



## GOBIERNO DE PUERTO RICO

AUTORIDAD DE PUERTO RICO PARA EL FINANCIAMIENTO DE  
FACILIDADES INDUSTRIALES TURÍSTICAS, EDUCATIVAS, MÉDICAS Y  
DE CONTROL AMBIENTAL

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PRESIDENCIA DEL SENADO

Hon. José Luis Dalmau Santiago  
Presidente  
Senado de Puerto Rico  
PO Box 9023431  
San Juan, PR 00902-3431

Estimado señor Presidente

En virtud de la Ley Núm. 121 del 27 de junio de 1977. Según enmendada (la "Ley de AFICA"), la misma dispone que la Autoridad de Puerto Rico para el Financiamiento de Facilidades Industriales, Turísticas, Educativas, Médicas y de Control Ambiental ("AFICA"), entregue al Gobernador de Puerto Rico y a la Asamblea Legislativa de Puerto Rico los siguientes documentos, después del cierre de cada año fiscal del Gobierno de Puerto Rico:

1. Informe Anual sobre el estatus y actividades de financiamiento de AFICA, incluyendo un desglose de todos los financiamientos otorgados desde su creación y los financiamientos vigentes.
2. Estados financieros auditados de AFICA para el año fiscal 2020 y 2021.

A tales efectos y según dispone la Ley de AFICA, adjunto encontrará el informe Anual para el cierre del año fiscal 2022.

Atentamente,

Luis J. Umpierre Ferrer  
Director Ejecutivo

Anejos



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FACILIDADES INDUSTRIALES TURÍSTICAS, EDUCATIVAS, MÉDICAS Y  
DE CONTROL AMBIENTAL

### **Informe Anual al Gobernador de Puerto Rico y Asamblea Legislativa de Puerto Rico Año Fiscal 2022**

En virtud de la Ley Núm. 121 de 27 de junio de 1977, según enmendada.

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## **GOBIERNO DE PUERTO RICO**

**AUTORIDAD DE PUERTO RICO PARA EL FINANCIAMIENTO DE  
FACILIDADES INDUSTRIALES TURÍSTICAS, EDUCATIVAS, MÉDICAS Y  
DE CONTROL AMBIENTAL**

**Informe Anual al Gobernador de Puerto Rico y  
Asamblea Legislativa de Puerto Rico  
Año Fiscal 2022**

**En virtud de la Ley Núm. 121 de 27 de junio de 1977, según enmendada.**



## CONTENIDO DEL INFORME ANUAL

### I. Introducción

### II. Informe Sobre Financiamientos AFICA:

- Emisiones de Bonos AFICA vigentes al cierre del 30 de junio de 2022
- Financiamientos Posteriores al Cierre del Año Fiscal 30 de junio de 2022.
- Historial de Emisiones de Bonos AFICA desde comienzo operativo (Anejo A).
- Otros Temas.

### III. Estado Financiero Auditado de AFICA

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#### I. INTRODUCCIÓN

La Autoridad de Puerto Rico para el Financiamiento de Facilidades Industriales, Turísticas, Educativas, Médicas, y de Control Ambiental ("AFICA"), es una corporación pública e instrumentalidad del Gobierno de Puerto Rico. AFICA fue creada mediante la Ley Núm. 121 del 27 de junio de 1977, según enmendada, conocida como la "Ley de la Autoridad de Puerto Rico para el Financiamiento de Facilidades Industriales, Turísticas, Educativas, Médicas y de Control Ambiental" (la "Ley de AFICA"), con el propósito de proveer una fuente alternativa de financiamiento para proyectos comerciales e industriales, según definidos por la Ley de AFICA y sus Normas Prestatarias del 9 de agosto de 2004.

Este Informe Anual se somete a la Asamblea Legislativa de Puerto Rico y al Gobernador de Puerto Rico en virtud del Artículo 18 de la Ley de AFICA.

AFICA financia proyectos mediante la venta de bonos AFICA a través de colocaciones privadas o colocaciones en los mercados públicos de bonos municipales de los Estados Unidos de América y de Puerto Rico. AFICA presta el producto en efectivo de dichos bonos a entidades corporativas para financiar proyectos permitidos según la Ley de AFICA y las Normas Prestatarias.

Los bonos de AFICA son obligaciones limitadas de AFICA y el repago y colateral de dichos bonos es responsabilidad legal y contractual de las entidades corporativas a las cuales AFICA presta el producto en efectivo de la emisión de dichos bonos.

Todos los financiamientos AFICA están sujetos a la consideración, evaluación, y aprobación por la: (i) Junta de Directores de AFICA, (ii) Junta de Directores de la Autoridad de Asesoría Financiera y Agencia Fiscal de Puerto Rico ("AAFAF"), y según sea requerido, (iii) Junta de Supervisión y Administración Financiera para Puerto Rico ("JSF").

Las operaciones corporativas de AFICA no dependen de asignaciones presupuestarias del Gobierno de Puerto Rico.

## II. INFORMES SOBRE FINANCIAMIENTOS AFICA

A continuación, presentamos el balance de principal de las emisiones de bonos AFICA vigentes al cierre del año fiscal 30 de junio de 2022.

Fecha	Importe	Balance Vigente	Tipo
Origenación	Original	30-Jun-22	Proyecto
17-Nov-21 Auxilio Mutuo Series 2021	\$ 57,410,000	\$ 57,410,000	Hospital
22-May-19 Inter American University of P.R., Series 2019	\$ 21,600,000	\$ 21,600,000	Educacional
28-Dec-18 Baldwin School Project	\$ 9,000,000	\$ 8,796,622	Educacional
19-Apr-17 Hospital de la Concepción	\$ 25,705,000	\$ 18,375,000	Hospital
18-Dec-12 University of the Sacred Heart Project, Series 2012	\$ 23,330,000	\$ 15,910,000	Educacional
7-Aug-12 Inter American University, Series 2012	\$ 58,455,000	\$ 5,610,000	Educacional
27-Jun-12 Ana G. Méndez University System	\$ 78,380,000	\$ 42,205,000	Educacional
30-Mar-11 Galeria Tower at San Patricio Project 2011	\$ 59,649,745	\$ 48,330,000	Comercial
30-Mar-11 Trump International Golf Club Puerto Rico Project	\$ 26,355,000	\$ 22,350,000	Turístico
11-Apr-06 Ana G. Méndez University System	\$ 29,890,000	\$ 20,215,000	Educacional
1-Dec-04 Inter American University of P.R.	\$ 36,575,000	\$ 16,940,000	Educacional
15-Jan-02 Ana G. Méndez University System	\$ 20,365,000	\$ 10,565,000	Educacional
21-Dec-00 University Plaza	\$ 86,735,000	\$ 50,520,000	Comercial
26-Oct-00 Palmas del Mar Country Club	\$ 30,000,000	\$ 22,485,000	Turístico
1-Oct-98 Guaynabo Warehouse for Emergencies	\$ 13,215,000	\$ 1,385,000	Comercial
1-Dec-95 Guaynabo Municipal Government Center	\$ 19,090,000	\$ 2,595,000	Comercial
<b>Total</b>	<b>\$ 595,754,745</b>	<b>\$ 365,291,622</b>	

La tabla siguiente resume las emisiones de bonos AFICA realizadas desde el comienzo del año calendario 2017 hasta la fecha de este Informe Anual (30 de junio de 2022). El pago de principal e intereses de estos financiamientos están al día:

id	Issuance Date	Project Owner	Issuance Amount	Principal Balance 30-Jun-22	Type of Project	Maturity Date
1	17-Nov-21	Auxilio Mutuo Series 2021	\$ 57,410,000	\$ 57,410,000	Hospital	1-Jul-41
2	22-May-19	Universidad Interamericana de Puerto Rico, Inc.	\$ 21,600,000	\$ 21,600,000	Educational	1-Oct-44
3	28-Dec-18	The Baldwin Scholl of Puerto Rico, Inc.	\$ 9,000,000	\$ 8,897,358	Educational	15-Dec-45
4	19-Apr-17	Hospital de la Concepción, Inc.	\$ 25,705,000	\$ 20,085,000	Hospital	15-Nov-30

1. Refinanciamiento del balance adeudado de una emisión entonces vigente y, el balance, para financiar mejoras de capital y expansión de las facilidades médicas del Grupo Auxilio Mutuo. El repago proviene de las operaciones del Grupo Auxilio Mutuo.
2. Financiamiento de construcción de nuevo complejo de dormitorios para estudiantes, áreas comerciales, y nuevo estacionamiento para el campus universitario de la Universidad Interamericana de Puerto Rico en el sector de "Cupey" del Municipio de San Juan.
3. Financiamiento para la construcción y desarrollo de un nuevo centro de ciencias y biblioteca para la escuela "Baldwin School".
4. Refinanciamiento de bonos AFICA emitidos el 15 de junio de 2000.

### Financiamientos Posteriores Año Fiscal 2022

En noviembre 2022, las Juntas de Directores de AFICA, AAFAF y la JSF aprobaron nueva emisión de bonos AFICA hasta un máximo de \$412,500,000 a Provident Group – Costa Isabela Properties LLC para financiar la construcción y desarrollo del “InterContinental Costa Isabela Puerto Rico Resort” en el Municipio de Isabela. El repago de esta emisión proviene de las operaciones de Provident Group – Costa Isabela Properties LLC.

### Historial de Emisiones de Bonos AFICA.- Anejo A

Este anejo contiene el listado de las emisiones de bonos AFICA realizadas desde que AFICA comenzó a operar en el 1978 hasta la fecha de este Informe Anual.

### Otros Temas

En marzo 2019, AAFAF publicó en su página de internet un nuevo documento corporativo e informativo de AFICA, preparado en inglés y español, que explica el funcionamiento de AFICA y como estructurar y solicitar un financiamiento. También, se incorporó en la página de internet de AAFAF una sección específica sobre AFICA, disponible en el siguiente “link”:

<http://www.aafaf.pr.gov/publicationsreports-copy.html>

### III. ESTADO FINANCIERO AUDITADO

Se aneja a este Informe Anual los estados financieros auditados de AFICA para los años fiscales 30 de junio de 2020 y 30 de junio de 2021.

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**ANEJO A**



**Historical AFICA Bond Issuances  
As of June 30, 2022**

Issuance Date	Project Name	Face Amount	Maturity Date	AFICA Bond Trustee	Project Type
1-May-78	PPG Industries, Inc. Project	\$ 2,725,000	1-May-98	Popular	Industrial
1-Jun-78	Union Carbide Corporation Project	\$ 8,500,000	1-Jun-08	Popular	Industrial
1-Aug-78	Barceloneta Secondary Sewage Treatmt.	\$ 23,500,000	1-Aug-98	Chase	Pollution
1-Jul-79	Abbot Chemicals, Inc.	\$ 20,000,000	1-Jul-09	Chase	Industrial
1-Jul-79	Renasa Inc. - Squibb Corporation	\$ 30,000,000	1-Jul-04	Chase	Industrial
1-Nov-79	Isomediex, Puerto Rico, Inc.	\$ 2,050,000	15-Nov-90	North Carolina Natl Bank	Industrial
1-Feb-80	Union Carbide Corporation	\$ 7,000,000	1-Feb-05	Popular	Industrial
1-Jun-80	St. Luke's Hospital	\$ 12,750,000	1-Jun-10	Popular	Medical Fac.
1-Jun-80	H.J. Heinz Company	\$ 5,640,000	1-Jun-95	Mellon Bank	Industrial
1-Jul-80	Ralston Purina Company	\$ 19,900,000	1-Jul-95	First Tennessee	Industrial
15-Sep-80	AlrcoCaribe, Inc.	\$ 20,000,000	1-Sep-83	Chase	Industrial
30-Sep-80	Avicon, Inc.	\$ 6,000,000	30-Sep-85	Wachovia	Industrial
22-Oct-80	Bacardi Corporation	\$ 3,195,772	22-Oct-98	Popular	Industrial
1-Mar-81	Pfizer, Inc.	\$ 22,000,000	1-Mar-01	Chase	Industrial
1-Apr-81	Searle & Company	\$ 4,200,000	1-Apr-84	Chase	Industrial
1-May-81	(FHA Ins. Mort.) Turabo Medical Center	\$ 29,860,000	1-May-86	Popular	Medical Fac.
1-May-81	PepsiCo, Inc.	\$ 16,000,000	1-May-84	Chase	Industrial
1-Jun-81	H.J. Heinz, Company	\$ 5,000,000	1-Jun-84	Mellon Bank	Industrial
10-Jun-81	Roche Products, Inc.	\$ 20,000,000	10-Oct-01	Chase	Industrial
1-Jul-81	C.R. Bard, Inc.	\$ 3,100,000	1-Jul-01	Summit & Elizabeth Trust	Industrial
1-Aug-81	Schering - Plough Corporation	\$ 40,000,000	1-Aug-11	Chase	Industrial
1-Sep-81	Mitel Corporation	\$ 7,500,000	1-Sep-91	Popular	Industrial
1-Sep-81	Rexnord, Inc.	\$ 5,000,000	1-Sep-06	M & I Marshall & Lsley Bank	Industrial
1-Sep-81	Reynold Metals Company	\$ 40,000,000	1-Sep-86	Citibank	Industrial
1-Sep-81	American Cyanamid Corporation	\$ 11,000,000	1-Nov-86	Popular	Industrial
1-Oct-81	Abbott Laboratories	\$ 14,000,000	1-Oct-84	Popular	Industrial
1-Nov-81	Union Carbide Corporation	\$ 18,500,000	15-Dec-85	Popular	Industrial
23-Nov-81	A.H. Robbins Company, Inc.	\$ 15,200,000	1-Nov-91	Central Fidelity Bank	Industrial
1-Dec-81	Bacardi Corporation	\$ 17,000,000	1-Dec-84	Popular	Industrial
1-Mar-82	Intel Corporation	\$ 40,000,000	1-Mar-87	Deutsche (Bankers Trust)	Industrial
1-Mar-82	Merk & Co., Inc.	\$ 40,000,000	1-Mar-92	Popular	Industrial
1-Mar-82	General Electric Co.	\$ 30,000,000	1-Mar-89	Chase	Industrial
1-Apr-82	H.J. Heinz, Company Tuna Vessel	\$ 66,000,000	1-Apr-92	Mellon Bank	Industrial
1-Apr-82	H.J. Heinz, Company Tuna Vessel	\$ 34,000,000	1-Apr-92	Mellon Bank	Industrial
1-Apr-82	Union Carbide Corporation	\$ 21,500,000	1-Apr-87	Popular	Industrial
1-Jun-82	Sterling Drug Inc.	\$ 27,200,000	1-Jun-92	Popular	Industrial
1-Jul-82	Schering - Plough Corporation	\$ 20,000,000	1-Jul-92	Chase	Industrial
1-Aug-82	General Foods Corporation	\$ 7,000,000	1-Aug-92	Chase	Industrial
1-Oct-82	Merck & Co., Inc.	\$ 20,500,000	1-Oct-92	Popular	Industrial
15-Oct-82	Prime Computer, Inc.	\$ 10,000,000	15-Oct-92	Popular	Industrial
1-Nov-82	Wang Laboratories	\$ 20,000,000	1-Nov-92	The First Natl BK of Boston	Industrial
1-Mar-83	Abbott Laboratories	\$ 54,000,000	1-Mar-23	Bank of NY	Industrial
1-Mar-83	Becton, Dickinson and Company	\$ 8,000,000	1-Mar-13	Chase	Industrial
15-Mar-83	Union Carbide Corporation	\$ 16,000,000	15-Mar-13	Popular	Industrial
30-Mar-83	Sun Refining and Marketing Company	\$ 3,300,000	1-Mar-93	Philadelphia Natl Bank	Industrial
1-Apr-83	Instituto Medico del Norte (FmHA)	\$ 11,655,000	1-Apr-03	Popular	Medical Fac.
1-Apr-83	CD-Instituto Medico del Norte	\$ 1,220,000	1-Apr-03	Popular	Medical Fac.
1-Apr-83	CD-Instituto Medico del Norte	\$ 14,775,000	1-Apr-86	Popular	Medical Fac.
1-Apr-83	Richarson - Vicks Inc.	\$ 5,250,000	1-Apr-93	Chase	Industrial

