other municipal income taxes levied by a municipal ordinance may vary in accordance with the agreement established with each eligible business or company.



**10-TAX ABATEMENTS (CONTINUED)**

The following table shows the amount of real property tax abatement during the fiscal year ended June 30, 2018.

<u>Industry / Business</u>	<u>Real Property Tax Abatement</u>	<u>% of total Abatement</u>
Buildings used for warehouses	\$ 41,817,375	11.09%
Pharmaceutical companies	96,541,074	25.60%
Hotels and related businesses	17,587,586	4.66%
Industrial companies and businesses	153,026,937	40.58%
Other industries and businesses	68,156,582	18.07%
Total	<u>\$ 377,129,554</u>	<u>100.00%</u>

As derived from the previous table, the industries with the highest tax abatement of real property tax during the fiscal year ended June 30, 2018 are the pharmaceutical companies and the industrial companies and businesses, which represented 25.60% and 40.58% of total tax abatement, respectively.

The following table shows the amount of personal property tax abatement during the fiscal year ended June 30, 2018.

<u>Industry / Business</u>	<u>Personal Property Tax Abatement</u>	<u>% of total Abatement</u>
Pharmaceutical companies	\$ 82,042,374	15.89%
Industrial companies and businesses	218,753,194	42.36%
Professional services	78,782,078	15.25%
Commercial companies and businesses	15,354,113	2.97%
Other industries and businesses	121,527,602	23.53%
Total	<u>\$ 516,459,361</u>	<u>100.00%</u>

As derived from the previous table, the industries with the highest tax abatement of personal property tax during the fiscal year ended June 30, 2018 are the industrial companies and businesses and other industries and businesses, which represented 42.36% and 23.53% of total tax abatement, respectively.

## 11-DEED OF TRUST

On November 2, 2015, the Center (the Trustor) and the GDB (the Trustee) signed a deed of trust to create a Trust Fund pursuant the requirement and provisions of Article 4 of Act No. 80 of August 30 1991, as amended. The Trust shall receive: 1) all property taxes revenues collected by the Center pursuant the provisions of Articles 2.01 and 2.02 of Act No. 83 of August 30, 1991, as amended; 2) revenues derived from the "Additional Lottery System"; 3) and a percent of internal revenues corresponding to the municipalities; and 4) any other revenue established by law corresponding to the municipalities. The Trustee shall make payments to the beneficiaries (the municipalities) of the Trust based on the criteria and priorities established by the Center pursuant the provisions of Article 17 of Act No. 80 of August 30, 1991, as amended.

The Trust Fund's beginning capital balance amounted to \$291,103,470, based on the deposits held by the Trustee as October 31, 2015. There are three (3) funds within the Trust:

**Municipal Redemption Fund** –These are funds to pay bonds and loans payable from the Special Additional Tax (CAE). There are three (3) main creditors: private banks, the Puerto Rico Municipal Financial Agency (MFA) and the GDB. The Trust consists of two (2) sub-funds: 1) MFA/private banks sub-fund and 2) GDB sub-fund. Funds to the MFA and the private banks shall be deposited into the MFA/private banking sub-fund and are invested outside the GDB. Funds owed to the GDB shall be deposited into the GDB sub-fund, and will remain invested in bank deposits. The CAE funds will be distributed monthly prorata (based on debt service owed) among the two (2) sub-funds.

Once in January and once in July, the GDB, as Trustee will pay the creditors from the respective sub-funds. However, the municipalities have the right to request once a year any excess funds. GDB determines the excess of each municipality, and to which sub-fund corresponds.

**Matching Fund** – These are the General Fund contributions to the municipalities. These funds will be invested outside the GDB. There is no material impact on the GDB because these funds are deposited for a few days before being transferred to the municipalities.

**State Redemption Fund** –This is comprised of the 1.03% of the property tax that is destined to the payment of the Commonwealth's General Obligations. Before the Trust was established, the Center transferred these funds directly to the Puerto Rico Department of Treasury. These funds shall be deposited in a bank account for the benefit of the State Redemption Fund.

As described on Note 2, on January 18, 2017, the Commonwealth of Puerto Rico approved Act No. 2 "*The Puerto Rico Fiscal Agency and Advisory Authority (FAFAA)*" in order to empower the Authority to oversee compliance with the certified budget and fiscal plan approved pursuant to the Puerto Rico Oversight, Management and Economic Stability Act of 2016 (PROMESA) and to delegate to the Authority the power to revise matters including, but not limited to, agreements, transactions and regulations of the agencies and instrumentalities of the Government of Puerto Rico. Under the provisions of this Act, the FAFAA shall assume all fiscal agency, financial advisory and reporting functions of the GDB under Act No. 272 of May 15, 1945, as amended.

## 11-DEED OF TRUST (CONTINUED)

Also, as described on Note 16, on November 29, 2018, the deed of trust was totally amended. The FAFAA was designed as trustee and a commercial bank was designated as trust custody and administrator. Under this amendment the Center will made deposits on three different funds: 1) Equalization fund; 2) State fund; and 3) Debt Redemption Fund.

In addition, at that date, the GDB completed a restructuring of certain indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA.

## 12-PENSION PLAN

### Plan General Description and Retirement System Reform

The Center is a participating employer in a retirement plan administered by the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). ERS covered all regular full-time public employees working for the executive and legislative branches of the Commonwealth and the municipalities of Puerto Rico (including mayors); the firefighters and police of Puerto Rico and employees of certain public corporations not having their own retirement systems. Prior to July 1, 2017, the system operated under the following benefits structures:

- Act No. 447 of May 15, 1951 ("Act 447") effective on January 1, 1952 for members hired up to March 31, 1990,
- Act No. 1 of February 16, 1990 ("Act 1") for members hired on or after April 1, 1990 and ending on or before December 31, 1999,
- Act No. 305 of September 24, 1999 (which amended Act 447 and Act 1) for members hired from January 1, 2000 up to June 30, 2013.

Employees under Act 447 and Act 1 were participants of a cost-sharing multiple employer defined benefit plan. Act 305 members were participants under a pension program known as System 2000, a defined contribution plan. Under System 2000 benefits at retirement age were not guaranteed by the Commonwealth and were subjected to the total accumulated balance of the savings account. Act No. 3 amends the provisions of the different benefits structures under the ERS moving all participants (employees) under the defined benefit pension plans (Act 447 and Act 1) and the defined contribution plan (System 2000) to a defined contribution hybrid plan. For Act 447 and Act 1 active participants, all retirement benefits accrued through June 30, 2013 were frozen, and thereafter, all future benefits accrue under Act 3 plan. Contributions are maintained by each participant in individual accounts. Credits to the individual accounts include (1) contributions by all members of ERS Act 447 and Act 1 defined benefit pension plans after June 30, 2013; (2) the retirement savings account as of June 30, 2013 of System 2000 participants and, (3) the investment yield for each semester of the fiscal year. The assets of the defined benefit program, System 2000 and the defined contribution hybrid plan were pooled and invested by ERS.

## 12-PENSION PLAN (CONTINUED)

### **Plan General Description and Retirement System Reform (Continued)**

The Commonwealth has already taken critical steps towards a comprehensive reform of the ERS. On September 30, 2016, the ERS was designated by the Oversight Board as a “covered instrumentality” pursuant to the provisions of PROMESA. The Act requires covered instrumentalities to develop fiscal plans and accordingly, a pension fiscal reform was included as part of the Commonwealth’s fiscal plan which was proposed and approved by the Oversight Board on March 13, 2017. As a result of the ERS’s severe fiscal and liquidity crisis, on May 21, 2017 the Oversight Board filed a voluntary petition under Title III of PROMESA in the United States District Court for the District of Puerto Rico (the “District Court”).

Act No. 106 of August 23, 2017 (“Act 106”) was enacted to reform the Commonwealth retirement systems and, among other dispositions, provide the necessary legal and operational structure of the determination and payment of accrued pension benefits as of June 30, 2017, the creation and transition to a new defined contribution plan and the reform of ERS’s governance, effective on July 1, 2017. Those dispositions are summarized as follows:

#### **Determination of accrued pension benefits as of June 30, 2017 and payments**

Effective July 1, 2017 participants ceased to accrue new pension benefits and are no longer able to make direct credit payments or to make additional contributions to the ERS. The ERS created and will maintain, for each participant or actual beneficiary, an individual record as of June 30, 2017 which includes the accrued pension benefits, employment history and accumulated contributions made. All benefits including retirement, disability, death, and other pensioner additional benefits were determined in accordance to the specific benefit structures under Act 447, Act 1, Act 305 and Act 3 and will be paid based on the information provided in the individual record. The accrued pension benefits will be funded through:

- The net proceeds of the sale of ERS’s assets,
- A pay-as-you-go (“PayGo”) charge to the participant employers determined by ERS and billed by the P.R. Department of Treasury (“PRDT”),
- Commonwealth’s legislative expenditure appropriations,
- Donations by any public or private entity,
- 25% of first or periodic payments on public-private partnership contracts,
- Other funds determined by the Commonwealth’s Legislature.

**12-PENSION PLAN (CONTINUED)****Plan General Description and Retirement System Reform (Continued)****Determination of accrued pension benefits as of June 30, 2017 and payments (Continued)**

On June 27, 2017 the PRDT issued the Circular Letter No. 1300-46-17 to communicate to the Commonwealth, the Municipalities and other participants of the ERS the conversion procedures to a new PayGo model, effective on July 1, 2017. Under the PayGo funding, the participant employers directly pay the pension benefits as they are due rather than attempt to build up assets to pre-fund future benefits. This funding method allows the retirement systems to continue to pay benefits even after the plans' assets have been exhausted. In addition, as a result of the implementation of PayGo funding, employers' contributions related to special laws and additional uniform contributions are eliminated. Payments are made by the employers (the Center) through a government treasury single account (TSA) maintained on a separate trust under the custody of PRDT. TSA funds are deposited and maintained in a private commercial bank. It is expected that, as the ERS's assets become depleted, the PayGo charge will increase.

Act 106 includes penalties and specific procedures for collection of unpaid PayGo charges. For municipalities, it authorized a legal lien of property tax to be collected by the CRIM through the monthly advances. During the fiscal year 2017-2018 the Center was billed and recognized as PayGo charges expenditures for \$5,108,355, of which \$1,677,285 were recorded as accounts payable as of June 30, 2018.

**Creation and transition to a new defined contribution plan**

***General*** - Effective July 1, 2017, a new defined contribution plan ("DC Plan") is created and maintained in a separate trust. It covers all active participants of the ERS as of that date and participants enrolled in the public service after that date. The Retirement Board (as discussed later) is responsible for oversight of the DC Plan; the PRDT currently serves as the trustee and custodian of the DC Plan's assets, which are deposited in a private bank account.

The transition to the new DC Plan is currently in process. In accordance with Act 106 requirements, the Retirement Board is evaluating proposals to appoint a plan administrator which will perform recordkeeping and management functions for the DC Plan, including the development and adoption of a plan document, effective July 1, 2019. The transition includes the creation of a separate trust and the transfer of participant accounts.

**Participant accounts and contributions** - Funds are maintained in individual accounts for each participant which are credited with participant's pre-tax contributions and investment earnings. Participants are required to contribute at least 8.5% of gross salary. The Plan provides for voluntary additional pre-tax contributions as permitted by the Puerto Rico Internal Revenue Code of 2011 ("2011 PR Code"). After July 1, 2019, participants may direct the investment of their contributions into various investment options offered by the DC Plan. During the fiscal year ended June 30, 2018, employees' contributions amounted to \$1,190,535.

## 12-PENSION PLAN (CONTINUED)

### **Plan General Description and Retirement System Reform (Continued)**

#### **Creation and transition to a new defined contribution plan (Continued)**

Payment of benefits - Upon termination of service a participant or the participant beneficiaries may elect to receive an amount equal to the value of the participant's interest in his or her account in a lump-sum amount, maintain his or her account in the DC Plan, or roll-over their account to a qualified plan under the 2011 PR Code. Upon participant's death the account balance will be distributed to its designated beneficiaries. Distributions are subject to income tax in accordance with the provisions of the 2011 PR Code. For participants of the DC Plan with accrued pension benefits as of June 30, 2017, benefits will include amounts participant's interest in his or her account plus accrued pension benefits funded through the PayGo system.

#### **Reform of ERS's governance**

Act 106 creates a Retirement Board composed of thirteen (13) members (government officials, representatives of teachers, judicial system, public corporations and mayors) which replaces the Board of Trustees and perform overall governance of all retirement systems, including ERS, the Teachers and Judiciary Retirement Systems.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions; Actuarial assumptions; Discount rate; Sensitivity of the Center's proportionate share of the net pension asset to changes in the discount rate; Pension plan fiduciary net position.**

The ERS have not issued its audited financial statements as of and for the fiscal year ended June 30, 2017 nor has it provided the Center with the audited schedules of employment allocations as of June 30, 2017 (Center's measurement date), necessary to comply with the requirements of GASB Statement No. 68 as of June 30, 2018. On November, 2018 the ERS made available and issued the audited schedules as of June 30, 2016. As a result, amounts reported as deferred outflows \inflows of resources related to pensions and net pension liability in the government-wide financial statements had not been updated and accounted for by the Center since previous years. In addition, applicable disclosures and required supplementary information have been omitted.

#### **Other Potential Liability – Additional Uniform Contribution (AUC)**

For fiscal year 2016-2017, the ERS sent to the Center a bill dated July 12, 2016 of \$2,457,864 related to the AUC. The Center alleged that the ERS do not comply with the terms of the Law No. 32 of 2013 related to the time established for the ERS to provide the amount to be paid during the fiscal year (120 days before the beginning of the fiscal year) Accordingly, it is the understanding of the Center, that the amount to be paid to the ERS related to the AUC during fiscal year 2017 is the same amount paid during the previous fiscal year (2016). Based on this understanding, on January 27, 2017, the Center paid \$455,678 to the ERS. The ERS disagree with the Center's position and is claiming the full payment of the amount billed.



## 12-PENSION PLAN (CONTINUED)

### Other Potential Liability – Additional Uniform Contribution (AUC)

The Center plans to defend its position vigorously. However, due to the uncertainty of the outcome of this claim by the ERS, as of June 30, 2017, the Center made an obligation of \$2,002,186. At that date, this amount is presented as assigned funds in the Center's General Fund.

## 13-CONTINGENCIES AND COMMITMENTS

### Claims and Lawsuits

The Center is defendant in various lawsuits arising from its operations; management and legal counsels are of the opinion that a liability of \$87,500 should be accrued in the Government-Wide Financial Statements to cover awarded or anticipated unfavorable judgments. This amount was included in the financial statements and represents the amount estimated as a probable liability or a liability with a fixed or expected due date, which will require future available financial resources for its payment.

### Operating Leases

The Center is obligated under various lease agreements, which expire on October 1, 2023. Operating leases do not give rise to property rights or lease obligations, and accordingly, no long-term liability is reflected in the Center's financial statements for these lease agreements. Therefore, installments of the operating leases are presented as rent expenditures. The rent expenditures for the fiscal year ended June 30, 2018 amounted to \$1,348,453. The following is a schedule of minimum rent payments required under operating leases that have initial or remaining non-cancellable lease term in excess of one year as of June 30, 2018:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 1,021,115
2020	803,069
2021	653,658
2022	653,658
2023	306,584
Thereafter	<u>63,631</u>
TOTAL	<u><u>\$ 3,501,715</u></u>

As of June 30, 2018, the Center recognized and recorded a debt with the Puerto Rico Public Buildings Authority (PRBA) amounting to \$332,045. In addition, at that date the Center has certain balances in dispute with the PRBA amounting to \$2,810,667 related to the lease of various office spaces located in the municipalities of Aguadilla, Arecibo, Caguas, Carolina, Mayaguez and Ponce.

### Federal Award

The Center participates in a federal assistance program funded by the Federal Government. Expenditures financed by this program are subject to financial and compliance audit by the appropriate grantor

**13-CONTINGENCIES AND COMMITMENTS (CONTINUED)*****Puerto Rico Fiscal Agency and Financial Advisory Authority – Act No. 2 of 2017***

On January 18, 2017, the Commonwealth of Puerto Rico approved Act No. 2 “*The Puerto Rico Fiscal Agency and Advisory Authority (FAFAA)*” in order to empower the Authority to oversee compliance with the certified budget and fiscal plan approved pursuant to the Puerto Rico Oversight, Management and Economic Stability Act of 2016 (PROMESA); to delegate to the Authority the power to revise matters including, but not limited to, agreements, transactions and regulations of the agencies and instrumentalities of the Government of Puerto Rico; to provide that it shall be the only entity authorized to enter into creditors’ agreement, and/or renegotiate or restructure the public debt, in whole or in part, or any other debt issued by any Government body including, but not limited to, agencies, boards, commissions, instrumentalities, public corporations or applicable political subdivision; to provide that the Executive Director of the Authority shall be the legal successor of the President of the Government Development Bank of Puerto Rico (GDB) in every Board, Committee, Commission or Council; to repeal Chapter 6 of Act No. 21-2016, as amended, and the Puerto Rico Fiscal Oversight and Recovery Organic Act, Act No. 208-2015; and for other related purposes.