**ANEJO A**



**Historical AFICA Bond Issuances  
As of June 30, 2022**

Issuance Date	Project Name	Face Amount	Maturity Date	AFICA Bond Trustee	Project Type
6-Apr-83	TropicSun Shipping Co., Inc. - Sun Co.	\$ 7,700,000	1-Mar-93	Philadelphia Natl Bank	Industrial
14-Apr-83	Ponce Fed. Savings & Loan Assoc. of P.R.	\$ 10,000,000	1-Apr-90	Popular	Medical Fac
1-May-83	American Cyanamid Company	\$ 18,000,000	1-May-13	Popular	Industrial
1-May-83	Hospital Auxilio Mutuo	\$ 3,175,000	1-May-08	Popular	Medical Fac
1-May-83	Ralson Purina Company	\$ 5,000,000	1-Jan-24	Mellon Bank	Industrial
18-May-83	Roche Products	\$ 6,000,000	1-Jun-88	Chase	Industrial
29-Jun-83	Th. Goldschmidt AG	\$ 5,000,000	1-Sep-98	Morgan	Industrial
1-Jul-83	BOC, Inc. (Alcoa)	\$ 30,000,000	1-Jul-93	Chase	Industrial
1-Jul-83	Baxter Travenol Laboratories	\$ 42,500,000	1-Sep-12	Chase	Industrial
1-Aug-83	Centro Medico Psiquiatrico del Caribe	\$ 12,950,000	1-Aug-25	Popular	Medical Fac
1-Aug-83	Centro Medico Psiquiatrico del Caribe	\$ 13,625,000	1-Aug-87	Popular	Medical Fac
1-Aug-83	Eli Lilly and Company	\$ 20,000,000	1-Aug-13	Chase	Industrial
1-Aug-83	Reynolds Metals Company	\$ 41,285,000	1-Sep-13	Citibank	Industrial
1-Sep-83	Intel Corporation	\$ 80,000,000	1-Sep-13	Deutsche (Bankers Trust)	Industrial
1-Nov-83	Hospital San Pablo	\$ 21,020,000	1-Aug-23	Popular	Medical Fac
15-Nov-83	PepsiCo, Inc.	\$ 32,500,000	15-Nov-13	Chase	Industrial
1-Dec-83	United Technologies Corporation	\$ 4,300,000	1-Dec-93	Popular	Industrial
1-Dec-83	Wang Laboratories	\$ 25,800,000	1-Dec-93	The First Natl BK of Boston	Industrial
1-Dec-83	H.J. Heinz Company	\$ 9,000,000	1-Dec-93	Mellon Bank	Industrial
1-Dec-83	Bacardi Corporation	\$ 15,200,000	1-Dec-13	Citibank	Industrial
1-Dec-83	The Upjohn Company	\$ 40,000,000	1-Dec-23	Chase	Industrial
1-Dec-83	Warner - Lambert	\$ 24,000,000	1-May-14	Mellon Bank	Industrial
1-Dec-83	Merck & Co., Inc.	\$ 20,000,000	1-Dec-18	Popular	Industrial
1-Dec-83	Motorola, Inc.	\$ 20,000,000	1-Jan-14	Chase	Industrial
1-Dec-83	Squibb Corporation	\$ 25,000,000	1-Dec-23	Chase	Industrial
1-Dec-83	Sterling Drug, Inc.	\$ 15,750,000	1-Dec-23	Popular	Industrial
1-Dec-83	Key Pharmaceuticals Inc.	\$ 40,000,000	1-Dec-13	Southeast8k	Industrial
15-Dec-83	Centro Medico del Turabo	\$ 53,975,000	15-Jan-25	Popular	Medical Fac
19-Dec-83	Amfesco Industries, Inc.	\$ 7,000,000	1-Jan-96	Chemical	Industrial
21-Dec-83	Intel Corporation	\$ 30,000,000	1-Dec-13	Deutsche (Bankers Trust)	Industrial
23-Dec-83	Johnson & Johnson	\$ 40,000,000	1-Jan-14	US Bank Trust	Industrial
23-Dec-83	American Home Products Corp.	\$ 40,000,000	1-Dec-18	The Bank of NY	Industrial
29-Dec-83	Darby Drug Company	\$ 5,000,000	1-Jan-96	Chemical (Manufacturers)	Industrial
30-Dec-83	Pall Corporation	\$ 9,000,000	1-Dec-93	Morgan	Industrial
1-Mar-84	Johnson & Johnson, Incorporated	\$ 10,632,000	1-Jan-14	US Bank Trust	Industrial
18-May-84	American Cyanamid Company	\$ 20,000,000	1-May-15	Popular	Industrial
1-Sep-84	HMCA (P.R.), Inc.	\$ 11,500,000	1-Aug-94	Popular	Medical Fac
1-Dec-84	C.R. Bard, Inc.	\$ 3,500,000	1-Dec-04	Chase	Industrial
1-Dec-84	The Mennen Company	\$ 9,250,000	1-Dec-14	Chase	Industrial
21-Dec-84	M/A - Com, Inc.	\$ 9,000,000	1-Dec-94	Chemical	Industrial
15-Jan-85	Doctor Pila Hospital	\$ 19,460,000	1-Aug-25	Popular	Medical Fac
26-Mar-85	The West Company, Inc.	\$ 5,000,000	1-Jan-05	Chase	Industrial
1-Oct-85	Pueblo International, Inc. - Series A	\$ 5,000,000	1-Oct-00	Popular	Commercial
1-Nov-85	Pueblo International, Inc. - Series B	\$ 5,000,000	1-Nov-00	Popular	Commercial
15-Nov-85	Puerto Rico Aqueduct & Sewer Authority	\$ 176,000,000	15-Nov-18	Chemical	Pollution
1-Dec-85	American Airlines, Inc.	\$ 36,160,000	1-Dec-25	US Bank	Commercial
1-Dec-85	CitiProperties P.R., Inc. Office Building	\$ 26,000,000	1-Dec-00	Popular	Commercial
1-Dec-85	Power Conversion, Inc.	\$ 3,500,000	1-Dec-95	Chase	Industrial
5-Dec-85	Pueblo International, Inc. - Series C	\$ 7,500,000	1-Dec-97	Popular	Commercial
30-Dec-85	Fundacion Educativa Ana G. Mendez	\$ 23,100,000	1-Dec-15	U.S. Trust	Higher Educ.



**ANEJO A**



**Historical AFICA Bond Issuances  
As of June 30, 2022**

Issuance Date	Project Name	Face Amount	Maturity Date	AFICA Bond Trustee	Project Type
2-May-86	First SBS - CA Associates	\$ 13,000,000	1-May-06	Popular	Commercial
7-May-86	Seguros de Servicios de Salud de P.R., Inc.	\$ 15,470,000	15-May-01	Popular	Commercial
16-May-86	Damas Hospital	\$ 15,670,000	1-May-96	Popular	Medical Fac
1-Jun-86	Industrias Vasallo Inc., Ponce Manuf.	\$ 6,500,000	1-Jun-01	Popular	Industrial
1-Jun-86	Dorado Beach Hotel Corporation	\$ 74,000,000	1-Jun-96	Popular	Tourism
1-Oct-86	San Juan Hotel	\$ 30,500,000	15-Oct-96	Popular	Tourism
14-May-87	Exabli, G.I.E.	\$ 14,665,000	15-Feb-00	Popular	Transportation
19-Jun-87	The Normandie Hotel	\$ 8,500,000	1-Jul-07	Popular	Tourism
1-Aug-87	Island International Leasing, Inc.	\$ 23,000,000	1-Feb-99	Popular	Commercial
14-Aug-87	Corp. Des. Econ. Carolina (CODESCA)	\$ 20,750,000	1-Feb-09	Popular	Medical Fac
1-Oct-87	Southmark San Juan(Sands Hotel & Casino)	\$ 38,000,000	1-Oct-07	Santander	Tourism
16-Nov-87	Catholic University of Puerto Rico	\$ 15,265,000	1-Dec-07	Popular	Higher Educ.
7-Dec-87	Ferrásan Developing Corporation	\$ 3,800,000	1-Jun-04	Popular	Commercial
1-Apr-88	Oriental Federal Saving Bank	\$ 8,100,000	1-Apr-08	Popular	Commercial
17-Jun-88	Inter American University of Puerto Rico	\$ 25,000,000	1-Jun-08	U.S.Trust	Higher Educ
15-Aug-88	H.I. Development	\$ 28,670,000	1-Aug-03	Popular	Tourism
13-Oct-88	HPH Real Estate	\$ 8,500,000	1-Oct-01	Popular	Commercial
15-Oct-88	Mayagüez Mall	\$ 24,000,000	1-Nov-99	Popular	Commercial
1-Nov-88	Doctor Pila Hospital	\$ 24,395,000	1-Aug-28	Popular	Medical Fac
4-Nov-88	AroChem International	\$ 17,000,000	1-Nov-96	Popular	Industrial
1-Dec-88	San Juan Cement, Inc.	\$ 26,000,000	1-Jan-04	Santander	Industrial
15-Dec-88	419 Ponce De León, Inc. (Plaza Acuática)	\$ 12,000,000	15-Dec-03	Comm.Trust	Commercial
10-Feb-89	Caribbean Airport Facilities	\$ 13,000,000	1-Jan-99	Popular	Commercial
15-Apr-89	B & C Bottlers Corporation	\$ 13,200,000	15-Apr-05	Popular	Industrial
1-Jun-89	Plaza Guayama Shopping Center	\$ 12,930,000	1-Jun-11	Popular	Commercial
1-Jul-89	AT&T - P.R. Fiber Optic Cable	\$ 55,300,000	1-Jul-99	Popular	Service
7-Aug-89	Taber Partners I (Howard Johnson's)	\$ 27,650,000	1-Aug-09	Popular	Tourism
27-Sep-89	Interlink Group, Inc. (Centro Europa)	\$ 18,700,000	1-Oct-11	Popular	Commercial
1-Jan-90	Consolidated Medical Plaza (Caguas Medical Mall)	\$ 3,600,000	1-Jul-06	Santander	Medical Fac
1-Feb-90	TRU of P.R. (Toys "R" Us)	\$ 20,000,000	1-Nov-05	Popular	Commercial
1-Sep-90	Syntex (F.P.)	\$ 40,000,000	1-May-15	Popular	Industrial
27-Sep-90	Vent-Alarm Corporation	\$ 3,000,000	1-Sep-10	Popular	Industrial
31-Jan-91	El Conquistador Resort	\$ 120,000,000	1-Nov-99	Popular	Tourism
5-Mar-91	Luan Investment S.E.	\$ 20,175,000	1-Mar-11	Santander	Commercial
19-Jul-91	Cruz Azul de Puerto Rico	\$ 14,000,000	18-Jul-06	Santander	Medical Fac
7-Aug-91	Plaza del Caribe	\$ 58,423,933	1-Sep-16	Popular	Commercial
1-Sep-91	Damas Foundation (Series A, B, C)	\$ 17,004,492	1-Nov-06	Popular	Medical Fac
1-Oct-91	Ana G. Mendez Educational Foundation	\$ 14,100,000	1-Jul-03	U.S.Trust	Higher Educ
16-Dec-91	FJ Ventures, S.E.	\$ 21,100,875	1-Jan-18	Popular	Commercial
1-Jul-92	Plaza del Norte (H.T. Venture, S.E.)	\$ 64,400,000	1-Aug-18	Popular	Commercial
1-Nov-92	American International Plaza	\$ 44,640,000	1-Dec-22	Popular	Commercial
30-Nov-92	Plaza del Oeste (TIAC San Germán S.E.)	\$ 15,580,000	1-Dec-18	Santander	Commercial
1-Dec-92	St. Luke's Hospital Project	\$ 10,270,000	1-Jun-10	Popular	Medical Fac
1-Apr-93	Plaza Juana Díaz Project	\$ 17,000,000	1-Apr-18	Santander	Commercial
1-Aug-93	Catholic University of P.R.	\$ 10,750,000	1-Dec-07	Popular	Higher Educ
1-Sep-93	San Juan Marriott (Condado Hotel)	\$ 87,500,000	1-Dec-14	Santander	Tourism
1-Dec-93	Plaza Isabela Development, S.E.	\$ 21,340,000	1-Dec-19	Popular	Commercial
1-Dec-93	Plaza Guamaní Project (GY Ventures)	\$ 12,750,000	1-Dec-19	Popular	Commercial
1-Dec-93	Polytechnic University of P.R.	\$ 16,500,000	1-Aug-24	Popular	Higher Educ
1-Dec-93	San Patricio Plaza	\$ 22,605,000	1-Jan-17	Santander	Commercial