The FAFAA will act as fiscal agent, financial advisor and reporting agent of all entities of the Government of Puerto Rico. It shall be the governmental entity responsible for the collaboration, communication and cooperation between the Government of Puerto Rico and the Fiscal Oversight Board created under PROMESA. To such effect, the FAFAA is empowered to collaborate in conjunction with the Governor of Puerto Rico and his representatives in the creation, execution, supervision and oversight of any Fiscal Plan and any Budget as defined by the terms of PROMESA. In addition, the Authority shall be the government entity charged with supervising, executing and administering the Fiscal Plan approved and certified in accordance with PROMESA and shall ensure that all the entities of the Government of Puerto Rico comply with the approved Fiscal Plan.

In addition, the FAFAA shall assume all fiscal agency, financial advisory and reporting functions of the GDB under Act No. 272 of May 15, 1945, as amended. It shall oversee all matters related to the restructuring, renegotiation or adjustment of any existing or future obligation, and the liability management transactions for any existing or future obligation of the Government of Puerto Rico.

The Authority shall be governed by Board of Directors composed of five (5) members, including the Executive Director of the FAFAA, appointed by the Governor, one (1) representative of the Senate of the Puerto Rico, and one (1) representative of the House of Representatives of Puerto Rico, who shall be designated by the Presiding Officer of each Legislative House. The remaining two members shall be appointed by the Governor.

***Puerto Rico Financial Emergency and Fiscal Responsibility Act – Act No. 5 of 2017***

On January 29, 2017, the Commonwealth of Puerto Rico approved Act No. 5 “*Puerto Rico Financial Emergency and Fiscal Responsibility Act*” to facilitate and encourage a voluntary negotiation process under PROMESA between the Governor and/or the FAFAA, on behalf of the Government of Puerto Rico, and the creditors of the Government of Puerto Rico and its instrumentalities. This Act Authorizes the Government of Puerto Rico, within the parameters established by PROMESA, to designate certain services necessary for the health, safety and welfare of the residents of Puerto Rico and provided by the Government of Puerto Rico and its instrumentalities as “essential services”, in accordance with the Constitution of Puerto Rico.

**13-CONTINGENCIES AND COMMITMENTS (CONTINUED)*****Puerto Rico Financial Emergency and Fiscal Responsibility Act – Act No. 5 of 2017 (Continued)***

This Act amends and repeals portions of the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act, Act No. 21-2016, as amended by Act No. 40-2016 and Act No. 68-2016 (the “Moratorium Act”) and of certain Executive Orders issued by then Governor of Puerto Rico Hon. Alejandro García Padilla that provided for emergency periods and a temporary stay of litigation, thus negating the timely payment of the Government’s obligations and the initiation of a voluntary negotiation process with the creditors of the Commonwealth and its instrumentalities. It also suspends or cancels, or both, all special appropriations not budgeted in the fiscal year 2016-17 that may have been multi-year authorizations from prior fiscal years. The Emergency Period will begin with the effective date of this Act and end in May 1, 2017, and may be extended by the Governor pursuant to an executive order for one additional period of three (3) months.

During the Emergency Period declared by this Act, the Governor has the power to designate services provided by the Commonwealth and its instrumentalities as essential services or services that are not essential services and utilize available resources to provide for the satisfaction of obligations of the Commonwealth and its instrumentalities, while also recognizing the need to provide for the services essential to the health, safety and welfare of the residents of Puerto Rico. The Governor shall pay debt service to the extent a) possible after all essential services of the Commonwealth have been provided for; or b) ordered to do so by the Oversight Board or any board created under federal law. In addition, the Governor may issue executive orders requiring the use of available resources to be deposited in a lockbox account under the sole control of the FAFAA to pay for essential services as he deems necessary to protect the health, safety and welfare of the residents of Puerto Rico; and he may take all actions deemed reasonable and necessary to preserve the ability of the Commonwealth or an instrumentality of such to continue providing essential services. To that end, the Governor may issue executive orders establishing priority rules for the disbursement of public funds when resources available for a fiscal year are insufficient to cover the appropriations made for the fiscal year. Notwithstanding Section 4(c) of Act No. 147 of June 18, 1980, as amended, the Governor may reprioritize services and expenses described in Section 4(c)(3) to a higher payment priority than as listed in Section 4(c). Finally, the Governor may issue executive orders as he deems necessary or advisable to assure the payment of a debt obligation of the Commonwealth or an instrumentality of such. With regards to the emergency measures related to the Government Development Bank (GDB), the Governor may take any actions he deems reasonable and necessary to permit the GDB to continue carrying out its operations, including 1) prescribing such conditions or restrictions for the conduct of the business of the GDB, including dispensing with the compliance, in whole or in part, of any requirement prescribed by otherwise applicable law (i.e. the requirement of maintaining deposit reserves levels); 2) ordering the limitation, postponement or suspension of any payment, in whole or in part, of any obligation pursuant to terms the Governor prescribes to address the GDB’s liquidity needs or facilitate its ability to carry out its operations; 3) suspending payments on any obligation guaranteed by the Bank, on any letter of credit and on any obligation or commitment to lend or extend money or credit; 4) taking any action with respect to the GDB as provided for in Act No. 17 of September 23, 1948, as amended, or Act No. 22 of July 24, 1985, as amended, as applicable; and 5) delegating to the Bank, its Board or its employees authority to take actions in furtherance of these emergency measures.

**13-CONTINGENCIES AND COMMITMENTS (CONTINUED)*****Puerto Rico Financial Emergency and Fiscal Responsibility Act – Act No. 5 of 2017 (Continued)***

If any restriction is placed on disbursements made by the GDB regarding these measures, the Bank shall not, without the authorization of the Governor, 1) disburse any loans or credit facility; 2) honor requests to withdraw or transfer any deposit, including by check or other means, of an agency, public corporation or instrumentality of the Commonwealth (other than those listed in point three (3)); 3) subject to the availability of funds and the aggregate disbursements established by the Governor, honor any request to withdraw or transfer any deposit held by, or request to honor any check written by, the Legislative and Judicial Branches, the University of Puerto Rico, the Office of the Comptroller, the Office of the Electoral Comptroller, the State Elections Commission, the Government Ethics Office, the Independent Prosecutors Panel, or a Municipality of the Commonwealth, provided, however, than an authorized officer of the requesting entity certifies along with supporting documentation that such funds will be used for the payment of essential services. If any restriction is placed on disbursements from the GDB, then any value disbursed to a creditor after such restriction is imposed shall be subtracted from the value of any distribution that such creditor is entitled to receive, as of the first date of the restriction, if the GDB is subsequently liquidated or placed into a receivership.

***Fiscal Plan Submissions and Certifications – Commonwealth of Puerto Rico and Government Development Bank of Puerto Rico***

On a letter dated January 18, 2017, the Financial Oversight and Management Board of Puerto Rico (“the Board”) provided the Governor the fiscal plan targets and guidelines, on a category-by-category basis, that the certified plan should satisfy. Also, the Board approved the Governor’s request that it extend the PROMESA stay on litigation through May 1, 2017 on conditions agreed to by the Governor, including a commitment not to attempt to procure short-term liquidity loans that could restrict fiscal options. On February 28, 2017, the Governor submitted a proposed fiscal plan and, after the review, analysis and deliberation with the Board’s members, economists, consultants, attorneys and Governor’s representatives, the Board informed the Governor on March 9, 2017 that it had determined the proposed fiscal plan did not satisfy PROMESA’s requirements and recommended that certain revisions be made. On March 11, 2017, the Governor submitted to the Board a revised proposed fiscal plan to address the identified violations in the prior proposed plan and, during the review process, further changes were incorporated into the Government’s proposed plan. On March 13, 2017, the Governor’s final proposed fiscal plan was presented to the Board and, after its review and discussion, the Board approved and certified this final proposed plan with the following two (2) amendments:

- Implementation of a furlough program and the removal of all Christmas bonuses to achieve necessary liquidity and budgetary savings – The determination to implement these measures, in whole or in part, would be made on July 1 and September 1, 2017 based on the achievements by the Commonwealth of certain levels of savings and cash reserves through the right-sizing measures to be implemented in the proposed budget for the fiscal year 2017-18.
- An overhaul of the public pension systems that would provide for progressively reduced total pension outlays by 10% by fiscal year 2020.