Historical AFICA Bond Issuances  
As of June 30, 2022

Issuance Date	Project Name	Face Amount	Maturity Date	AFICA Bond Trustee	Project Type
13-Apr-94	Rio Mar Resort Project	\$ 115,847,988	1-Sep-14	Popular	Tourism
13-May-94	Inter American University of P.R.	\$ 29,000,000	1-Apr-14	U.S. Trust	Higher Educ
15-May-94	Ryder Memorial Hospital	\$ 15,000,000	1-May-24	Popular	Medical Fac
1-Aug-94	Polytechnic University	\$ 4,500,000	1-Aug-24	Popular	Educational
15-Jan-95	Hospital Auxilio Mutuo Obligated Group	\$ 63,855,000	1-Jul-24	Popular	Medical Fac
1-Feb-95	Plaza Palma Real	\$ 43,450,000	1-Jul-20	Popular	Commercial
15-May-95	San Patricio Plaza (Phase II)	\$ 18,040,000	1-Jul-20	Santander	Commercial
15-Aug-95	Doctor Pila Hospital	\$ 26,665,000	1-Aug-32	Popular	Medical Fac
1-Dec-95	Guaynabo Municipal Government Center	\$ 19,090,000	1-Jul-22	Popular	Others
19-Dec-95	The Ritz-Carlton S.J. Hotel & Casino	\$ 85,135,000	1-Sep-25	Popular	Tourism
21-Dec-95	Ana G. Mendez University System	\$ 23,600,000	1-Jan-15	U.S. Trust	Educational
15-Jan-96	Hampton Inn Hotel	\$ 11,550,000	1-Mar-20	Popular	Tourism
15-Feb-96	Hotel El Convento	\$ 9,340,000	1-Sep-20	Popular	Tourism
1-Apr-96	Mennonite General Hospital	\$ 39,330,000	1-Jul-26	Santander	Medical Fac
1-Aug-96	Teachers Retirement System Building	\$ 15,210,000	1-Jul-21	Popular	Industrial
1-Aug-96	Teachers Retirement System Building	\$ 11,735,000	1-Jul-11	Popular	Industrial
1-Apr-97	Hospital Auxilio Mutuo Obligated Group	\$ 28,395,000	1-Jul-26	Popular	Medical Fac
15-Nov-97	Mennonite General Hospital	\$ 11,200,000	1-Jul-27	Santander	Medical Fac
15-Nov-97	Ashford Presbyterian Community Hosp Parking	\$ 8,540,000	1-Nov-20	Santander	Industrial
1-Mar-98	Inter American University of P.R.	\$ 87,025,000	1-Oct-22	Santander	Educational
14-Apr-98	Martineau Bay Resort	\$ 27,130,000	1-Sep-28	Popular	Tourism
28-May-98	Ramallo International Center	\$ 51,740,000	1-Jul-23	Santander	Industrial
1-Jun-98	Santander Loan Program - series A	\$ 50,000,000	1-Jun-18	US Bank	Commercial
9-Jul-98	Ana G. Mendez University System	\$ 26,700,000	1-Oct-21	US Bank	Educational
1-Oct-98	Guaynabo Warehouse for Emergencies	\$ 13,215,000	1-Jul-24	Popular	Others
20-Nov-98	Rio Mar Resort Project	\$ 146,584,370	20-Dec-28	Popular	Tourism
15-Dec-98	Fondo del Seguro del Estado (Carolina)	\$ 26,225,000	15-Dec-28	Santander	Industrial
1-Mar-99	Plaza Las Américas	\$ 200,003,601	1-Jul-29	Popular	Commercial
31-Mar-99	Humacao Judicial Center	\$ 37,615,000	1-Oct-30	Popular	Industrial
14-Apr-99	Embassy Suites Dorado del Mar	\$ 33,000,000	1-Apr-19	Santander	Tourism
1-Jul-99	Ana G. Mendez University System	\$ 41,870,000	1-Feb-29	US Bank	Educational
15-Jun-99	San Lucas and Cristo Redentor Hospitals	\$ 30,455,000	1-Jun-29	Santander	Medical Fac
23-Sep-99	Cayo Largo Inter-Continental Beach Resort	\$ 75,330,000	20-Dec-29	Popular	Tourism
28-Oct-99	Doral Financial Center	\$ 44,765,000	1-Dec-29	Citibank	Commercial
1-Nov-99	GE Capital - Masters Concrete	\$ 2,327,000	22-Dec-09		Industrial
1-Nov-99	GE Capital - Masters Aggregates	\$ 6,425,000	5-Nov-09		Industrial
1-Nov-99	GE Capital - Masters Aggregates	\$ 2,695,000	22-Nov-09		Industrial
1-Nov-99	GE Capital - Minimaster	\$ 3,841,000	22-Dec-09		Industrial
1-Nov-99	GE Capital - Atlantic Pipe	\$ 5,000,000	5-Nov-09		Industrial
10-Nov-99	Santander Loan Program - Series B	\$ 25,000,000	1-Dec-19	US Bank	Commercial
21-Mar-00	GE Capital - Hormigonera Mayagüezana	\$ 4,500,000			Industrial
9-Mar-00	Embassy Suites San Juan	\$ 38,400,000	1-Apr-25	Santander	Tourism
1-Jun-00	AES Puerto Rico	\$ 195,000,000	1-Jun-26	Deutsche (Bankers Trust)	Industrial
15-Jun-00	Hospital de la Concepción	\$ 37,215,000	15-Nov-30	Wells Fargo (Norwest Bank)	Medical Fac
10-Aug-00	Santander Loan Program - series C	\$ 26,000,000	1-Dec-20	US Bank	Commercial
28-Sep-00	Paradise Cove Beach Resort	\$ 68,290,000	20-Dec-30	Popular	Tourism
28-Sep-00	Coco Beach Golf & Country Club	\$ 18,000,000	20-Dec-30	Popular	Tourism
26-Oct-00	Palmas del Mar Country Club	\$ 30,000,000	20-Dec-30	UBS (Paine Webber Trust)	Tourism
26-Oct-00	Hampton Inn Hotel - Caguas	\$ 19,000,000	20-Dec-30	Popular	Tourism
1-Nov-00	GE Capital - Nidco Aggregates	\$ 6,900,000	1-Dec-10		Industrial



**ANEJO A**



**Historical AFICA Bond Issuances**  
**As of June 30, 2022**

Issuance Date	Project Name	Face Amount	Maturity Date	AFICA Bond Trustee	Project Type
26-Oct-00	MOVA Real Estate	\$ 17,000,000	15-Nov-15	Santander	Industrial
30-Nov-00	Bristol-Myers Squibb Company	\$ 15,200,000	31-Dec-30	The Bank of NY	Industrial
6-Dec-00	Costa Sur Golf & Contry Club-Serralles	\$ 39,000,000	1-Oct-30	Popular	Tourism
21-Dec-00	University Plaza	\$ 86,735,000	1-Jul-33	The Bank of NY	Educational
28-Dec-00	Belz Factory Outlet World Puerto Rico	\$ 66,915,000	1-Dec-30	Santander	Commercial
1-Jun-01	GE Capital - Tech Group	\$ 3,000,000	1-Jul-08		Industrial
1-Jun-01	University of the Sacred Heart	\$ 25,130,000	1-Sep-31	Popular	Educational
28-Jun-01	El Nuevo Día	\$ 130,000,694	1-Dec-31	US Bank	Industrial
15-Aug-01	Embassy Suites Dorado del Mar Hotel & Golf	\$ 5,975,000	1-Oct-26	Santander	Tourism
20-Aug-01	Santander Loan Program- series D	\$ 25,000,000	1-Dec-21	US Bank	Commercial
27-Sep-01	Humacao Judicial Center	\$ 4,095,000	1-Oct-30	Popular	Others
27-Nov-01	Master Aggregates Serie A	\$ 823,150	1-Nov-09		Industrial
14-Dec-01	Master Aggregates Serie B Concrete products	\$ 1,621,050	1-Nov-09		Industrial
31-Dec-01	Master Aggregates Serie C Mini-Master	\$ 1,843,250	1-Nov-09		Industrial
15-Jan-02	Ana G. Méndez University System	\$ 20,365,000	1-Dec-31	US Bank	Educational
28-Feb-02	Torre Chardón	\$ 59,165,000	1-Mar-32	Popular	Commercial
29-Aug-02	Galería Tower at San Patricio	\$ 52,230,680	1-Jun-32	Santander	Commercial
1-Nov-02	Doral Financial Center Building	\$ 7,600,000	1-Dec-29	Popular	Commercial
19-Dec-02	Polytechnic University of Puerto Rico	\$ 34,330,000	1-Aug-32	Popular	Educational
16-Apr-03	Costa Caribe 2003 A- Serralles	\$ 16,835,000	1-Apr-33	Popular	Tourism
10-Sep-04	Coco Beach Golf & Country Club (CAB's)	\$ 7,497,854	20-Dec-34	Popular	Tourism
1-Dec-04	InterAmerican University of P.R.	\$ 36,575,000	1-Oct-29	The Bank of NY	Educational
8-Mar-06	Costa Caribe Resort, 2006 Series A	\$ 54,370,000	1-Apr-33	Popular	Tourism
11-Apr-06	Ana G. Méndez University System	\$ 29,890,000	1-Mar-36	US Bank	Educational
18-Dec-09	San Patricio Plaza - 2009 A	\$ 21,775,000	15-Jun-20	Popular	Commercial
30-Mar-11	Galería Tower at San Patricio Project	\$ 59,649,745	1-Apr-41	Popular	Commercial
30-Mar-11	Trump International Golf Club Puerto Rico Project	\$ 26,355,000	20-Dec-34	Popular	Tourism
7-Jul-11	Hospital Auxilio Mutuo Obligated Group Project, 2011 A	\$ 101,035,000	1-Jul-33	Popular	Medical Fac
7-Jul-11	Hospital Auxilio Mutuo Obligated Group Project, 2011 B	\$ 11,590,000	1-Jul-15	Popular	Medical Fac
27-Jun-12	Ana G. Méndez University System	\$ 78,380,000	1-Apr-42	US Bank	Educational
7-Aug-12	InterAmerican University, Series 2012	\$ 58,455,000	1-Oct-31	The Bank of NY	Educational
18-Dec-12	University of the Sacred Heart Project, Series 2012	\$ 23,330,000	1-Oct-42	Popular	Educational
19-Apr-17	Hospital de la Concepción, Inc.	\$ 25,705,000	15-Nov-30	Wells Fargo	Medical Fac
28-Dec-18	The Baldwin School of Puerto Rico, Inc.	\$ 9,000,000	15-Dec-45	City National Bank of Florida	Educational
22-May-19	Inter American University of P.R., Series 2019	\$ 21,600,000	1-Oct-44	The Bank of NY	Educational
17-Nov-21	Auxilio Mutuo Series 2021	\$ 57,410,000	1-Jul-41	Banco Popular de Puerto Rico	Educational
<b>Total AFICA Bond Issued</b>		<b>\$ 6,466,922,454</b>			

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

***BASIC FINANCIAL STATEMENTS  
AND  
REQUIRED SUPPLEMENTARY INFORMATION***

**Year Ended June 30, 2021**

**(With Independent Auditors' Report Thereon)**

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021**

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	<b>Page</b>
<b>Independent Auditors' Report</b>	<b>1-2</b>
<b>Required Supplementary Information (Unaudited):</b>	
<b>Management's Discussion and Analysis</b>	<b>3-7</b>
<b>Basic Financial Statements:</b>	
Statement of Net Deficit	8
Statement of Revenues, Expenses, and Change in Net Position (Deficit)	9
Statement of Cash Flows	10
<b>Notes to Basic Financial Statements</b>	<b>11-39</b>
<b>Required Supplementary Information (Unaudited):</b>	
Schedule of Proportionate Share of the Collective Total Pension Liability and Related Ratios	41
Schedule of Proportionate Share of the Collective Total Postemployment Benefit Liability and Related Ratios	42



**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Basic Financial Statements**

We have audited the accompanying statement of net position of the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (the "Authority" or "AFICA") as of June 30, 2021 and the statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## Opinion

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2021, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

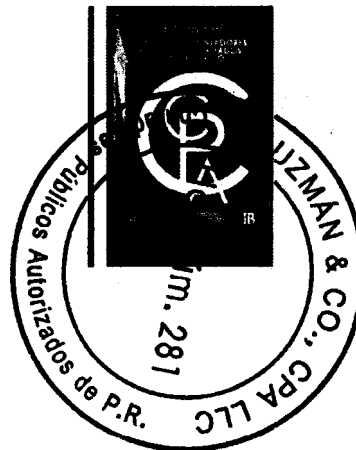
## Other Matter

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6, and the Schedules of Proportionate Share of Collective Total Pension Liability and Related Ratios and of Proportionate Share of Collective Total Other Postemployment Benefit Liability and Related Ratios on pages 41 and 42, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with enough evidence to express an opinion or provide any assurance.

*Guzmán & Co., CPA LLC.*

Certified Public Accountants  
November 3, 2022  
San Juan, Puerto Rico



**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

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This management's discussion and analysis section ("MD&A") provides a narrative overview and analysis of the financial activities of Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (the "Authority") for the fiscal year ended June 30, 2021. The MD&A is intended to serve as an introduction to the Authority's basic financial statements. The MD&A is designed to (a) assist the reader in focusing on significant matters, (b) provide an overview of the Authority's financial activities, (c) identify changes in the Authority's financial position, and (d) identify individual issues or concerns. The following presentation is by necessity highly summarized and, therefore, in order to gain a thorough understanding of the Authority's financial condition, the basic financial statements, notes, and required supplementary information should be reviewed in their entirety.