### 13-CONTINGENCIES AND COMMITMENTS (CONTINUED)

#### ***Fiscal Plan Submissions and Certifications – Commonwealth of Puerto Rico and Government Development Bank of Puerto Rico (Continued)***

The fiscal measures detailed in the certified fiscal plan were implemented by the approval on April 29, 2017 of Act 29 “*Compliance with the Fiscal Plan Act*”. These measures are focused on four (4) major areas:

- Increase revenues by \$1,380 million through tax and fees increases and better tax fiscalization procedures.
- Reduce expenditures by \$1,623 million through 1) \$434 million in payroll expenditure savings through the implementation of the “Single Employer Program” (an employee mobility plan), “freezing” of job vacancies and the uniformity of fringe benefits throughout the agencies (these measures do not apply to the University of Puerto Rico nor the Municipalities); 2) \$439 million in efficiency savings through agencies consolidations, expenditure reductions and public-private alliances; 3) \$750 million in subsidies reductions to the University of Puerto Rico, Municipalities, and other entities.
- Adjustments of \$299 million in Health expenditures through the implementation of a new public healthcare model.
- An 80% reduction on debt service payments.

On March 13, 2017, the Government Development Bank of Puerto Rico submitted its proposed fiscal plan to the Financial Oversight and Management Board and it was certified on April 28, 2017. This plan contemplates an orderly wind down of its operations within a three-to-four years’ period (by fiscal year 2021). To efficiently effectuate this process, the GDB’s management has created a Project Management Office (“PMO”) for the smooth transition of the Bank’s current operations. The main objectives of this fiscal plan are as follows:

- All fundamental new business banking and origination activities have ceased.
- Service the existing loan portfolio through maturity or refinancing by third party financial institutions.
- Coordinate and execute all possible collection efforts on loans held by the GDB and collateral supporting the loans, when applicable.
- Formalize the process for a transparent and orderly sale of real estate assets at fair market value
- Restructure the GDB’s workforce through the “Single Employer Program” and voluntary incentivized separation program.

The Plan assumes that Municipality Loans, select Revenue/Public Corporation Loans and the sale of real estate owned assets are the only sources of revenue to the GDB after June 30, 2017. Those loan assets deemed by the Bank to be “nonperforming” (i.e. Commonwealth’s appropriation loans) will remain as such and, therefore, would not be a source of future inflows, although the GDB reserves the right to pursue collection efforts to maximize recovery values.

### 13-CONTINGENCIES AND COMMITMENTS (CONTINUED)

#### ***Fiscal Plan Submissions and Certifications – Commonwealth of Puerto Rico and Government Development Bank of Puerto Rico (Continued)***

In respect to municipal escrow deposit accounts (monies representing undisbursed loan proceeds that were trapped at GDB as a result of restricted disbursement procedures and Executive Order 2016-10), the Plan assumes that their balances will be off set against their applicable municipal loans. However, no mechanism by which the projected excess cash flows should be allocated to the GDB depositors and other creditors has been established. This situation puts at risk the collection and accessibility of municipal funds deposited at the GDB, including certificates of deposit and investment funds, “CAE” and “IVU” Municipal Administration Fund (“FAM”) deposits and federal programs funds.

As described on Note 15, on March 23, 2018, GDB ceased its operations and on November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant a Qualifying Modification under Title VI of PROMESA (the Qualifying Modification).

#### ***Filing of Title III of PROMESA for the District of Puerto Rico***

On May 3, 2017, the Financial Oversight and Management Board for Puerto Rico approved and certified the filing in the United States District Court for the District of Puerto Rico of a voluntary petition under Title III of PROMESA for the Commonwealth of Puerto Rico. This filing was necessary due to the expiration on May 1, 2017 of the stay against litigation provided by PROMESA, and thus making the government vulnerable to lawsuits by its creditors. The voluntary filing under Title III would preclude those lawsuits while allowing the possibility of consensual negotiations to continue. Also, on May 5, 2017 another voluntary petition under Title III of PROMESA was approved, certified and filed for the Puerto Rico Sales Tax Financing Corporation (“COFINA”), and on May 22, 2017, the Board approved, certified and filed similar voluntary petitions for the Puerto Rico Highway and Transportation Authority (“HTA”) and the Government of Puerto Rico Employees Retirement System (“ERS”).

### 14-ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

Effective July 1, 2017, the Center adopted the provisions of the following GASB Statements:

- ***GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions:*** 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 the financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and Statement 57, OPEB Measurements by Agent Employers and Agent Multi-Employers Plans, for OPEB. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017.



**14-ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

- **GASB Statement No. 81, *Irrevocable Split-Interest Agreements***: The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreements. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts-or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements-in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreements. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. In addition, requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for period beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

- **GASB Statement No. 85, “*OMNIBUS 2017*”**: The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Specifically, this Statement addresses the following topics:
  - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statements presentation.
  - Reporting amounts previously reported as goodwill and “negative” goodwill.
  - Classifying real estate held by insurance entities.
  - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
  - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurements focus.
  - Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
  - Presenting payroll-related measure in required supplementary information for purposes of reporting by OPEB plans and employers that provided OPEB.
  - Classifying employer-paid member contributions for OPEB.
  - Simplifying certain aspects of the alternative measurement method for OPEB.
  - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

#### 14-ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- **GASB Statement No. 86, “*Certain Debt Extinguishment Issues*”:** The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

#### 15-FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS

- **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. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.
- **GASB Statement No. 84, “*Fiduciary Activities*”:** The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

## 15-FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- **GASB Statement No. 87, “Leases”:** The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement 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. Earlier application is encouraged.

- **GASB Statement No. 88, “Certain Disclosures Related to Debt, Including direct Borrowings and Direct Placements”:** The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial 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. Earlier application is encouraged.

- **GASB Statement No. 89, “Accounting for Interest Costs Incurred Before the End of a Construction Period”:** The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify 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.

## 15-FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- **GASB Statement No. 89, “Accounting for Interest Costs Incurred Before the End of a Construction Period” (Continued):**

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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. Earlier application is encouraged.

- **GASB Statement No. 90, “Majority Equity Interest – An Amendment of GASB Statements No. 14 and 61”:** The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. 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. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

## 15-FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- **GASB Statement No. 90, “Majority Equity Interest – An Amendment of GASB Statements No. 14 and 61” (Continued):**

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The impact of the implementation of these pronouncements on the Center’s financial statements, if any, has not been determined.

## 16-SUBSEQUENT EVENTS

Subsequent events were evaluated through December 20, 2018, the date financial statements were available to be issued. No significant events that should have been recorded or disclosed in the financial statements were noted, except as noted in the following paragraphs.

### ***Impact of the Certified Fiscal Plan of the Commonwealth of Puerto Rico on the Budget for Fiscal Year 2018-2019***

The Financial Oversight and Management Board approved a fiscal plan which included the progressive reduction of the subsidies given to the Municipalities, mainly the ones that are paid through the monthly advances of property taxes made by the Municipal Revenues Collection Center (CRIM).

Based on the approved budget of Commonwealth of Puerto Rico for fiscal year 2018-2019, the estimated reduction of revenues will be \$41,126,340. Accordingly, during fiscal year 2018-2019, the revenues will experience a reduction of 16.04% distributed as follows:

<u>Revenue Source</u>	<u>2018-19 Budget</u>	<u>2017-18 Budget</u>	<u>Increase (Decrease)</u>	<u>Percentage</u>
2.5% NIR General Fund	\$ 175,730,000	\$ 219,730,000	\$ (44,000,000)	-20.00%
35% of Puerto Rico Additional Lottery System	39,520,000	36,646,340	2,873,660	7.84%
Total	<u>\$ 215,250,000</u>	<u>\$ 256,376,340</u>	<u>\$ (41,126,340)</u>	<u>16.04%</u>

## 16-SUBSEQUENT EVENTS (CONTINUED)

### ***Amendment and Restatement to Deed of Trust***

On November 29, 2018, the Center, FAFAA and GDB provided an amendment and full reformulation of the Center's deed of trust under the "Deed of Trust No. 58". Accordingly, the government enacted Law No. 109 of August 24, 2017, to amend Law No. 80, in order to appoint FAFAA as trust's designated trustee or one or more private banking institutions that FAFAA might designate, replacing GDB.

The funds deposited on the trust fund amounting to \$363,617,079 at November 29, 2018 (excluding the funds deposited on the GDB which will be subject and used on the GDB restructuring transaction) represents the trust's available capital at that date.

Under the provisions of the deed, the Trust shall receive: 1) All property taxes revenues collected by the Center pursuant to the provisions of Article 2.01 (basic property tax) of Act No. 83 of August 30, 1991, as amended to be credited to the Equalization Fund; 2) All property taxes revenues collected by the Center pursuant to the provisions of Article 2.02 (special property tax) of Act No. 83 of August 30, 1991, as amended to be credited to the State Fund; 3) All collections by the Center related to additional special municipal tax subject to the requirements of Law No. 64 and Law No. 83 to be credited to Public Debt Redemption Fund; 4) Any other future enacted tax that might be established by Law, to be credited under the provisions required by the Law.