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

**1. Financial Highlights**

- The Authority's total assets were approximately \$265 thousand as of June 30, 2021, a decrease of \$2 thousand or 1% when compared to the prior year.
- The Authority's total liabilities were approximately \$881 thousand as of June 30, 2021, a decrease of \$60 thousand or 6% when compared to the prior year.
- The Authority's Net Deficit was approximately \$609 thousand as of June 30, 2021, a decrease of \$15 thousand or 2% when compared to the prior year.
- The Authority's change in net position for the year ended June 30, 2021, amounted to approximately \$15 thousand, representing an increase of approximately \$69 thousand when compared to the prior year's change in net deficit of \$54 thousand.
- During the fiscal year ended June 30, 2021, the Authority recognized its proportionate share of the total pension and other postemployment benefits liabilities, deferred outflows of resources, deferred inflows of resources and pension and other postemployment benefits expenses.

**2. Overview of the Financial Statements**

The financial statements include the MD&A, the independent auditors' report, and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

**3. Required Financial Statements**

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

The first required financial statement is the statement of net position. This statement presents all of the Authority's assets, liabilities and deferred outflows and inflows of

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021**

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

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

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

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

The basic financial statements include a section of required supplementary information (unaudited) immediately following its notes. This section includes information of the proportionate share of collective total pension liability and the total other postemployment benefits liability and related ratios from June 30, 2018 to June 30, 2021.

#### **4. Financial Analysis**

The following is an analysis of the financial position and changes in the financial position of the Authority for fiscal year 2021.

##### **Net (Deficit) Position**

The Authority's condensed financial information from the statement of net (deficit) position as of June 30, 2021 and 2020, is as follows (in thousands):

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021**

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	June 30,		Change	
	2021	2020	Amount	Percentage
<b>Assets</b>	\$ 265	\$ 267	\$ (2)	-1%
<b>Deferred outflows of resources</b>	151	95	56	59%
<b>Liabilities</b>	881	941	(60)	-6%
<b>Deferred inflows of resources</b>	144	45	99	220%
<b>Net Deficit</b>	<u>\$ (609)</u>	<u>\$ (624)</u>	<u>\$ 15</u>	<u>-2%</u>

Total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources of the Authority as of June 30, 2021, amounted to approximately \$265 thousand, \$151 thousand, \$881 thousand, and \$144 thousand, respectively, for a net deficit of approximately \$609 thousand.

Net deficit decreased by approximately \$15 thousand as of June 30, 2021, when compared with the prior year. Total liabilities decreased by \$60 thousand due to the Authority having recorded its proportionate share of the total pension liability required by GASB Statement No. 73 for the accounting and financial reporting of pensions and its proportionate share of the total other postemployment benefits liability required by GASB Statement No. 75. The effect of recognizing GASB Statements No.73 and No.75 resulted in a reduction of approximately \$69 thousand in the Authority's liabilities. Liabilities also decreased by \$27 thousand as a result of the reconciliation of certain accounts payable by the Authority to Government Development Bank for Puerto Rico ("GDB"). The decrease in total liabilities was offset by an increase of approximately \$36 thousand in the liability due to the Commonwealth of Puerto Rico related to PayGo charges of the Authority.

The increases of \$56 thousand and \$99 thousand in the deferred outflows of resources and deferred inflows of resources, respectively, were also related to the accounting and financial reporting of related assets and liabilities of the pensions and other postemployment benefits.

**Statement of Revenues, Expenses, and Change in Net Position (Deficit)**

Condensed financial information of the statement of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2021, and 2020 is as follows (in thousands):

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021**

	June 30,		Change	
	2021	2020	Amount	Percent
Operating Expenses	\$ (20)	\$ (54)	\$ 34	-63%
Operating Loss	(20)	(54)	34	-63%
Non-Operating Revenues	35	-	35	100%
Change in Net Position	15	(54)	69	-128%
Net Deficit, Beginning	(624)	(570)	(54)	9%
Net Deficit, Ending	\$ (609)	\$ (624)	\$ 15	-2%

The Authority's change in net position for the year ended June 30, 2021, was approximately \$15 thousand, representing an increase of approximately \$69 thousand when compared to the prior year's net loss from operations of \$54 thousand. The increase in change in net position was partially due to a reconciliation of certain accounts payable to GDB, resulting in a reduction of accounts payable to GDB by \$35 thousand. The increase also was impacted by a reduction of approximately \$34 thousand in the proportionate share expense of pension and other postemployment benefits during fiscal year 2021.

During the years ended June 30, 2021, and 2020, the Authority did not participate in bond issuances. Therefore, no placement fees were earned during those fiscal years. However, as disclosed in the Note 12, subsequent events, the Authority completed a conduit financing transaction in November 2021 to redeem an outstanding debt and to finance certain health related projects.

#### **Debt Administration - Conduit Debt**

The Authority's main operations consist of issuing revenue bonds, known as AFICA Bonds, where the net cash proceeds are then loaned to the owners of eligible projects, as defined in the Act and regulations of the Authority, to finance educational, medical, environmental, agricultural, tourist, commercial, and industrial projects. The AFICA Bonds are considered conduit debt and, therefore, neither these bonds nor the related loans granted by the Authority are presented in the accompanying basic financial statements. For each new AFICA Bonds, the Authority collects a placement fee. The Authority earns revenues from the collection of those placement fees, which generally represents 1% of the face value of the bonds issued, except for bonds issued to finance educational, medical, or environmental control facilities or other projects otherwise eligible to be financed in the U.S. tax-exempt bond market, for which the placement fee charged is one half percentage (0.5%).

The AFICA Bonds and underlying loans are limited obligations of the Authority, and they are not guaranteed by the Government of Puerto Rico or any of its agencies, public corporations, and instrumentalities. Repayment and collateral support of the AFICA Bonds and loans is the legal and contractual responsibility of the corporate entities to which the Authority lends the cash proceeds of the Authority bonds. All Authority bond issuances are subject to the consideration and approval by the Board of Directors of the Authority, the Puerto Rico Fiscal

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021**

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Agency, and Financial Advisory Authority and, when applicable, the Financial Oversight and Management Board for Puerto Rico.

**5. Currently Known Facts and Events**

**Bond Issuance through AFICA**

In November 2021, the Authority issued \$57,410,000 in Hospital Revenue and Refunding Revenue Bonds, Series 2021 (Hospital Auxilio Mutuo Obligated Group Project) (the "Series 2021 Bonds"). The proceeds of the Series 2021 Bonds were used to redeem outstanding debt for cash flow savings and to fund health care projects of Sociedad Española de Auxilio Mutuo y Beneficencia de Puerto Rico (the "Corporation") and its wholly owned subsidiary, Hospital Español Auxilio Mutuo de Puerto Rico, Inc. (the "Hospital" and, together with the Corporation, the "Obligated Group"). Approximately \$53 million were used to refund the Authority's Series 2011A Bonds and the remainder, together with funds released from the debt service reserve for the refunded bonds, were used to finance the project and to cover other related expenses. The Series 2021 Bonds are limited obligations of the Authority payable solely from payments made to the Authority by the Obligated Group.

**6. Request for Information**

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
STATEMENT OF NET DEFICIT  
JUNE 30, 2021**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**Current Assets:**

Cash	\$ 264,613
Total current assets	<u>264,613</u>

**Deferred Outflows of Resources**

Pension related	150,491
Other postemployment benefits	1,100
Total deferred outflows of resources	<u>151,591</u>
Total assets and deferred outflows of resources	<u>416,204</u>

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

**Current Liabilities:**

Accounts payable	6,900
Due to Commonwealth of Puerto Rico	162,670
Total other postemployment benefits liability	1,100
Total pension liability	31,454
Total current liabilities	<u>202,124</u>

**Non-Current Liabilities:**

Total other postemployment benefits liability	14,294
Total pension liability	664,444
Total non-current liabilities	<u>678,738</u>
Total liabilities	<u>880,862</u>

Deferred Inflows of Resources - pension related	<u>144,328</u>
Total liabilities and deferred inflows of resources	<u>1,025,190</u>

<b>NET DEFICIT - unrestricted</b>	<b><u>\$ (608,986)</u></b>
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The accompanying notes are an integral part of the basic financial statements.



**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET DEFICIT  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>OPERATING REVENUES</b>	<b>\$ -</b>
<b>OPERATING EXPENSES</b>	
Pension expense and other postemployment benefits	9,234
Other operating expenses	10,382
<b>Total Operating Expenses</b>	<b>19,616</b>
Operating loss	<b>(19,616)</b>
<b>NON-OPERATING REVENUES</b>	
Other income	34,705
<b>CHANGE IN NET POSITION</b>	<b>15,089</b>
<b>NET DEFICIT - Beginning of year</b>	<b>(624,075)</b>
<b>NET DEFICIT - End of year</b>	<b>\$ (608,986)</b>

The accompanying notes are an integral part of the basic financial statements.

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

**CASH FLOW FROM OPERATING ACTIVITIES**

Cash payment for operating expenses	\$	(2,786)
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NET DECREASE IN CASH		(2,786)
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CASH - beginning of year		267,399
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CASH - end of year	\$	264,613
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**RECONCILIATION OF OPERATING LOSS TO NET CASH**

**USED IN OPERATING ACTIVITIES:**

Operating loss	\$	(19,616)
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Adjustments to reconcile operating loss to net cash used in  
operating activities and changes in assets and liabilities:

Increase in deferred outflows of resources		(56,305)
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Decrease in accounts payable		(6,900)
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Increase in due to Commonwealth of Puerto Rico		36,243
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Increase in due to Government Development Bank for Puerto Rico		14,496
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Increase in deferred inflows of resources		99,027
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Decrease in total other postemployment benefits liability		(7,522)
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Decrease in total pension liability		(62,209)
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NET CASH USED IN OPERATING ACTIVITIES	\$	(2,786)
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**SUPPLEMENTAL INFORMATION:**

During the year ended June 30, 2021, an other income of \$34,705 was recognized through a reduction in the amounts due to a related party, representing a non-cash transaction.

The accompanying notes are an integral part of the basic financial statements.

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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**1. REPORTING ENTITY**

The Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (the "Authority" or "AFICA") is a component unit of the Commonwealth of Puerto Rico (the "Commonwealth") and an affiliate of the Government Development Bank for Puerto Rico ("GDB"), created by Act No. 121 of the Legislature of the Commonwealth on June 27, 1977, as amended (the "Act"). AFICA, while a legally separate entity from the Commonwealth, meets the discretely presented component unit criteria established by GASB Statement No. 14, *The Reporting Entity*, as amended, to be reported in the basic financial statements of the Commonwealth.

Subsequent to the discontinuance of operations of GDB, management, administrative, and accounting support services are provided to the Authority by the Puerto Rico Fiscal Agency and Financial Advisory Authority ("FAFAA").

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

- a) Restricted component- consists of restricted assets reduced by liabilities related to those assets. Restrictions are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- b) Unrestricted component- consists of net amount of the assets and liabilities that

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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do not meet the definition of the preceding category. Unrestricted component of net position (deficit) often is designated, in order to indicate that management does not consider them to be available for general operations. Unrestricted component of net position(deficit) often has constraints on use that are imposed by management, but such constraints may be removed or modified.

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

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

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

***Cash***—Cash include deposits maintained by the Authority in interest and non-interest-bearing accounts in commercial banks.

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

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

***Revenue Bonds and Related Loans***—The Authority finances industrial (as defined by the Act, which includes commercial, research, tourist, and agricultural projects), medical, educational, and environmental control projects, by selling limited obligation revenue bonds in private placement or on the open public bond markets (the "Authority Financing"). The proceeds of the Authority Financing are loaned by the Authority to the obligor's project as per the terms and conditions of the Authority Financing. The loan proceeds are, in turn, used by the Obligor to pay for the costs of the development of the project. The financing agreement calls for payments of principal and interest by the project owner to the Authority Financing through a trustee. Interest and principal payments are applied to debt service on the bonds and to any other related financing costs.

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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

**Revenue Recognition**—Placement fees are recognized as revenues in the statement of revenues, expenses, and change in net deficit upon collection. Refer to Note 7 to the basic financial statements for further information regarding the placement fees.

**Accounting for Pensions Cost**—Effective July 1, 2017, a new “pay-as-you-go” (“PayGo”) system was enacted into law by Act No. 106 of 2017 (“Act 106-2017”), significantly reforming the defined benefit plan (the “Plan”) of the Employees’ Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”). Under the PayGo system, employers’ contributions and other contributions ordered by special laws were all eliminated and substantially all the assets of the Plan were liquidated, and its proceeds transferred to the Commonwealth’s General Fund for payment of pension benefits. Therefore, since the enactment of Act 106-2017, the Commonwealth’s General Fund makes direct payments to the pensioners and is then reimbursed for those payments by the participating employers.

As a result of the implementation of the PayGo system, the Authority started to applying the guidance of GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No 68, an amendments of Certain Provisions of GASB Statements No. 67 and 68. GASB Statement No. 73 maintains the “accrual basis” model under Statement 68, where then Net Pension Liability is actuarially determined. GASB Statement No. 73 requires a liability for pension obligations, known as the Total Pension Liability, to be recognized on the balance sheets of participating employers. Changes in Total Pension Liability are immediately recognized as pension expenses. As Act 106-2017 eliminated all contribution requirements for the Plan and converted it into a PayGo system. The corresponding actuarial calculation of the total pension liability and related accounts changed to one based on benefit payments rather than contributions. As a result, the Authority recognizes a Total Pension Liability, pension expenses, and related accounts, accordingly. Further details on the accounting for pension costs and the impact of its adoption are disclosed in Note 10.

The Central Government and its component units are considered to be one employer and are classified for financial reporting purposes as a single employer defined benefit pension plan. Other employers also participate in the Plan. Because certain employers that are component units of the Commonwealth, such as the Authority, prepare individual financial statements, a proportionate share of pension related amounts is determined for these employers. GASB Statement No. 73 requires that such proportionate share should be consistent with the manner in which amounts that are paid as benefits come due are determined. The proportionate share as of each measurement date is based on the ratio of each agency and component unit’s actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date.

Employee Retirement System (ERS) elected to use July 1 of each fiscal year as the measurement date for financial information. Based on this election, the June 30, 2020,

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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actuarial measurement data was used for the pension benefits financial reporting recognition as of and for the fiscal year ended June 30, 2021.

The Authority's annual pension expense for the year ended June 30, 2021, amounted to approximately \$15,556 and the total pension liability as of June 30, 2021, amounted to approximately \$695,898. Disclosures required under GASB Statement No. 73 can be found in Note 10.