Also, on November 29, 2018, the Center (as settlor), FAFAA (as trustee) and a commercial banking institution (as custody bank) made a second amendment and restatement to the "Trust Account Custody and Management Agreement" pursuant to the provisions of the amended and restated "Deed of Trust No. 58".

### ***GDB Qualifying Modification under Title VI of PROMESA***

On March 23, 2018, The Governmental Development Bank for Puerto Rico (GDB) ceased its operations. Also, on November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA (the Qualifying Modification). Under the Qualifying Modification, holders of certain bond and deposit claims exchanged their claims for bonds issued by a newly created public instrumentality, the GDB Debt Recovery Authority, and GDB transferred to such entity its municipal loan portfolio, a portion of its public entity loan portfolio, its real estate owned assets and its unencumbered cash. As a result of the Qualifying Modification, loans in the total aggregate amount of approximately \$1.9 billion owed by the Authority to GDB were transferred to the GDB Debt Recovery Authority.



	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>OPERATING REVENUES:</b>				
Property taxes administrative fees	\$ 27,193,135	\$ 27,193,135	\$ 26,448,002	\$ (745,133)
Sales of certifications and maps	654,124	654,124	591,157	(62,967)
Interest income	22,449	22,449	26,908	4,459
Service charges to banks	1,326,577	1,326,577	975,950	(350,627)
<b>Total revenues</b>	<b>29,196,285</b>	<b>29,196,285</b>	<b>28,042,017</b>	<b>(1,154,268)</b>
<b>OPERATING EXPENDITURES:</b>				
Current:				
Salaries and fringe benefits	22,245,154	22,311,965	20,131,157	2,180,808
Professional and consulting services	1,244,155	1,228,476	1,171,891	56,585
Travel and representation	649,400	558,327	485,408	72,919
Capital outlays and supplies	306,900	296,369	271,571	24,798
Rent	1,709,210	1,655,466	1,612,300	43,166
Repairs and maintenance	1,185,604	846,043	761,857	84,186
Utilities	980,000	860,281	809,404	50,877
Printed forms	63,000	52,500	28,640	23,860
Postage	429,915	505,300	479,004	26,296
Interest and bank charges	35,000	35,000	3,068	31,932
Trainings	63,500	29,200	8,907	20,293
Insurance and premiums	95,048	285,848	275,156	10,692
Other	189,399	531,510	48,768	482,742
<b>Total expenditures and encumbrances</b>	<b>29,196,285</b>	<b>29,196,285</b>	<b>26,087,131</b>	<b>3,109,154</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING SOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$1,954,886</b>	<b>\$ 1,954,886</b>
<b>Explanation of Differences:</b>				
<b>Sources/inflows of resources:</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule				\$ 28,042,017
Differences-budget to GAAP:				
Non-budgeted transfer in				1,554,520
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances				<u>\$ 29,596,537</u>
<b>Uses/outflows of resources:</b>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule				\$ 26,087,131
Differences-budget to GAAP:				
Prior year encumbrances paid during current year				2,699,412
Current year encumbrances recorded as expenditures for budgetary purposes				(1,587,158)
Expenditures considered for budget but not for GAAP				(904,975)
Total expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balances				<u>\$26,294,410</u>

The notes to the Budgetary Comparison Schedule are an integral part of this schedule.

## 1. BUDGET PROCESS AND BUDGETARY BASIS OF ACCOUNTING

The Center's budget is prepared for the General Fund following the requirements of the Law No. 80 of 1991, as amended. It is developed utilizing elements of performance-based program budgeting and zero-based budgeting and includes estimates of revenues and other sources for ensuring fiscal year under laws existing at the time the budget is prepared.

Budget amendments are approved by the Governing Board. Certain budget transfers within the limitations and restrictions of the Governing Board can be approved by the Executive Director. The budget comparison schedule provides information about the original budget, the amended budget and the actual results, under the budgetary basis of accounting.

The budgetary basis of accounting is different from GAAP. Revenues are generally recorded when cash is received and expenditures are generally recorded when the related expenditure is incurred or encumbered. The encumbrances (that is, purchase orders, contracts) are considered expenditures when a commitment is made. On a GAAP basis, encumbrances outstanding at year-end are reported in the governmental funds statements as assigned fund balance since they do not constitute expenditures or liabilities while on a budgetary basis encumbrances are recorded as expenditures of the current year. Encumbrance appropriations lapse one year after the end of the fiscal year. Unencumbered appropriations are lapsed at year-end. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is at the function level.

The presentation of the budgetary data excludes other appropriations such as capital projects, debt service and special revenue funds because projects are funded on a multi-year nature, generally requiring several years to complete or effective budgetary control is alternatively achieved through general obligation bond indentures and legal and contractual grant agreement provisions.



López-Vega, CPA, PSC

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

**To the Governing Board  
Municipal Revenue Collection Center  
San Juan Puerto Rico**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the **Municipal Revenue Collection Center ("the Center")** as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 20, 2018. The report on governmental activities was qualified because we were unable to obtain sufficient appropriate audit evidence about proportional share use to determine the deferred outflows/inflows, net pension plan liability, pension expense, and related note disclosures with respect to its participants in the employee retirement pension plan.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2018-001 that we consider to be a significant deficiency.

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

**Compliance and other matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-001.

**Center's Response to Findings**

Center's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



**LOPEZ VEGA, CPA, PSC**

San Juan, Puerto Rico  
December 20, 2018

Stamp No. 2742216 of the  
Puerto Rico Society of Certified  
Public Accountants was affixed to  
the record copy of this report.



**Section II – Financial Statements Findings**

**Finding Reference**      **2018-001**

**Requirement:**              **Recognition and Reporting of Net Pension Liability – Cost Sharing Pension Plans**

**Type of Finding:**         **Significant Deficiency in Internal Control (SD), Instance of Noncompliance (NC)**

**Statement of Condition** Management has not complied with the accounting and financial reporting requirements for pensions that are provided to the employees of state and local governmental employers through pension plans trusts that comply with the criteria set forth in the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Center’s governmental activities has not been determined.

In addition, the Center’s financial statements do not disclose the descriptive information about the pension plans through which the pensions are provided required by the GASB Statement No. 68 for cost-sharing employers. Also, management has omitted historical pension information that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements.

**Criteria**                      GASB Statement No. 68 states the accounting and financial reporting requirements for pension plans provided to employees of state and local governments that are administered through cost-sharing pension plan trusts that comply with the criteria set forth in the Statement. This requires that the Center report in its financial statements its proportionate share of the collective net pension liability, pension expense and deferred outflows and inflows of resources related to pensions as of the measurement date. It also requires detailed disclosures related to the actuarial and financial information used in the calculation of the net pension liability and the reporting of historical pension data as Required Supplementary Information.

**Cause of Condition**      The Center’s pension plan administrator has not provided the audited actuarial and financial information necessary for the proper recognition and reporting of its net pension liability as of June 30, 2018.

**Effect of Condition**        The Center’s Government-Wide Financial Statements does not present fairly the financial position of the governmental activities, and the change in financial position of the Center for the fiscal year ended June 30, 2018.

**Recommendation**         We recommend the Center to implement the provisions of GASB 68 as soon as the information is available from the pension plan’s administrator, the Commonwealth’s Employees Retirement System Administration.

**Questioned Cost**            None

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COMMONWEALTH OF PUERTO RICO  
MUNICIPAL REVENUE COLLECTION CENTER

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SCHEDULE OF PROPERTY TAX FUND  
LIQUIDATION (IN ACCORDANCE WITH ACT NO. 80  
OF AUGUST 30, 1991, AS AMENDED)

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Year Ended June 30, 2018

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## **INDEPENDENT AUDITORS' REPORT**

To the Governing Board  
Municipal Revenue Collection Center  
San Juan, Puerto Rico

### **Report on the Schedule of Property Tax Fund Liquidation**

We have audited the accompanying Schedule of Property Tax Fund Liquidation (the Schedule) of the Municipal Revenue Collection Center (the Center) for the year ended June 30, 2018, and the related notes to the Schedule.

### **Management's Responsibility for the Schedule of Property Tax Fund Liquidation**

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the provisions of Act No. 80 of August 30, 1991, as amended; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of schedules that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on this Schedule 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 Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the Schedule 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 Center'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 Schedule.

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

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### **Basis for Qualified Opinion**

In accordance with the provisions of Act No. 80 of August 30, 1991, as amended, the municipalities of Puerto Rico should receive 35% of the annual net income of a lottery created under Act No. 10 of May 24, 1989, as amended. Those funds should be part of this Schedule. As of the date of issuance of the Schedule, the Puerto Rico Treasury Department (PRTD) does not have available audited financial information for its lottery operations; also, the PRTD has not provided the Center a preliminary estimate of the lottery's net income for the year ended June 30, 2018. The amount of \$36,646,340 reported by the Center in the accompanying Schedule consisted of funds assigned and confirmed by the PRTD during the fiscal year ended June 30, 2018. The Center's management considers that the amount of funds of the lottery operations received from the PRTD will be subject to change once the audited financial statements are issued and available. Since the audited financial statements of the lottery operations are not available, we were unable to determine whether any adjustments to the amounts included in the Schedule were necessary.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Schedule referred to above presents fairly, in all material respects, the Property Tax Fund Liquidation of the Center for the year ended June 30, 2018, in accordance with the provisions of Act No. 80 of August 30, 1991, as amended.

### **Other Matters**

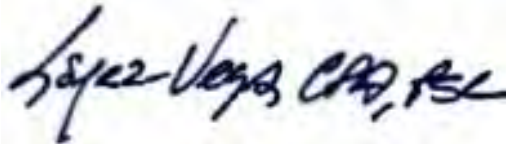
Act No. 80 of August 30, 1991, as amended, provides for the distribution of the Municipal Public Works Fund, a fund that accounts for 2% of the collections from fines imposed under Act No. 22 of January 7, 2000, as amended, known as the Vehicle and Traffic Act of Puerto Rico. Such distribution is not included in the accompanying Schedule.

Act No. 162 of August 8, 2012 provides for certain additional funds to be distributed annually to the municipalities of Puerto Rico commencing with the fiscal year ended June 30, 2014. The additional funds amounting to \$25,000,000 per annum or the amount determined as a result of an independent audit to be annually performed by the Government Development Bank for Puerto Rico shall be distributed before the end of each fiscal year commencing with the fiscal year ended June 30, 2014. Such distribution is not included in the accompanying Schedule.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

**Use of this Report**

This report is intended solely for the information and use of the Governing Board and management of the Center and the mayors and management of the municipalities of Puerto Rico, and is not intended to be and should not be, used by anyone other than these specified parties.



LÓPEZ- VEGA, CPA, PSC

San Juan, Puerto Rico  
December 20, 2018

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was affixed to the record copy of this report.



MUNICIPALITY	Revenues after the Approval of Act 80 of August 30, 1991, as amended	Advances to Municipalities	Funds Assigned to CRIM	Interest Charges	Other De and Adju
TOTAL	\$ 819,992,691	\$ (767,819,796)	\$ (27,263,330)	\$ (3,333,060)	\$
Adjuntas	6,056,722	(5,648,018)	(41,413)	(24,619)	
Aguada	7,623,457	(7,065,275)	(139,427)	(30,987)	
Aguadilla	8,261,272	(8,418,418)	(390,556)	(33,580)	
Aguas Buenas	6,808,905	(6,275,086)	(71,508)	(27,676)	
Aibonito	6,395,615	(5,790,438)	(96,054)	(25,997)	
Añasco	6,358,987	(5,919,229)	(125,250)	(25,848)	
Arecibo	9,247,779	(9,156,319)	(424,725)	(37,590)	
Arroyo	6,000,764	(5,472,841)	(63,788)	(24,392)	
Barceloneta	8,813,854	(7,995,054)	(300,135)	(35,826)	
Barranquitas	7,950,383	(7,186,388)	(74,846)	(32,316)	
Bayamón	42,731,322	(38,103,015)	(2,087,164)	(173,692)	
Cabo Rojo	7,507,158	(7,100,345)	(363,141)	(30,515)	
Caguas	27,238,618	(25,308,010)	(1,324,092)	(110,718)	
Camuy	7,207,049	(6,661,092)	(93,835)	(29,295)	
Canóvanas	9,193,996	(8,204,868)	(302,259)	(37,371)	
Carolina	40,108,788	(35,274,819)	(1,923,155)	(163,032)	

Reductions	Due to (from)	Revenues after the	Advances to	Funds Assigned	Interest Charges	Other Deductions
Payments	MUNICIPALITY	Approval of	Municipalities	to CRIM		and Adjustments
		Act 80 of August				
		30, 1991, as				
		amended				
1,343,466	San Juan 22,919,971	17,320,203	(15,297,865)	(559,923)	(70,402)	(
	Cayey	9,118,551	(8,405,016)	(383,870)	(37,065)	(
(515)	Ceiba 342,157	5,297,016	(4,895,390)	(62,084)	(21,531)	
(1,782)	Ciales 385,986	5,396,557	(5,058,057)	(39,035)	(21,936)	
39,868	Cidra (541,414)	7,731,877	(6,841,244)	(238,473)	(31,428)	
(6,142)	Coamo 428,493	6,983,597	(6,482,286)	(110,677)	(28,387)	(
(899)	Comerio 482,227	7,498,950	(6,966,246)	(35,872)	(30,481)	
28,036	Corozal 316,696	7,858,728	(7,225,913)	(85,527)	(31,944)	
161,875	Culebra (208,980)	2,446,192	(2,304,299)	(26,186)	(9,943)	
(9,375)	Dorado 430,368	10,069,813	(9,491,820)	(462,776)	(40,931)	
3,781	Fajardo 486,620	9,082,709	(8,838,734)	(352,014)	(36,919)	
(11,450)	Florida 645,383	5,587,467	(5,148,523)	(25,099)	(22,712)	
(111,059)	Guánica 2,256,392	5,878,136	(5,533,464)	(54,470)	(23,893)	
(17,724)	Guayama (4,567)	8,127,262	(7,811,213)	(347,758)	(33,035)	
151,114	Guayanilla 546,912	5,287,232	(4,878,972)	(43,032)	(21,491)	
41,605	Guaynabo 464,432	41,925,464	(39,857,298)	(2,044,739)	(170,416)	
(19,997)	Gurabo 629,501	8,181,859	(7,934,499)	(286,543)	(33,257)	
(112,904)	Hatillo 2,634,878	8,249,103	(8,011,197)	(276,437)	(33,530)	



<b>MUNICIPALITY</b>	<b>Revenues after the Approval of Act 80 of August 30, 1991, as amended</b>	<b>Advances to Municipalities</b>	<b>Funds Assigned to CRIM</b>	<b>Interest Charges</b>	<b>Other De and Adju</b>
Hormigueros	5,099,661	(4,718,433)	(102,051)	(20,729)	
Humacao	11,456,495	(11,210,907)	(556,640)	(46,568)	
Isabela	8,066,950	(7,422,955)	(226,069)	(32,790)	
Jayuya	5,344,733	(5,002,123)	(40,245)	(21,725)	
Juana Díaz	3,492,809	(5,523,384)	(149,194)	(14,197)	
Juncos	7,841,742	(6,767,639)	(220,776)	(31,875)	
Lajas	6,095,118	(5,599,727)	(94,187)	(24,775)	
Lares	7,263,875	(6,718,982)	(73,134)	(29,526)	
Las Marías	5,270,367	(4,871,034)	(23,752)	(21,423)	
Las Piedras	6,307,625	(5,922,418)	(171,317)	(25,639)	
Loíza	7,713,110	(7,142,162)	(80,253)	(31,352)	
Luquillo	5,752,131	(5,441,715)	(146,382)	(23,381)	
Manatí	9,170,502	(8,190,311)	(318,260)	(37,276)	
Maricao	4,159,984	(3,836,128)	(18,708)	(16,909)	
Maunabo	5,701,780	(5,331,588)	(30,001)	(23,176)	
Mayagüez	16,789,469	(15,799,476)	(800,750)	(68,245)	
Moca	7,304,306	(6,739,375)	(110,308)	(29,690)	
Morovis	7,676,405	(7,070,780)	(75,921)	(31,203)	