***Other Postemployment Benefits***— The Authority accounts for postemployment benefit costs other than pensions (OPEB) under the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as amended by GASB Statement No. 85, Omnibus 2017, which also requires additional reporting and disclosures for OPEB benefits provided through the ERS sponsored Medical Insurance Plan Contribution (ERS MIPC). GASB Statement No. 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) are immediately recognized as OPEB expenses

GASB Statement No. 75 employs an "accrual basis" model, where the total OPEB obligation (actuarially determined) is compared to the plan net position and the difference represents the Net OPEB Liability (Total OPEB Liability for unfunded plans). Further details on the accounting for OPEB costs are disclosed in Note 11.

The Central Government and its component units are considered to be one employer. Other employers also participate in the ERS OPEB Plan. Because certain employers that are component units of the Commonwealth, such as the Authority, prepare individual financial statements, a proportionate share or OPEB expense is determined for these employers. Statement No. 75 requires that such proportionate share should be consistent with the manner in which amounts that are paid as benefits come due are determined. The proportionate share as of each measurement date is based on the ratio of each agency and component unit's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date.

Because all participants in the ERS OPEB plan are inactive, there are no deferred inflows and outflows as any changes due to changes in actuarial assumptions or economic or demographic gains and losses are recognized immediately during the measurement year. However, a deferred outflow has been recognized only for the amount of the benefit payments made by the Commonwealth on behalf of the Authority subsequent to the measurement date, of \$1,100.

ERS elected to use July 1 of each fiscal year as the measurement date for financial information. Based on this election, the June 30, 2020, actuarial measurement data was used for the OPEB financial reporting recognition as of and for the fiscal year ended June 30, 2021.

The Authority's annual OPEB expense (benefit) for the year ended June 30, 2021, amounted to approximately \$(6,322) and the OPEB liability as of June 30, 2021, amounted to

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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approximately \$15,394. Disclosures required under GASB Statement No. 75 can be found in Note 11.

GASB Statement No. 75 requires certain disclosures if an actuarially determined contribution has been calculated.

***New Accounting Standards Adopted and Accounting Pronouncements Issued But Not Yet Effective***

During the fiscal year ended on June 30, 2021, certain governmental accounting pronouncements became effective, none of which had any impact in the results of the operations or in the presentation of the financial statements of the Authority.

***Accounting Pronouncements Issued But Not Yet Effective***

- 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 June 15, 2021, as amended by GASB Statement No. 95, *Postponement of the effective dates of Certain Authoritative Guidance*, which allowed for an eighteen-month postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.
- GASB Statement No. 89, *Accounting for Interest Cost 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 GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB, and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

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, 2020, as amended by GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

- GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, as amended by GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

- GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended,



**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, to reporting assets accumulated for postemployment benefits; the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR most notably the London Interbank Offered Rate (LIBOR).

As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This Statement also requires that the financial burden criterion in paragraph 7 of GASB Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of GASB Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively.

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of GASB Statement 67 or paragraph 3 of GASB Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs, the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

- GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.
- GASB Statement No. 99, *Omnibus 2022*. The Objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during the implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees.

This Statement establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription based information technology arrangements (SBITAs), the transition from the London Interbank offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP) formerly food stamps), nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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terminology. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement follow:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
  - The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 30, 15, 2022, and all reporting periods thereafter.
  - The requirements related to financial guarantees and classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- **GASB Statement No. 100, *Accounting Changes and Error Corrections*.** The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change.

That preferability should be based on the qualitative characteristics of financial reporting understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

- GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

**3. CASH AND DEPOSITS**

Custodial credit risk is the risk that, in the event of a bank failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral deposits that are in possession of an outside party. The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico be fully collateralized for the amounts deposited in excess of federal depository insurance. All securities pledged as collateral are held by banks in the Authority's name.

Deposits maintained by the Authority as of June 30, 2021, represent the balance of interest and non-interest-bearing accounts in commercial banks. The table presented below discloses the level of custodial credit risk assumed by the Authority as of June 30, 2021. As of June 30, 2021, none of the Authority's deposits are uninsured and uncollateralized, as follows:

	<u>Carrying Amount</u>	<u>Depository Bank Balance</u>	<u>Amount uninsured and uncollateralized</u>
Cash	<u>\$ 264,613</u>	<u>\$ 264,613</u>	<u>\$ -</u>

**4. DEPOSITS CLAIM RECEIVABLE FROM PUBLIC ENTITY TRUST (PET)**

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

Pursuant to Act No. 109-2017, also known as the Government Development Bank for Puerto Rico Debt Restructuring Act (the "GDB Restructuring Act") and the terms of the GDB Qualifying Modification, claims on account of deposits held by the Commonwealth and other public entities, including the Authority, were exchanged for beneficial units in the

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

Public Entity Trust created pursuant to the GDB Restructuring Act. Specifically, under the provisions of the GDB Restructuring Act, on the closing date of the GDB Qualifying Modification, i.e., November 29, 2018 (the "Closing Date"), the balance of liabilities owed between the Commonwealth and its agencies, instrumentalities and affiliates, including the Authority (each a "Non-Municipal Government Entity") and GDB was determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB, or of any bond or note of such Non-Municipal Government Entity held by GDB as of such date. Those Non-Municipal Government Entities having net claims against GDB, after giving effect to the foregoing adjustment, received their pro rata share of interests in the PET, which was deemed to be in full satisfaction of any and all claims such Non-Municipal Government Entity may have had against GDB.

The Authority held deposits at GDB of approximately \$9.5 million. A custodial credit loss on these deposits was recorded in previous years resulting in a reserve of the entire balance. As a result of the execution of the GDB Qualifying Modification, the Authority received beneficial units of the PET in exchange for the \$9.5 million in deposits held at GDB. The units received from the PET and the custodial credit loss were reclassified as a deposit claim receivables from the PET and into an allowance for doubtful accounts, respectively, with a net carrying amount of zero.

The assets of the PET (the "PET Assets") consist of, among other items, a claim in the amount of approximately \$578 million against the Commonwealth (the "PET Claim"), which is the subject of a proof of claim filed in the Commonwealth's Title III case. As of, the date hereof, the Court has not determined if the PET claim is allowed claim that will be entitled to a distribution.

In addition, the Commonwealth Plan of Adjustment discharges any claim related to budgetary appropriations, including appropriations for the repayment of certain loans held by the PET.

The Authority's recovery on account of this deposit claim will depend upon the recovery ultimately received by the Public Entity Trust on account of the PET assets as result units received from the PET are fully reserved. The claim receivable and its corresponding allowance as of June 30, 2021, was as follows:

	<u>Balance as of June 30, 2021</u>	<u>Claim Allowance</u>	<u>Net Carrying Value</u>
Claim receivable	<u>\$ 9,503,794</u>	<u>\$ (9,503,794)</u>	<u>\$ -</u>

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

**5. DUE TO COMMONWEALTH AND GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO**

The Commonwealth has made PayGo pension related and other postemployment benefits payments on behalf of the Authority amounting to approximately \$157,270 and \$5,400, respectively. Accordingly, a due to Commonwealth has been recorded in the financial statements because amounts were due as of June 30, 2021.

During the year ended June 30, 2021, the Authority recognized a \$34,705 reduction in accounts payable to GDB in connection with the reconciliation of amounts owed by the Authority to GDB as a result of certain payments made by GDB on behalf of the Authority. These payments were made to fulfill the obligation of certain health insurance benefits to an employee retired from the Authority under an early retirement program and other payments for professional services. The settlement agreement follows the reduction in the availability of the Authority's funds to pay its obligations after the execution of the GDB's Qualifying Modification (refer to Note 4) and an analysis performed by management of the documentation or lack thereof of the transactions between the related parties.

**6. RELATIONSHIP WITH FAFAA**

The Puerto Rico Emergency Moratorium and Financial Rehabilitation Act, Act No. 21-2016 (the "Moratorium Act"), as amended, created FAFAA as an independent public corporation to assume GDB's role as fiscal agent, financial advisor and reporting agent for the Commonwealth and its instrumentalities. Act No. 2 of 2017 subsequently repealed and replaced the provisions of the Moratorium Act regarding FAFAA. FAFAA has also been assigned the tasks of overseeing matters related to the restructuring or adjustment of the Commonwealth's financial liabilities, coordinating liability management or other transactions with respect to such obligations, and ensuring compliance with fiscal plans and budgets approved by the Oversight Board pursuant PROMESA. During the year ended June 30, 2021, FAFAA provided certain management and administrative services to the Authority at no cost.

**7. PLACEMENT FEES**

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

There were no bond issuances during the year ended June 30, 2021, as such, no placement fees were charged.

**8. REVENUE BONDS**

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



**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

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

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

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

As of June 30, 2021, the Authority had approximately \$387.1 million in outstanding AFICA bonds distributed as follows:

<u>REVENUE BONDS</u>	<u>Face Amount</u>	<u>Balance June 30, 2021</u>
Commercial\Industrial	\$ 178,689,745	\$ 103,694,745
Educational	277,595,000	163,817,358
Medical	141,740,000	74,730,000
Tourist	56,355,000	44,835,000
Total	\$ 654,379,745	\$ 387,077,103

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

**9. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Changes in deferred outflows and inflows of resources for the year ended June 30, 2021, are summarized as follows:

	Balance as of June 30, 2020	Additions	Reductions	Balance as of June 30, 2021
<b>Deferred outflows of resources</b>				
Pension related	\$ 94,186	\$ 56,305	\$ -	\$ 150,491
Other postemployment benefits	1,100	1,200	(1,200)	1,100
Total	<u>\$ 95,286</u>	<u>\$ 57,505</u>	<u>\$ (1,200)</u>	<u>\$ 151,591</u>
<b>Deferred inflows of resources</b>				
Pension related	\$ 45,301	\$ 99,027	\$ -	\$ 144,328
Total	<u>\$ 45,301</u>	<u>\$ 99,027</u>	<u>\$ -</u>	<u>\$ 144,328</u>

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

**Plan Description**

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

On January 18, 2022, the Title III Court entered an order confirming the Commonwealth Plan of Adjustment. The Commonwealth Plan of Adjustment preserves all accrued pension benefits for current retirees and employees at ERS, TRS, and JRS. However, upon the Effective Date of the Commonwealth Plan of Adjustment, pension benefits at TRS and JRS were frozen and cost-of-living adjustments eliminated, among other things. For further information on the Commonwealth Plan of Adjustment's impact on pension benefits, refer to the final version of the Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at <https://cases.ra.kroll.com/puertorico/Home->

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

DocketInfo.

**Pension Benefits**

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

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

- Members of Act No. 447 were generally those members hired before April 1, 1990 (contributory, defined benefit program).
- Members of Act No. 1 of February 16, 1990 (Act No. 1) are generally those members hired on or after April 1, 1990, and on or before December 31, 1999 (contributory, defined benefit program).
- Members of Act No. 305 of September 24, 1999 (Act No. 305 or System 2000) are generally those members hired on or after January 1, 2000, and on or before June 30, 2013 (defined contribution program). Pursuant to a settlement incorporated into the Commonwealth Plan of Adjustment, on the effective date of the Commonwealth Plan of Adjustment (which occurred on March 15, 2022), all participants in the System 2000 Program received a one-time payment in the amount of their contributions (plus accrued interest) as of the Commonwealth's petition date in their defined contribution accounts established under Act No. 106-2017. Upon the payment of these refunds, all claims related to the System 2000 Program were discharged.

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

Pursuant to a settlement incorporated the Commonwealth Plan of Adjustment, on Effective Date (i.e., March 15, 2022), all participants in the System 2000 program received a one-time payment in the amount of their contributions (plus accrued interest) as of the Commonwealth's petition date in their defined contribution accounts established under Act No. 106-2017. Upon the payment of these refunds, all claims related to the System 2000 Program were discharged.

**(a) Service Retirement Eligibility Requirements**

- (1) *Eligibility for Act No. 447 Members* - Act No. 447 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

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

Act No. 447 members who were not eligible to retire as of June 30, 2013, and did not attain 30 years of credited service by December 31, 2013, are eligible to retire with 10 years of credited service upon attainment of the retirement eligibility age shown in the table below.

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

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

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

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

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

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

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

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

**(b) Compulsory Retirement**

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

**(c) Service Retirement Annuity Benefits**

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

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

If the Act No. 447 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013, or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting to coordinate with social security (the

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

Coordination Plan), the benefit is re-calculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to \$6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of \$6,600.

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

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

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

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

June 30, 2013. For Act No. 1 Mayors, the highest compensation as a Mayor is determined as of June 30, 2013.

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

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

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

**(d) Special Benefits**

**(1) Minimum Benefits**

— Past Ad hoc Increases

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

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

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

— Coordination Plan Minimum Benefit

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

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

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

The Legislature, from time to time, increased pensions by 3% for retired and disabled members. Beneficiaries are not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10 of 1992. Subsequent 3% increases have been granted every third year since 1992, with the latest 3% increase established on April 24, 2007, and effective July 1, 2007 (retroactive to January 1, 2007) for retired and disabled members that were receiving a monthly benefit on or before January 1, 2004 (Act No. 35 of 2007). In addition, effective July 1, 2008, any retired or disabled member that was receiving a monthly annuity on or before January 1, 2004, less than \$1,250 per month received an increase of up to 3% without exceeding the limit of \$1,250 per month (Act No. 35 of 2007).

Under the Commonwealth Plan of Adjustment, these COLAs were eliminated from and after the Effective Date. For further information on the Commonwealth Plan of Adjustment's impact on pension benefits, refer to the final version of the Commonwealth Plan of Adjustment, which is available at <https://cases.ra.kroll.com/puertorico/Home-DocketInfo>.

**(3) Special "Bonus" Benefits**

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

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

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

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

**Total Pension Liability**

**Allocation Methodology**

GASB Statement No. 73 requires that the primary government and the component units that provide pensions through the same defined benefit pension plan of its primary



**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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government, recognize their proportionate share of the total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (benefit). The employer allocation percentage are based on the ratio of each participating entity's actual benefit payments for allocation to the aggregate total of benefit payments for allocation paid by all participating entities during the year ending on the measurement date.