Reductions	Due to (from)	Revenues after the	Advances to	Funds Assigned	Interest Charges	Other Deductions
Payments	MUNICIPALITY	Approval of	Municipalities	to CRIM		and Adjustments
		Act 80 of August				
		30, 1991, as				
		amended				
(1,826)	Naguabo 256,622	6,115,208	(5,669,727)	(88,676)	(24,857)	
43,120	Naranjito 314,500	8,023,258	(7,384,979)	(82,514)	(32,612)	
(15,018)	Orocovis 370,118	7,740,083	(7,178,318)	(54,915)	(31,461)	
25,223	Patillas 305,863	5,756,570	(5,382,310)	(48,123)	(23,399)	
(13,808)	Peñuelas 2,207,774	6,341,702	(5,860,685)	(148,476)	(25,777)	
(18,261)	Ponce 803,191	25,405,980	(23,889,500)	(1,204,110)	(103,269)	
(5,454)	Quebradillas 70,975	6,200,815	(5,804,558)	(77,864)	(25,205)	
(1,030)	Rincón 441,203	5,810,206	(5,440,487)	(103,715)	(23,617)	
15,279	Río Grande 869,437	7,135,614	(7,027,343)	(343,186)	(29,004)	
1,384	Sabana Grande 1,000	5,808,355	(5,387,800)	(69,345)	(23,609)	
(740)	Salinas 458,603	6,397,135	(5,954,779)	(87,689)	(26,003)	
2,402	San Germán 148,055	6,732,903	(6,288,001)	(154,943)	(27,368)	
3,158	San Juan 627,813	121,664,744	(112,573,445)	(5,920,119)	(494,536)	
9,866	San Lorenzo 228,105	7,544,001	(7,031,225)	(141,311)	(30,664)	
13,920	San Sebastián 310,935	7,573,523	(6,887,413)	(172,796)	(30,784)	
36,597	Santa Isabel 157,595	5,705,005	(5,274,965)	(108,167)	(23,189)	
(371)	Toa Alta 424,562	5,122,327	(7,163,490)	(223,858)	(20,821)	
(4,941)	Toa Baja 493,560	10,254,436	(9,856,031)	(480,406)	(41,682)	

<b>MUNICIPALITY</b>	<b>Revenues after the Approval of Act 80 of August 30, 1991, as amended</b>	<b>Advances to Municipalities</b>	<b>Funds Assigned to CRIM</b>	<b>Interest Charges</b>	<b>Other De and Adju</b>
Trujillo Alto	7,859,261	(8,861,143)	(353,016)	(31,946)	
Utado	7,431,131	(6,931,405)	(73,855)	(30,206)	
Vega Alta	7,802,073	(7,413,260)	(226,479)	(31,713)	
Vega Baja	5,607,599	(6,635,939)	(256,891)	(22,793)	
Vieques	4,403,897	(4,178,597)	(46,759)	(17,901)	
Villalba	7,198,787	(6,679,788)	(46,882)	(29,261)	
Yabucoa	6,901,827	(6,351,526)	(94,809)	(28,054)	
Yauco	7,403,804	(6,842,694)	(160,615)	(30,095)	

**A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Debits	Due to (from) Municipalities	
(5,245)	(1,392,089)	The Municipal Revenue Collection Center (the Center) was created by Act No. 80 of August 30, 1991, as amended, (the Act) as part of the Municipal Reform Legislation. The Center was created for the purpose of establishing a separate and independent municipal entity from the Commonwealth of Puerto Rico (the Commonwealth) to collect, receive and distribute the property tax revenue of the municipalities. Prior to the enactment of this Act, the Commonwealth, through the Department of Treasury, accounted for these revenues. The Center is exempt from the payment of taxes on its revenues and properties.
11,425	407,099	The Schedule of Property Tax Fund Liquidation (in accordance with the Act) has been prepared on the cash basis of accounting. Property tax revenues are recorded when collected and deducted when distributed to the municipalities. Advances to the municipalities are made on a monthly basis based on estimates of revenues in accordance with the Act.
34,794	165,415	
1,482	(1,008,542)	
49,839	210,479	<b>B. PROPERTY TAX FUND</b>
30,420	473,276	Pursuant to the Act, the Center is empowered to bill and collect property taxes, and to distribute property tax collections to the municipalities.
1,907	429,345	
12,002	382,402	The Center must advance to the municipalities, on a monthly basis, one-twelfth of the estimate of annual revenues. The Center is required to provide a preliminary certification on the liquidation on or before September 30 of each given year and to distribute such certification on or before three (3) business days once it is made.

A final liquidation of due to or from each municipality is required within the six-month period following the close of the fiscal year.

**Property Taxes**

Real property taxes are assessed on July based on the taxable values as of January 1, using the estimated values of 1957. Assessed values of personal property are based on the book value at January 1 of each year. Property taxes are assessed for all properties located within the Commonwealth of Puerto Rico.

Real property taxes are billed by the Center and are due in two equal installments, in July and January following the assessment date. Personal property taxes are self-assessed and are due on May 15, when the related property tax return is required to be filed.

The property tax rates per annum vary among municipalities. For the fiscal year 2017-2018, the rates were comprised as follows:

	Personal Property		Real Property	
	Minimum	Maximum	Minimum	Maximum
Basic	3.00%	4.00%	5.72%	6.00%
Contribution to debt redemption funds:				
State	1.03%	1.03%	1.03%	1.03%
Municipal	1.00%	5.00%	1.20%	5.50%

Total property tax rates varied from 5.80% to 9.83% for personal property and 8.03% to 12.33% for real property.

**B. PROPERTY TAX FUND (CONTINUED)****Impact of the Certified Fiscal Plan of the Commonwealth of Puerto Rico**

One of the measures approved for the reduction of governmental expenditures included in the fiscal plan certified by the Financial Oversight and Management Board is the progressive reduction of the subsidies given to the Municipalities, mainly the ones that are paid through the monthly advances of property taxes made by the Municipal Revenues Collection Center (CRIM).

Based on the approved budget of Commonwealth of Puerto Rico for fiscal year 2017-2018, the Center experienced a reduction of revenues of \$150,173,903. This reduction represents a decrease of 36.94% in revenues compared to the prior fiscal year. Also, during fiscal year 2017-2018, basic property taxes decrease by \$7,512,714 or 3.10% compared to prior fiscal year. Accordingly, during fiscal year 2017-18, total revenues experience a reduction of \$157,686,617 or 24.31%, as shown in the following table:

<u>Revenue Source</u>	<u>2017-18</u>	<u>2016-17</u>	<u>Decrease</u>	<u>Percentage</u>
State reimbursement of property tax exemptions	\$ -	\$ 116,300,247	\$ (116,300,247)	-100%
35% of Puerto Rico Additional Lottery System	36,646,340	45,950,243	(9,303,903)	-20.25%
2.5% NIR General Fund	219,730,000	227,575,000	(7,845,000)	-3.45%
State reimbursement of 0.20% of property tax rates	-	16,724,753	(16,724,753)	-100%
Sub-total	256,376,340	406,550,243	(150,173,903)	-36.94%
1% and 3% basic property taxes	234,490,963	242,003,677	(7,512,714)	-3.10%
Total	\$ 490,867,303	\$ 648,553,920	\$ (157,686,617)	-24.31%

**Exemptions and Discounts**

Several Commonwealth laws, primarily to promote economic development, provide for property tax exemptions. Under various industrial incentives laws, qualifying businesses are exempted totally or partially for real and personal property taxes for periods, which vary by municipality. Retailers with annual sales volume of less than \$150,000 are granted an exemption from taxes on the first \$50,000 of the assessed value of personal property.

The Commonwealth of Puerto Rico compensates the municipalities for the exempt portion of the property tax. The amount compensated by the Commonwealth of Puerto Rico for exempted basic rate on real property was fixed at approximately \$86 million per fiscal year. Also, the Commonwealth annually transfers approximately \$30 million related to exempted property for the Municipal Debt Redemption Fund (CAE).

As shown in the previous table, the State reimbursements or property tax exemptions were eliminated during fiscal year 2017-2018.

## **B. PROPERTY TAX FUND (CONTINUED)**

### **Exemptions and Discounts**

Act No. 16 of May 1960 authorizes the Secretary of the Treasury of the Commonwealth of Puerto Rico to grant a discount of 0.20% of the annual basic tax over the assessment value of all real and personal property not exempt from taxes. The Department of the Treasury reimbursed the discount to the municipalities until fiscal year ended June 30, 2017 for the amount of \$16,724,753.

As shown in the previous table, the State reimbursement for the discount of 0.20% of the annual basic tax over the assessment value of all real and personal property not exempt from taxes was eliminated during fiscal year 2017-2018.

### **Equalization Fund**

Act No. 80 of August 30, 1991, as amended, established a special fund known as the Equalization Fund (“Fondo de Equiparación”) for the purpose of ensuring that all municipalities receive at least the same amount of revenues as they received on the prior year from these sources.