**Total Pension Liability and Actuarial Information**

The Commonwealth's total pension liability was approximately \$28 billion as of June 30, 2021, of which approximately \$696 thousand is the Authority proportionate share as of June 30, 2021. The total pension liability as of June 30, 2020, was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020 (measurement date as of June 30, 2020).

**Actuarial Methods and Assumptions**

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

**Discount Rate**

The discount rate for June 30, 2021, was 2.21%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Mortality**

The mortality tables used in the June 30, 2020 actuarial valuations were as follows:

- **Pre-retirement Mortality-** For general employees not covered under Act No. 127, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females projected to reflect Mortality Improvement Scale MP-2020 on generational basis. For members covered under Act No. 127, the PubG-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2020 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.
- **Post-retirement Healthy Mortality-** Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement healthy retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110 for males and 120% for females, projected using MP-2020 on a

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

- **Post-retirement Disabled Mortality-** Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

**Other Assumptions as of June 30, 2020**

Actuarial cost method	Entry age normal
Inflation rate	Not applicable
Salary increases	3.00% per year. No compensation increases are assumed until July 1, 2021 as a result of Act No. 3-2017, four-year extension of Act No. 66-2014, and the current general economy.

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

The following presents the total pension liability calculated using the discount rate of 2.21%, as well as what it would be if it were calculated using the discount rate of 1-percentage point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate (dollars in thousands):

	<b>1% decrease or 1.21%</b>	<b>Current discount rate of 2.21%</b>	<b>1% increase or 3.21%</b>
Authority's proportionate share of the total pension liability	<b>\$ 798,520</b>	<b>\$ 695,898</b>	<b>\$ 613,564</b>

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

The following presents a summary of changes in the deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2021:

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
 ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
 (A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

Source	Deferred outflows of resources	Deferred inflows of resources
Benefits paid after measurement date	\$ 31,454	\$ —
Differences between actual and expected experience	1,435	15,665
Changes of assumptions	87,363	11,947
Changes in proportion and differences between actual contributions and proportionate share	30,239	116,716
	<u>\$ 150,491</u>	<u>\$ 144,328</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pension at June 30, 2021 will be recognized in pension expense (benefit) in future years as follows:

Years ending June 30,	Amount
2022	\$ (4,852)
2023	(4,852)
2024	(4,856)
2025	(10,731)
	<u>\$ (25,291)</u>

The previous amounts do not include employer specific deferred outflows and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5 years.

**Pension Expense**

The pension expense for the year ended June 30, 2021, was of \$15,556.

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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**11. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico (the Commonwealth) for Retired Participants of the Employees' Retirement System (the Plan) is an unfunded, defined benefit other postemployment healthcare benefit plan (OPEB). The Plan is administered on a pay- as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB Statement No. 75). Under the guidance of GASB Statement No. 75, the Commonwealth and its component units are considered to be one employer and are classified for financial reporting purposes as a single employer defined benefit OPEB plan. Therefore, the schedule of employer allocations and the schedule of OPEB amounts by employer (collectively, the Schedules) present the OPEB amounts attributable to the Commonwealth reporting entity (i.e., the Commonwealth and its component units).

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

**Allocation Methodology**

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

**Total OPEB Liability and Actuarial Information**

The Commonwealth's total OPEB liability was approximately \$874.6 million, of which approximately \$15 thousand is the Authority's proportionate share as of June 30, 2021. The total OPEB liability as of June 30, 2020, was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020 (measurement date as of June 30, 2020). The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period.

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

---

**Actuarial Assumptions**

**Discount Rate**

The discount rate for June 30, 2021, was 2.21%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Mortality**

- **Pre-retirement Mortality-** For general employees not covered under Act No. 127, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females projected to reflect Mortality Improvement Scale MP-2020 on generational basis. For members covered under Act No. 127, the PubG-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2020 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.
- **Post-retirement Healthy Mortality-** Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement healthy retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110 for males and 120% for females, projected using MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date
- **Post-retirement Disabled Mortality-** Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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

The following presents the total OPEB liability of the Plan at June 30, 2021 calculated using the discount rate of 2.21%, as well as the Plan's total OPEB liability if it were calculated using the discount rate of 1- percentage point lower (1.21%) or 1-percentage point higher (3.21%) than the current rate:

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

	1% decrease or 1.21%	discount rate of 2.21%	1% increase or 3.21%
Authority's Proportionate share of the total OPEB liability	\$ 16,971	\$ 15,394	\$ 14,060

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

Because all participants are inactive, there are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate shares are recognized immediately during the measurement year. However, a deferred outflow has been recognized only for the amount of the benefit payments made by the Commonwealth on behalf of the Authority subsequent to the measurement date, which amounted to \$1,100 as of June 30, 2021, which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. These amounts were paid on behalf of the Authority, therefore, a due to Commonwealth for the amount of \$1,100 of such other postemployment benefits payment was recognized.

**OPEB Expense (Benefit)**

The OPEB benefit for the year ended June 30, 2021, was of \$(6,322).

**12. SUBSEQUENT EVENTS**

Subsequent events were evaluated through November 3, 2022, the date the financial statements were available to be issued, to determine if any such events should either be recognized or disclosed in the 2021 financial statements

**Bond Issuance through AFICA**

In November 2021, the Authority issued \$57,410,000 in Hospital Revenue and Refunding Revenue Bonds, Series 2021 (Hospital Auxilio Mutuo Obligated Group Project) (the "Series 2021 Bonds"). The proceeds of the Series 2021 Bonds were used to redeem outstanding debt for cash flow savings and to fund health care projects of Sociedad Española de Auxilio Mutuo y Beneficencia de Puerto Rico (the "Corporation") and its wholly owned subsidiary, Hospital Español Auxilio Mutuo de Puerto Rico, Inc. (the "Hospital" and, together with the Corporation, the "Obligated Group"). Approximately \$53 million was used to refund the Authority's Series 2011A Bonds and the remainder, together with funds released from the debt service reserve for the refunded bonds, were used to finance the project and to cover other related expenses. The Series 2021 Bonds are limited obligations of the Authority payable solely from payments made to the Authority by the Obligated Group.

**Hurricane Fiona**

On September 17, 2022, Puerto Rico was directly impacted by Hurricane Fiona leaving in its path the destruction of homes, knocking out power across the entire island and flooding many streets and roads. The Governor of Puerto Rico submitted to the Government of the

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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United States a request of a declaration of major disaster and the activation of funds from the Public Assistance Program of the Federal Emergency Management Agency (FEMA).

## REQUIRED SUPPLEMENTARY INFORMATION



**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
Schedule of Proportionate Share of Collective Total Pension Liability and Related Ratios  
(Unaudited)  
June 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the Collective Total Pension Liability	0.00248%	0.00305%	0.00299%	0.00284%
Proportionate Share of the Collective Total Pension Liability	\$ 695,898	\$ 758,107	\$ 731,713	\$ 801,853
Covered - Employee Payroll	N/A	N/A	N/A	N/A
Proportionate Share of Collective Total Pension Liability as Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A

The amounts presented have a measurement date of the previous year end.

Covered payroll is no longer applicable since contributions are no longer based on payroll and were eliminated pursuant to Act No. 106-2017.

**Note:** Fiscal year 2019 was the first year that the Authority transitioned from GASB Statement No. 68 to GASB Statement No. 73 as a result of the Pay-Go implementation. This schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

See independent auditors' report on required supplementary information.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of Total Other Post-Employment Benefit Liability	0.00176%	0.00275%	0.00172%	0.00156%
Proportionate Share of Total Other Post-Employment Benefit Liability	\$ 15,394	\$ 22,916	\$ 14,448	\$ 14,321
Covered - Employee Payroll	N/A	N/A	N/A	N/A
Proportionate Share of Total Other Post-Employment Benefit Liability as Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A

The amounts presented have a measurement date of the previous year end.

Currently, there are no active participants in this plan. Therefore, the coverage payroll disclosure is omitted.

**Note:** Fiscal year 2018 was the first year that the new requirements of GASB 75 were implemented at the Authority. The schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

See independent auditors' report on required supplementary information.

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

***BASIC FINANCIAL STATEMENTS  
AND  
REQUIRED SUPPLEMENTARY INFORMATION***

**Year Ended June 30, 2020**

**(With Independent Auditors' Report Thereon)**

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2020**

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	<b>Page</b>
<b>Independent Auditors' Report</b>	<b>1-2</b>
<b>Required Supplementary Information (Unaudited):</b>	
<b>Management's Discussion and Analysis</b>	<b>3-8</b>
<b>Basic Financial Statements:</b>	
<b>Statement of Net Deficit</b>	<b>9</b>
<b>Statement of Revenues, Expenses, and Change in Net Position (Deficit)</b>	<b>10</b>
<b>Statement of Cash Flows</b>	<b>11</b>
<b>Notes to Basic Financial Statements</b>	<b>12-38</b>
<b>Required Supplementary Information (Unaudited):</b>	
<b>Schedule of Proportionate Share of the Collective Total Pension Liability and Related Ratios</b>	<b>40</b>
<b>Schedule of Proportionate Share of the Collective Total Postemployment Benefit Liability and Related Ratios</b>	<b>41</b>

**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Basic Financial Statements**

We have audited the accompanying statement of net position of the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (the "Authority" or "AFICA") as of June 30, 2020 and the statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## Opinion

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2020, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

### *Required Supplementary Information*

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

***Guzmán & Co., CPA LLC.***

Certified Public Accountants  
March 16, 2022  
San Juan, Puerto Rico



**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
MANAGEMENT'S DISCUSSION AND ANALYSIS(UNAUDITED)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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This management's discussion and analysis section ("MD&A") provides a narrative overview and analysis of the financial activities of Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (the "Authority") for the fiscal year ended June 30, 2020. The MD&A is intended to serve as an introduction to the Authority's basic financial statements. The MD&A is designed to (a) assist the reader in focusing on significant matters, (b) provide an overview of the Authority's financial activities, (c) identify changes in the Authority's financial position, and (d) identify individual issues or concerns. The following presentation is by necessity highly summarized and, therefore, in order to gain a thorough understanding of the Authority's financial condition, the basic financial statements, notes, and required supplementary information should be reviewed in their entirety.

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

**1. Financial Highlights**

- The Authority's total assets were approximately \$267 thousand as of June 30, 2020, a decrease of \$8 thousand or 3% when compared to the prior year.
- The Authority's total liabilities were approximately \$941 thousand as of June 30, 2020, an increase of \$65 thousand or 7% when compared to the prior year.
- The Authority's Net Deficit was approximately \$624 thousand as of June 30, 2020, an increase of \$54 thousand or 9% when compared to the prior year.
- The Authority's net loss from operations for the year ended June 30, 2020, amounted to approximately \$54 thousand, representing a decrease of approximately \$543 thousand when compared to the prior year's net loss from operations of \$597 thousand.
- During the fiscal year ended June 30, 2020, the Authority recorded its proportionate share of the total pension and other postemployment benefits liabilities, deferred outflows of resources, deferred inflows of resources and pension and other postemployment benefits expenses. The Authority had implemented Governmental Accounting Standard Board ("GASB") Statement No. 73 for the accounting and financial reporting of pensions and related assets and GASB Statement No.75 for the accounting and reporting of other postemployment benefits and related assets in prior fiscal years.

**2. Overview of the Financial Statements**

The financial statements include the MD&A, the independent auditors' report, and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

**3. Required Financial Statements**

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



**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
MANAGEMENT'S DISCUSSION AND ANALYSIS(UNAUDITED)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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financial information about the activities of the Authority.

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

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

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

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

The basic financial statements include a section of required supplementary information(unaudited) immediately following its notes. This section includes information of the changes in the total net pension liability and the total other postemployment benefits liability as of June 30, 2020.

#### **4. Financial Analysis**

The following is an analysis of the financial position and changes in the financial position of the Authority for fiscal year 2020.

##### **Net (Deficit) Position**

The Authority's condensed financial information from the statement of net (deficit) position as of June 30, 2020, and 2019, is as follows (in thousands):

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
MANAGEMENT'S DISCUSSION AND ANALYSIS(UNAUDITED)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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	June 30,		Change	
	2020	2019	Amount	Percentage
<b>Assets</b>	<u>\$ 267</u>	<u>\$ 275</u>	<u>\$ (8)</u>	-3%
Deferred outflows of resources	<u>95</u>	<u>77</u>	<u>18</u>	23%
<b>Liabilities</b>	<u>941</u>	<u>876</u>	<u>65</u>	7%
Deferred inflows of resources	<u>45</u>	<u>46</u>	<u>(1)</u>	-2%
<b>Net Deficit</b>	<u>\$ (624)</u>	<u>\$ (570)</u>	<u>\$ (54)</u>	9%

Total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources of the Authority as of June 30, 2020, amounted to approximately \$267 thousand, \$95 thousand, \$941 thousand, and \$45 thousand, respectively, for a net deficit of approximately \$624 thousand.

Net deficit increased by approximately \$54 thousand as of June 30, 2020, when compared with the prior year. Total liabilities increased by \$65 thousand due to the Authority having recorded its proportionate share of the total pension liability required by GASB Statement No. 73 for the accounting and financial reporting of pensions and its proportionate share of the total other postemployment benefits liability required by GASB Statement No. 75 aggregating approximately \$35 thousand. The increase in total liabilities is also due to an increase of approximately \$30 thousand in the liability due to the Commonwealth of Puerto Rico related to PayGo charges of the Authority.

The increase of \$18 thousand in the deferred outflows of resources is also related to the accounting and financial reporting of related assets of the pensions and other postemployment benefits. During the year ended June 30, 2020, the Authority recorded its proportionate share of deferred outflows of resources aggregating approximately \$18 thousand.

**Statement of Revenues, Expenses, and Change in Net Position (Deficit)**

Condensed financial information of the statement of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2020, and 2019 is as follows (in thousands):

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
MANAGEMENT'S DISCUSSION AND ANALYSIS(UNAUDITED)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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	June 30,		Change	
	2020	2019	Amount	Percent
<b>OPERATING EXPENSES:</b>				
Pension expense and other postemployment benefits	\$ 45	\$ 734	\$ (689)	100%
Other operating expenses	9	16	(7)	-44%
Loss from operations	(54)	(750)	696	-93%
<b>NON-OPERATING REVENUES:</b>				
Administrative and Financial Service Fees	-	153	(153)	100%
Total non-operating revenues	-	153	(153)	100%
Changes in net position	(54)	(597)	543	91%
NET (DEFICIT) POSITION, BEGINNING	(570)	27	(597)	2211%
NET (DEFICIT) POSITION, ENDING	<u>\$ (624)</u>	<u>\$ (570)</u>	<u>\$ (54)</u>	<u>9%</u>

The Authority's net loss from operations for the year ended June 30, 2020, was approximately \$54 thousand, representing a decrease of approximately \$543 thousand when compared to the prior year's net loss from operations of \$597 thousand. The decrease is mainly related to the adoption of GASB Statement No. 73 by the Authority during fiscal year 2019, which resulted in a proportionate share of \$731 thousand in pension expense.

During the year ended June 30, 2020, the Authority did not participate in bond issuances. Therefore, no placement fees were earned, as opposed to in the year ended June 30, 2019, when the Authority received non-operating revenues of approximately \$153 thousand in administrative and financial service fees related to the bond issuances made for Inter American University and Baldwin School, two private educational entities in Puerto Rico.

## 5. Debt Administration - Conduit Debt

The Authority's main operations consist of issuing revenue bonds, known as AFICA Bonds, where the net cash proceeds are then loaned to the owners of eligible projects, as defined in the Act and regulations of the Authority, to finance educational, medical, environmental, agricultural, tourist, commercial, and industrial projects. The AFICA Bonds are considered conduit debt and, therefore, neither these bonds nor the related loans granted by the Authority are presented in the accompanying basic financial statements. For each new AFICA Bonds, the Authority collects a placement fee. The Authority earns revenues from the collection of those placement fees, which generally represents 1% of the face value of the bonds issued, except for bonds issued to finance educational, medical, or environmental control facilities or other projects otherwise eligible to be financed in the U.S. tax-exempt bond market, for which the placement fee charged is one half percentage (0.5%).

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
MANAGEMENT'S DISCUSSION AND ANALYSIS(UNAUDITED)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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The AFICA Bonds and underlying loans are limited obligations of the Authority, and they are not guaranteed by the Government of Puerto Rico or any of its agencies, public corporations, and instrumentalities. Repayment and collateral support of the AFICA Bonds and loans is the legal and contractual responsibility of the corporate entities to which the Authority lends the cash proceeds of the Authority bonds. All Authority bond issuances are subject to the consideration and approval by the Board of Directors of the Authority, the Puerto Rico Fiscal Agency and Financial Advisory Authority and, when applicable, the Financial Oversight and Management Board for Puerto Rico.

**6. Currently Known Facts and Events**

**Coronavirus Pandemic**

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

**Approved Bond Issuance through AFICA**

In November 2021, the Authority issued \$57,410,000 in Hospital Revenue and Refunding Revenue Bonds, Series 2021 (Hospital Auxilio Mutuo Obligated Group Project) (the "Series 2021 Bonds"). The proceeds of the Series 2021 Bonds were used to redeem outstanding debt for cash flow savings and to fund health care projects of Sociedad Española de Auxilio Mutuo y Beneficencia de Puerto Rico (the "Corporation") and its wholly owned subsidiary, Hospital Español Auxilio Mutuo de Puerto Rico, Inc. (the "Hospital" and, together with the Corporation, the "Obligated Group"). Approximately \$53 million was used to refund the Authority's Series 2011A Bonds and the remainder, together with funds released from the debt service reserve for the refunded bonds, will be used to finance the project and to cover other related expenses. The Series 2021 Bonds are limited obligations of the Authority payable solely from payments made to the Authority by the Obligated Group.

**7. Request for Information**

This financial report is designed to provide all interested with a general overview of the Authority's finances and to enhance the Authority's accountability for the resources it manages. If you have questions about this report or need additional financial information,

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
MANAGEMENT'S DISCUSSION AND ANALYSIS(UNAUDITED)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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contact the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control  
Facilities Financing Authority, P.O. Box 42001, San Juan, Puerto Rico, 00940-2001.

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
STATEMENT OF NET DEFICIT  
JUNE 30, 2020**

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**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**Current Assets:**

Cash	\$ 267,399
Total current assets	<u>267,399</u>

**Deferred Outflows of Resources**

Pension related	94,186
Other postemployment benefits	<u>1,100</u>
Total deferred outflows of resources	<u>95,286</u>

Total assets and deferred outflows of resources	<u>362,685</u>
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**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

**Current Liabilities:**

Accounts payable	13,800
Due to Commonwealth of Puerto Rico	126,427
Due to Government Development Bank for Puerto Rico	20,209
Total other postemployment benefits liability	26,300
Total pension liability	<u>1,100</u>
Total current liabilities	<u>187,836</u>

**Non-Current Liabilities:**

Total other postemployment benefits liability	21,816
Total pension liability	<u>731,807</u>
Total non-current liabilities	<u>753,623</u>
Total liabilities	<u>941,459</u>

Deferred Inflows of Resources - pension related	<u>45,301</u>
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Total liabilities and deferred inflows of resources	<u>986,760</u>
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NET DEFICIT - unrestricted	<u>\$ (624,075)</u>
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The accompanying notes are an integral part of this basic financial statement.

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET DEFICIT  
FOR THE YEAR ENDED JUNE 30, 2020**

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<b>OPERATING REVENUES</b>	<u>\$ -</u>
<b>OPERATING EXPENSES</b>	
Pension expense and other postemployment benefits	45,489
Other operating expenses	<u>8,901</u>
Total Operating Expenses	<u>54,390</u>
Operating Loss	(54,390)
<b>NON - OPERATING REVENUES</b>	<u>-</u>
<b>CHANGE IN NET DEFICIT</b>	(54,390)
<b>NET DEFICIT - Beginning of year</b>	<u>(569,685)</u>
<b>NET DEFICIT - End of year</b>	<u><u>\$ (624,075)</u></u>

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Cash payment for operating expenses	\$ (8,206)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Collections of Interest income	46
Total cash provided by investing activities	46
<b>NET DECREASE IN CASH</b>	<b>(8,160)</b>
CASH - beginning of year	275,559
CASH - end of year	\$ 267,399
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>	
Operating loss	\$ (54,390)
Adjustments to reconcile operating loss to net cash used in operating activities and changes in assets and liabilities:	
Increase in deferred outflows of resources	(18,898)
Increase in due to Commonwealth of Puerto Rico	30,348
Increase in due to Government Development Bank for Puerto Rico	695
Decrease in deferred inflows of resources	(824)
Increase in total other postemployment benefits liability	8,469
Increase in total pension liability	26,394
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>\$ (8,206)</b>

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



**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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**1. REPORTING ENTITY**

The Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (the "Authority" or "AFICA") is a component unit of the Commonwealth of Puerto Rico (the "Commonwealth") and an affiliate of the Government Development Bank for Puerto Rico ("GDB"), created by Act No. 121 of the Legislature of the Commonwealth on June 27, 1977, as amended (the "Act"). AFICA is a component unit of the Commonwealth because the Commonwealth has the ability to impose its will.

Subsequent to the discontinuance of operations of GDB, management, administrative, and accounting support services are provided to the Authority by the Puerto Rico Fiscal Agency and Financial Advisory Authority ("FAFAA").

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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does not consider them to be available for general operations. Unrestricted component of net position(deficit) often has constraints on use that are imposed by management, but such constraints may be removed or modified.

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

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

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

**Cash**—Cash include deposits maintained by the Authority in interest and non-interest-bearing accounts in commercial banks.

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

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

**Revenue Bonds and Related Loans**— The Authority finances industrial (as defined by the Act, which includes commercial, research, tourist, and agricultural projects), medical, educational, and environmental control projects, by selling limited obligation revenue bonds in private placement or on the open public bond markets (the "Authority Financing"). The proceeds of the Authority Financing are loaned by the Authority to the obligor's project as per the terms and conditions of the Authority Financing. The loan proceeds are, in turn, used by the Obligor to pay for the costs of the development of the project. The financing agreement calls for payments of principal and interest by the project owner to the Authority Financing through a trustee. Interest and principal payments are applied to debt service on the bonds and to any other related financing costs.

Revenue bonds issued by the Authority are considered conduit debt and, therefore, neither these bonds nor the related loans granted by the Authority are presented in the

PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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accompanying basic financial statements.

**Revenue Recognition**— Placement fees are recognized as revenues in the statement of revenues, expenses, and change in net deficit upon collection. Refer to Note 7 to the basic financial statements for further information regarding the placement fees.

**Accounting for Pensions Cost**— Effective July 1, 2017, a new “pay-as-you-go” (“PayGo”) system was enacted into law by Act No. 106 of 2017 (“Act 106-2017”), significantly reforming the defined benefit plan (the “Plan”) of the Employees’ Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”). Under the PayGo system, employers’ contributions and other contributions ordered by special laws were all eliminated and substantially all the assets of the Plan were liquidated, and its proceeds transferred to the Commonwealth’s General Fund for payment of pension benefits. Therefore, since the enactment of Act 106-2017, the Commonwealth’s General Fund makes direct payments to the pensioners and is then reimbursed for those payments by the participating employers.

As a result of the implementation of the PayGo system, the Plan no longer met the criteria of GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (GASB Statement 68) to be considered a plan that is administered through a trust or equivalent arrangement and, therefore, it was necessary to apply the guidance of GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No 68, an amendments of Certain Provisions of GASB Statements No. 67 and 68 (GASB Statement 73). Statement No. 73 maintains the “accrual basis” model under Statement 68, where the Total Pension Liability is actuarially determined. GASB Statement No. 73 requires a liability for pension obligations, known as the Total Pension Liability, to be recognized on the balance sheets of participating employers. Changes in Total Pension Liability are immediately recognized as pension expenses. As Act 106-2017 eliminated all contribution requirements for the Plan and converted it into a PayGo system. The corresponding actuarial calculation of the total pension liability and related accounts changed to one based on benefit payments rather than contributions. As a result, the Authority recognized a Total Pension Liability (replacing the previously recognized Net Pension Liability and related accounts under the previous method) and pension expenses, accordingly. As the change to the PayGo system was caused by the impact of legislation not under the Authority’s management control and the actuarial calculation changed from one based on contributions to a new one based on benefit payments under the new PayGo system, the impact on all corresponding pension related accounts was accounted for prospectively. Further details on the accounting for pension costs and the impact of its adoption are disclosed in Note 10.

The Central Government and its component units are considered to be one employer and are classified for financial reporting purposes as a single employer defined benefit pension plan. Other employers also participate in the Plan. Because certain employers that are component units of the Commonwealth, such as the Authority, prepare individual financial statements, a proportionate share of pension related amounts is determined for these employers. Statement No. 73 requires that such proportionate share should be consistent with the manner in which amounts that are paid as benefits come due are

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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determined. The proportionate share as of each measurement date is based on the ratio of each agency and component unit's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date.

ERS elected to use July 1 of each fiscal year as the measurement date for financial information. Based on this election, the June 30, 2019, actuarial measurement data was used for the pension benefits financial reporting recognition as of and for the fiscal year ended June 30, 2020.

The Authority's annual pension expense for the year ended June 30, 2020, amounted to approximately \$47,389 and the total pension liability as of June 30, 2020, amounted to approximately \$758,107. Disclosures required under GASB Statement No. 73 can be found in Note 10.

***Other Postemployment Benefits***—The Authority accounts for postemployment benefit costs other than pensions (OPEB) under the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as amended by GASB Statement No. 85, Omnibus 2017, which also requires additional reporting and disclosures for OPEB benefits provided through the ERS sponsored Medical Insurance Plan Contribution (ERS MIPC). GASB Statement No. 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) are immediately recognized as OPEB expenses

GASB Statement No. 75 employs an "accrual basis" model, where the total OPEB obligation (actuarially determined) is compared to the plan net position and the difference represents the Net OPEB Liability (Total OPEB Liability for unfunded plans). Further details on the accounting for OPEB costs are disclosed in Note 11.

The Central Government and its component units are considered to be one employer. Other employers also participate in the ERS OPEB Plan. Because certain employers that are component units of the Commonwealth, such as the Authority, prepare individual financial statements, a proportionate share or OPEB expense is determined for these employers. Statement No. 75 requires that such proportionate share should be consistent with the manner in which amounts that are paid as benefits come due are determined. The proportionate share as of each measurement date is based on the ratio of each agency and component unit's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date.

Because all participants in the ERS OPEB plan are inactive, there are no deferred inflows and outflows as any changes due to changes in actuarial assumptions or economic or demographic gains and losses are recognized immediately during the measurement year. However, a deferred outflow has been recognized only for the amount of the benefit payments made by the Commonwealth on behalf of the Authority subsequent to the measurement date, of approximately \$1,100.

ERS elected to use July 1 of each fiscal year as the measurement date for financial

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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information. Based on this election, the June 30, 2019, actuarial measurement data was used for the OPEB financial reporting recognition as of and for the fiscal year ended June 30, 2020.

The Authority's annual OPEB expense (benefit) for the year ended June 30, 2020, amounted to approximately \$1,900 and the OPEB liability as of June 30, 2020, amounted to approximately \$45,301. Disclosures required under GASB Statement No. 75 can be found in Note 11.

GASB Statement No. 75 requires certain disclosures if an actuarially determined contribution has been calculated.

***New Accounting Standards Adopted and Accounting Pronouncements Issued But Not Yet Effective***

During the fiscal year ended on June 30, 2020, certain governmental accounting pronouncements became effective, none of which had any impact in the results of the operations or in the presentation of the financial statements of the Authority.

***Accounting Pronouncements Issued But Not Yet Effective***

- **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 June 15, 2021, as amended by GASB Statement No. 95, *Postponement of the effective dates of Certain Authoritative Guidance*, which allowed for an eighteen-month postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.
- **GASB Statement No. 89, *Accounting for Interest Cost 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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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accounted for in accordance with the requirements of paragraphs 5-22 of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB, and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

- GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. 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. The requirements of

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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this Statement are effective for reporting periods beginning after December 15, 2019, as amended by GASB Statement No. 95, Postponement of the effective dates of Certain Authoritative Guidance, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued. 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.