The Equalization Fund includes the following:

- (a) All funds derived from basic property taxes assessed by the Commonwealth of Puerto Rico prior to the 1991 Municipal Reform corresponding to a tax rate of 1% for personal property tax and a tax rate of 3% over the assessed value of all real estate property in Puerto Rico, not otherwise exempt. For the fiscal year ended June 30, 2018, these funds amounted to \$234,490,963.
- (b) 2.50% for the fiscal years after 2002-2003 of the net internal revenue of the Commonwealth of Puerto Rico. For the fiscal year ended June 30, 2018, this amount totaled \$219,730,000.
- (c) An amount equal to 35% of the Puerto Rico Additional Lottery System net operational income. For the fiscal year ended June 30, 2018, the funds received by the Center, which are included in the schedule, amounted to \$36,646,340.
- (d) An amount equal to 2% of the state imposed penalties described under Sec. 5001 of Title 9, known as the Puerto Rico Vehicles and Transit Law (“Ley de Vehículos y Tránsito de Puerto Rico”) to be distributed by municipalities by the Center. Funds under this item shall be collected and distributed to the corresponding municipalities directly by Puerto Rico Treasury Department; therefore such amounts are not part of the Schedule.

Funds received under items (a) above are distributed to the corresponding municipalities. Funds received under items (b) and (c) above are distributed to the municipalities up to the amounts required to make each municipality’s revenue equal its revenue from these sources for the prior fiscal year (i.e., equalize the municipalities). Any excess funds received under items (b) and (c) above are distributed to the municipalities using the four (4) factors provided by Act No. 80.



**B. PROPERTY TAX FUND (CONTINUED)****Equalization Fund (Continued)**

As described before, during the fiscal year 2017-2018, the Center's funds experience a reduction of \$157,686,617. Therefore, the funds collected during the fiscal year were not sufficient to provide an equalization of revenues for all the municipalities. Accordingly, a deficit of funds for the equalization of revenues resulted in the amount of \$24,661,617, as shown in the following table:

Funds required for the Equalization of revenues	\$ 515,528,920
1% and 3% basic property taxes	(234,490,963)
2.5% NIR General Fund	(219,730,000)
35% of Puerto Rico Additional Lottery System	<u>(36,646,340)</u>
Deficiency of funds for equalization of revenues	<u>\$ 24,661,617</u>

Taking into consideration the deficit of funds, the liquidation schedule for the fiscal year 2018 was prepared computing the equalization of funds to those municipalities with a census of less than 50,000 habitants. Then the deficiency of funds was distributed among those municipalities with a census of more than 50,000 habitants.

**Insurance and Other Withholdings**

As part of the municipalities' monthly remittances distributed by the Center, withholdings are made in order to cover the municipalities' obligations, and include the following:

- **Municipal insurance policies:** The Municipalities carry commercial insurance to cover casualty, theft, tort claims, and other losses. Insurance policies are negotiated by the Puerto Rico Treasury Department. Since 2012, the Municipalities were allowed to negotiate their insurance policies directly with insurance providers. As of June 30, 2018, 77 of the 78 municipalities of Puerto Rico negotiated their insurance policies with private insurance providers. All costs associated with the insurances are withheld from the property tax collections.
- **Loans:** The Center also withholds all amounts due by municipalities on their loans payable to the Government Development Bank for Puerto Rico and commercial banks.
- **Payments due to governmental entities:** Certain amounts due to other governmental entities under payment plans subscribed by the municipalities or by statutory acts.
- **Center's administrative expenses:** In addition, the Center withholds from property tax advances up to 5% of the collections of the property tax to cover for the Center's administrative expenses.

## B. PROPERTY TAX FUND (CONTINUED)

### Advances and Final Liquidation

On October 1, 2018, the Center's Governing Board approved the Preliminary Liquidation and the advance of the estimated funds to be distributed to the Municipalities. This Preliminary Liquidation shows municipalities with superavits of \$32,194,094 and municipalities with deficit of funds of \$9,373,737. The total funds distributed to those municipalities with a superavit amounted to \$25,755,275, which represents an advance of funds of 80%.

On December 20, 2018, the Center's Governing Board approved the Final Liquidation. The Final Liquidation shows municipalities with superavits of \$6,396,486 (net of the funds advances with the Preliminary Liquidation mentioned before) and municipalities with deficit of funds of \$9,231,786.

## C. LIQUIDATION AND CLAIMS

There are various municipalities that had filed administrative and legal actions against the Center, challenging the final liquidations for certain prior years.

The final determination of these actions cannot be determined at the date of this report. The Center plans to defend its position vigorously in order to prevail.

## D. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 20, 2018, the date the Schedule of Property Tax Fund Liquidation (the Schedule) of the Municipal Revenue Collection Center (the Center) for the year ended June 30, 2018 was available to be issued. No significant events that should have been recorded or disclosed were noted, except for the matters mentioned in the next paragraphs.

### ***Impact of the Certified Budget for Fiscal Year 2018-2019***

The Financial Oversight and Management Board approved a fiscal plan which included the progressive reduction of the subsidies given to the Municipalities, mainly the ones that are paid through the monthly advances of property taxes made by the Municipal Revenues Collection Center (CRIM).

Based on the approved budget of Commonwealth of Puerto Rico for fiscal year 2018-2019, the estimated reduction of revenues will be \$41,126,340. Accordingly, during fiscal year 2018-19, the revenues will experience a reduction of 16.04% distributed as follows:

<u>Revenue Source</u>	<u>2018-19 Budget</u>	<u>2017-18 Budget</u>	<u>Increase (Decrease)</u>	<u>Percentage</u>
2.5% NIR General Fund	\$ 175,730,000	\$ 219,730,000	\$ (44,000,000)	-20.00%
35% of Puerto Rico Additional Lottery System	39,520,000	36,646,340	2,873,660	7.84%
Total	\$ 215,250,000	\$ 256,376,340	\$ (41,126,340)	-16.04%



**CENTRO DE RECAUDACIÓN  
DE INGRESOS MUNICIPALES**

## Pedro L. González Uribe (Secretaría)

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**From:** Yamil Rivera (Secretario)  
**Sent:** Wednesday, August 25, 2021 7:20 PM  
**To:** Crystal M. Castro Correa (Secretaría); Pedro L. González Uribe (Secretaría)  
**Subject:** FW: INFORME ANUAL DEL CRIM 2017-2018  
**Attachments:** INFORME ANUAL 2017-2018 PARA SER ENVIADO.pdf

Se autoriza dar cuenta



Yamil Rivera Vélez  
Secretario  
Senado de Puerto Rico

[yvelez@senado.pr.gov](mailto:yvelez@senado.pr.gov)  
787-724-2030 ext. 3160

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**From:** Diana I. Dalmau Santiago (Sen. Dalmau Santiago)  
**Sent:** Wednesday, August 25, 2021 6:52 PM  
**To:** Yamil Rivera (Secretario) <YVelez@senado.pr.gov>  
**Cc:** Elba L. Rodríguez Soto (Sen. Dalmau Santiago) <elrodriguez@senado.pr.gov>  
**Subject:** Fwd: INFORME ANUAL DEL CRIM 2017-2018

Sent from my iPad

Begin forwarded message:

**From:** Arleen Duteil Bibiloni <[adutei@crimpr.net](mailto:adutei@crimpr.net)>  
**Date:** August 24, 2021 at 5:46:38 PM AST  
**To:** "José Luis Dalmau Santiago (Presidente)" <[jldalmau@senado.pr.gov](mailto:jldalmau@senado.pr.gov)>  
**Subject:** INFORME ANUAL DEL CRIM 2017-2018

Honorable José L. Dalmau  
Presidente  
Cámara de Representantes de Puerto Rico  
El Capitolio  
San Juan, Puerto Rico  
E-mail: [jldalmau@senado.pr.gov](mailto:jldalmau@senado.pr.gov)<<mailto:jldalmau@senado.pr.gov>>

Honorable:

Reciba un cordial saludo. La razón para la presente comunicación es para el envío del Informe Anual del CRIM 2017 -2018.

Entendemos el mismo ya se había enviado, pero ante la duda realizo el envío de este.

Dicho Informe Anual ha estado disponible en el portal del CRIM y el mismo fue circulado a todos los municipios. El mismo puede ser evidenciado en el portal

<https://www.crimpr.net/CMS/DOWNLOAD/43<https://gcc02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.crimpr.net%2FCMS%2FDOWNLOAD%2F43&data=04%7C01%7CDIDalmaq%40senado.pr.gov%7C9d27fa79b4524374659c08d967489cbf%7C610c5d3e22b94acba3856fd6948572b6%7C0%7C0%7C637654383968673703%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ikk1haWwiLCJXVCI6Mn0%3D%7C1000&sdata=XAqY%2BxvptKoh5iJS0o46RaCjgi4EMm1SLIUaQccY7E%3D&reserved=0>>

Quedo a su disposición para cualquier duda o aclaración que considere necesaria.

Arlene M. Duteil Bibiloni  
Ayudante Adm. Director Ejecutivo  
Tel: 787-625-2746 Ext. 2210  
[LOGO CRIM]

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