- **GASB Statement No. 91, *Conduit Debt Obligations*.** The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, as amended by GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

- **GASB Statement No. 92, *Omnibus 2020*.** The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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other postemployment benefit (OPEB) plan; the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, to reporting assets accumulated for postemployment benefits; the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR most notably the London Interbank Offered Rate (LIBOR).

As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

- GASB Statement No. 94, *Public-Private and Public-Public Partnership and Availability Payment Arrangement*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or



**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA): (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

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

- *Statement No. 83, Certain Asset Retirement Obligations*
- *Statement No. 84, Fiduciary Activities*
- *Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- *Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*
- *Statement No. 90, Majority Equity Interests*
- *Statement No. 91, Conduit Debt Obligations*
- *Statement No. 92, Omnibus 2020*
- *Statement No. 93, Replacement of Interbank Offered Rates*
- *Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- *Implementation Guide No. 2018-1, Implementation Guidance Update—2018*
- *Implementation Guide No. 2019-1, Implementation Guidance Update—2019*
- *Implementation Guide No. 2019-2, Fiduciary Activities.*

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

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

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

The requirements of this Statement are effective immediately.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This Statement also requires that the financial burden criterion in paragraph 7 of GASB Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of GASB

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of GASB Statement 67 or paragraph 3 of GASB Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs, the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

- GASB Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

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

**3. CASH AND DEPOSITS**

Custodial credit risk is the risk that, in the event of a bank failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

collateral deposits that are in possession of an outside party. The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico be fully collateralized for the amounts deposited in excess of federal depository insurance. All securities pledged as collateral are held by banks in the Authority's name.

Deposits maintained by the Authority as of June 30, 2020, represent the balance of interest and non-interest-bearing accounts in commercial banks. The table presented below discloses the level of custodial credit risk assumed by the Authority as of June 30, 2020. As of June 30, 2020, none of the Authority's deposits are uninsured and uncollateralized, as follows:

	<u>Carrying Amount</u>	<u>Depository Bank Balance</u>	<u>Amount uninsured and uncollateralized</u>
Cash	\$ 267,399	\$ 267,399	\$ -

**4. DEPOSITS CLAIM RECEIVABLE FROM PUBLIC ENTITY TRUST (PET)**

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

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

The Authority held deposits at GDB of approximately \$9.5 million. A custodial credit loss on these deposits was recorded in previous years resulting in a reserve of the entire balance. As a result of the execution of the Qualifying Modification, the Authority received

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

beneficial units of the PET in exchange for the \$9.5 million in deposits held at GDB. The units received from the PET and the custodial credit loss were reclassified as a deposit claim receivable from the PET and into an allowance for doubtful accounts, respectively, with a net carrying amount of zero.

The assets of the PET (the "PET Assets") consist of, among other items, a claim in the amount of approximately \$578 million against the Commonwealth (the "PET Claim"), which is the subject of a proof of claim filed in the Commonwealth's Title III case. The Official Committee of Unsecured Creditors appointed in the Commonwealth Title III Case has objected to the PET Claim and, as of, the date hereof, the Court has not determined if the PET claim is allowed claim that will be entitled to a distribution. The Authority's recovery on account of this deposit claim will depend upon the recovery ultimately received by the Public Entity Trust on account of the PET assets as result units received from the PET are fully reserved.

	<u>Balance as of June 30, 2020</u>	<u>Claim Allowance</u>	<u>Net Carrying Value</u>
Claim receivable	<u>\$ 9,503,794</u>	<u>\$ (9,503,794)</u>	<u>\$ -</u>

**5. DUE TO COMMONWEALTH AND GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO**

The Commonwealth has made PayGo pension related and other postemployment benefits payments on behalf of the Authority amounting to approximately \$122,227 and \$4,200, respectively. Accordingly, a due to Commonwealth has been recorded in the financial statements because amounts were due as of June 30, 2020.

Amounts due to Government Development Bank are related to payments made by the Bank on behalf of the Authority to fulfill the obligation of certain health insurance benefits to an employee retired from the Authority under an early retirement program and other payments for professional services.

**6. RELATIONSHIP WITH FAFAA**

The Puerto Rico Emergency Moratorium and Financial Rehabilitation Act, Act No. 21-2016 (the "Moratorium Act"), as amended, created FAFAA as an independent public corporation to assume GDB's role as fiscal agent, financial advisor and reporting agent for the Commonwealth and its instrumentalities. Act No. 2 of 2017 subsequently repealed and replaced the provisions of the Moratorium Act regarding FAFAA. FAFAA has also been assigned the tasks of overseeing matters related to the restructuring or adjustment of the Commonwealth's financial liabilities, coordinating liability management or other transactions with respect to such obligations, and ensuring compliance with fiscal plans and budgets approved by the Oversight Board pursuant PROMESA. During the year ended

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

June 30, 2020, FAFAA provided certain management and administrative services to the Authority at no cost.

**7. PLACEMENT FEES**

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

There were no bond issuances during the year ended June 30, 2020, as such, no placement fees were charged.

**8. REVENUE BONDS**

The revenue bonds issued by the Authority are special and limited obligations of the Authority and, except to the extent payable from bond proceeds and investments thereof, are payable solely from and secured by a pledge and assignment of the amounts payable under the loan agreements between the Authority and the borrowers. In some cases, payment of principal and interest on revenue bonds may be further secured by guarantees or letters of credit.

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

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

As of June 30, 2020, the Authority had approximately \$659.9 million in outstanding AFICA bonds distributed as follows:

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

<u>REVENUE BONDS</u>	<u>Original Amount</u>	<u>Balance June 30, 2020</u>
Commercial\Industrial	\$ 392,529,745	\$ 256,866,198
Educational	398,660,000	265,430,000
Medical	204,500,000	92,750,000
Tourist	56,355,000	44,835,000
Total	\$ 1,052,044,745	\$ 659,881,198

**9. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES**

Changes in deferred outflows and inflows of resources for the year ended June 30, 2020, are summarized as follows:

<u>Deferred outflows of resources</u>	<u>Balance as of June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of June 30, 2020</u>
Pension related	\$ 74,489	\$ 29,248	\$ (9,551)	\$ 94,186
Other postemployment benefits	1,900	1,100	(1,900)	1,100
Total	\$ 76,389	\$ 30,348	\$ (11,451)	\$ 95,286
<u>Deferred inflows of resources</u>				
Pension related	\$ 46,125	\$ -	\$ (824)	\$ 45,301
Total	\$ 46,125	\$ -	\$ (824)	\$ 45,301

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

**Plan Description**

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

**Pension Benefits**

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

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

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

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

**(a) Service Retirement Eligibility Requirements**

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

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



**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

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

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

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

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

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

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

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

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

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

**(b) Compulsory Retirement**

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

**(c) Service Retirement Annuity Benefits**

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

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

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

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

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

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

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

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

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

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

**(d) Special Benefits**

**(1) Minimum Benefits**

— Past Ad hoc Increases

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

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

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

— Coordination Plan Minimum Benefit

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

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

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

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

**(3) Special "Bonus" Benefits**

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

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

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

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

**Total Pension Liability**

**Allocation Methodology**

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

**Total Pension Liability and Actuarial Information**

The Commonwealth's total pension liability was approximately \$24.9 billion as of June 30, 2020, of which approximately \$758 thousand is the Authority proportionate share as of June 30, 2020. The total pension liability as of June 30, 2019, was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019 (measurement date as of June 30, 2019).

**(a) Actuarial Methods and Assumptions**

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

**Discount Rate**

The discount rate for June 30, 2020, was 3.50%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Mortality**

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

- **Pre-retirement Mortality-** For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2019 from the 2006 base year and projected forward using MP-2019 on generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year, and projected forward using MP-2019 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.
- **Post-retirement Healthy Mortality-** Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2019 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
- **Post-retirement Disabled Mortality-** Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-18 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

**Other Assumptions as of June 30, 2019**

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

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
 ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY**  
 (A Component Unit of the Commonwealth of Puerto Rico)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

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

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

The following presents the total pension liability calculated using the discount rate of 3.50%, as well as what it would be if it were calculated using the discount rate of 1-percentage point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate (dollars in thousands):

	1% decrease or 2.50%	Current discount rate of 3.50%	1% increase or 4.50%
Authority's proportionate share of the total pension liability	\$ 861,896	\$ 758,107	\$ 673,482

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

The following presents a summary of changes in the deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2020:

Source	Deferred outflows of resources	Deferred inflows of resources
Benefits paid after measurement date	\$ 29,248	\$ —
Differences between actual and expected experience	—	25,702
Changes of assumptions	24,618	19,599
Changes in proportion and differences between actual contributions and proportionate share	40,320	-
	<u>\$ 94,186</u>	<u>\$ 45,301</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pension at June 30, 2020 will be recognized in pension expense(benefit) in future years as follows:

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

Years ending June 30,	Amount
2020	\$ 4,910
2021	4,910
2022	4,910
2023	4,907
2024	—
	\$ 19,637

The previous amounts do not include employer specific deferred outflows and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5 years for 2020.

**Pension Expense**

The pension expense for the year ended June 30, 2020, was of \$47,389.

**11. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico (the Commonwealth) for Retired Participants of the Employees' Retirement System (the Plan) is an unfunded, defined benefit other postemployment healthcare benefit plan (OPEB). The Plan is administered on a pay- as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB Statement No. 75). Under the guidance of GASB Statement No. 75, the Commonwealth and its component units are considered to be one employer and are classified for financial reporting purposes as a single employer defined benefit OPEB plan. Therefore, the schedule of employer allocations and the schedule of OPEB amounts by employer (collectively, the Schedules) present the OPEB amounts attributable to the Commonwealth reporting entity (i.e., the Commonwealth and its component units).

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



**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

---

**Allocation Methodology**

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

**Total OPEB Liability and Actuarial Information**

The Commonwealth's total OPEB liability was approximately \$832.2 million, of which approximately \$23 thousand is the Authority's proportionate share as of June 30, 2020. The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019 (measurement date as of June 30, 2019). The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period.

**Actuarial Assumptions**

**Discount Rate**

The discount rate for June 30, 2020, was 3.50%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Mortality**

- **Pre-retirement Mortality-** For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2019 from the 2006 base year, and projected forward using MP-2018 on generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males adjusted to reflect Mortality Improvement Scale MP-2019 from the 2006 base year, and projected forward using MP-2019 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.
- **Post-retirement Healthy Mortality-** Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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Improvement Scale MP-2019 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

- **Post-retirement Disabled Mortality-** Rates which vary by gender are assumed for disabled retirees based on a study of Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2019 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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

The following presents the total OPEB liability of the Plan at June 30, 2020 calculated using the discount rate of 3.50%, as well as the Plan's total OPEB liability if it were calculated using the discount rate of 1- percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current rate:

	1% decrease or 2.50%	Current discount rate of 3.50%	1% increase or 4.50%
Proportionate share of total OPEB liability \$	25,102	22,916	21,005

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

Because all participants are inactive, there are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate shares are recognized immediately during the measurement year. However, a deferred outflow has been recognized only for the amount of the benefit payments made by the Commonwealth on behalf of the Authority subsequent to the measurement date, which amounted to \$1,100 as of June 30, 2020, which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. These amounts were paid on behalf of the Authority, therefore, a due to Commonwealth for the amount of \$1,100 of such other postemployment benefits payment was recognized.

**OPEB Expense (Benefit)**

The OPEB benefit for the year ended June 30, 2020, was of \$(1,900).

**12. SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 16, 2022, the date the financial statements were available to be issued, to determine if any such events should either be recognized or disclosed in the 2020 financial statements.

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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**Coronavirus Pandemic**

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

**Bond Issuance through AFICA**

In November 2021, the Authority issued \$57,410,000 in Hospital Revenue and Refunding Revenue Bonds, Series 2021 (Hospital Auxilio Mutuo Obligated Group Project) (the "Series 2021 Bonds"). The proceeds of the Series 2021 Bonds were used to redeem outstanding debt for cash flow savings and to fund health care projects of Sociedad Española de Auxilio Mutuo y Beneficencia de Puerto Rico (the "Corporation") and its wholly owned subsidiary, Hospital Español Auxilio Mutuo de Puerto Rico, Inc. (the "Hospital" and, together with the Corporation, the "Obligated Group"). Approximately \$53 million was used to refund the Authority's Series 2011A Bonds and the remainder, together with funds released from the debt service reserve for the refunded bonds, will be used to finance the project and to cover other related expenses. The Series 2021 Bonds are limited obligations of the Authority payable solely from payments made to the Authority by the Obligated Group.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
Schedule of Proportionate Share of Collective Total Pension Liability and Related Ratios  
(Unaudited)  
June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the Collective Total Pension Liability	0.00305%	0.00299%	0.00284%
Proportionate Share of the Collective Total Pension Liability	\$ 758,107	\$ 731,713	\$ 801,853
Covered - Employee Payroll	N/A	N/A	N/A
Proportionate Share of Collective Total Pension Liability as Percentage of Covered-Employee Payroll	N/A	N/A	N/A

The amounts presented have a measurement date of the previous year end.

Covered payroll is no longer applicable since contributions are no longer based on payroll and were eliminated pursuant to Act No. 106-2017.

**Note:** Fiscal year 2019 was the first year that the Authority transitioned from GASB Statement No. 68 to GASB Statement No.73 as a result of the Pay-Go implementation. This schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

See accompanying notes to required supplementary information and independent auditors' report.

**PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND  
ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY  
(A Component Unit of the Commonwealth of Puerto Rico)  
Schedule of Proportionate Share of Collective Total Other Postemployment Benefit Liability  
and Related Ratios (Unaudited)  
June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of Total Other Post-Employment Benefit Liability	0.00275%	0.00172%	0.00156%
Proportionate Share of Total Other Post-Employment Benefit Liability	\$ 22,916	\$ 14,448	\$ 14,321
Covered - Employee Payroll	N/A	N/A	N/A
Proportionate Share of Total Other Post-Employment Benefit Liability as Percentage of Covered-Employee Payroll	N/A	N/A	N/A

The amounts presented have a measurement date of the previous year end.

Currently, there are no active participants in this plan. Therefore, the coverage payroll disclosure is omitted.

**Note:** Fiscal year 2018 was the first year that the new requirements of GASB 75 were implemented at the Authority. The schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

See accompanying notes to required supplementary information and independent auditors' report.