



Centro Recaudación
De Ingresos Municipales

PO Box 195387
San Juan, Puerto Rico 00919-5387

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PRESIDENCIA DEL SENADO

HOJA DE TRAMITE

A: Hon. Jose L. Dalmau Santiago
Presidente del Senado de PR
El Capitolio
San Juan, Puerto Rico

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SENADO DE PUERTO RICO
OFICINA DEL SECRETARIO
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DE: Reinaldo Paniagua Látimer
Director Ejecutivo

Fecha: 19 de mayo de 2023

Asunto: Informe Anual CRIM 20/21
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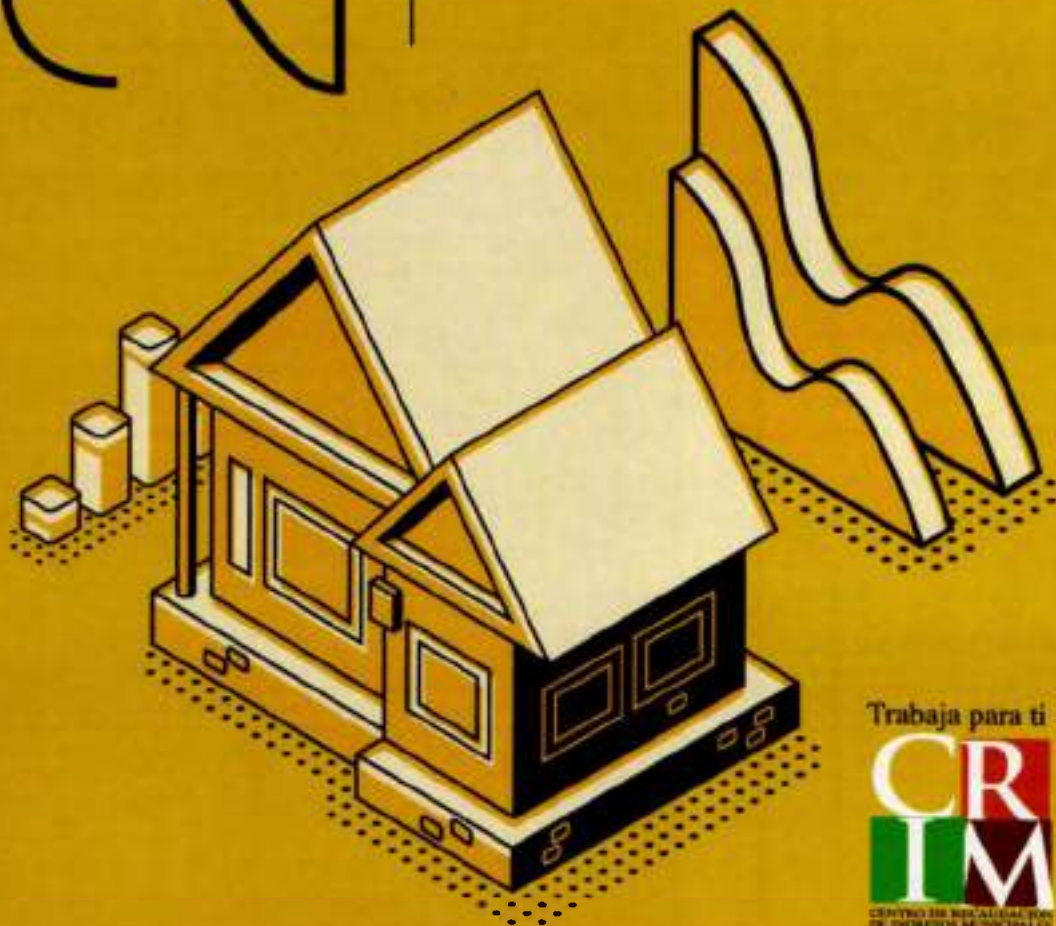
Por: Carmen M. Santos
Secretaria Confidencial Director

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Informe (anual)

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Trabaja para ti



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CENTRO DE RECAUDACION
DE INGRESOS MUNICIPALES



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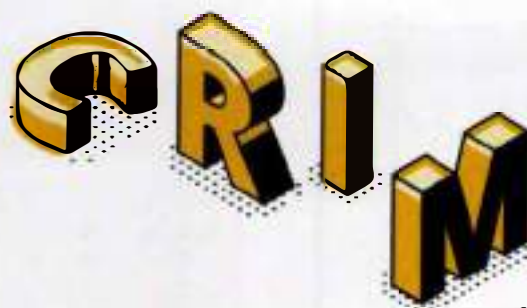
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Trabaja para ti



CENTRO DE RECAUDACION
DE INGRESOS MUNICIPALES



Trasfondo

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

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

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

El 14 de agosto de 2020 se aprueba la Ley Núm. 107, que establece el Código Municipal de Puerto Rico, con el cual se hace una compilación sistemática, ordenada y actualizada de toda legislación municipal referente a la organización, gobierno, administración y funcionamiento de los municipios.

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

Visión

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

Misión

Contribuir al desarrollo de los fundamentos y principios de la autonomía fiscal de los municipios, establecidos por Ley.



Mensaje del **Director** **Ejecutivo**



Este año continuaron los retos operacionales y administrativos en un País que continuaba la recuperación económica luego de varias incidencias naturales de terremotos y huracanes; y los continuos repuntes de la pandemia por el COVID-19.

A pesar de esto, el CRIM pudo retomar las iniciativas de reestructuración de los servicios. Continuamos con la descentralización del área operacional y maximización de los servicios que se ofrecen en las regiones. Esto conllevó reasignar las tareas de evaluación y aprobación de casos de bienes raíces y tasaciones contributiva, así como las evaluaciones y aprobaciones; y redefinimos los procesos de calidad a cargo del Departamento de Operación Central. Adicional, reasignamos las tareas de aprobación de segregaciones y agrupaciones para que sean realizadas en cada región y reestructuramos los procedimientos de Acuerdos Finales.

Nos enfocamos en continuar el plan de trabajo definido en el Plan Fiscal del CRIM, certificado por la Junta de Supervisión y Administración Fiscal. Entre los objetivos principales establecidos, estamos dando prioridad al desarrollo de una plataforma ágil y eficiente en manejar todos los procesos de las cuentas contributivas, que permita información completa y actualizada, desde la tasación hasta la aplicación de los pagos de manera inmediata.

No empecé a las dificultades enfrentadas durante el año fiscal 2020-2021, en el CRIM se refleja un aumento sustancial en los recaudos de la contribución sobre la propiedad inmueble. Esto nos confirma que las iniciativas que estamos implementando para cobrar las deudas en atraso y ampliar la base tributaria están dando resultados positivos para los municipios. Asimismo, se pudo mantener los recaudos anuales de la contribución sobre la propiedad mueble.

Los resultados de este año son la base para completar la implementación de las iniciativas que están en desarrollo. Los resultados que presentamos a continuación en este Informe nos dan la confianza de que vamos por la dirección correcta para dar un mejor servicio y aumentar los recaudos.

Reinaldo J. Paniagua Látimer

Director Ejecutivo del CRIM



Mensaje del **Presidente** **Junta de** **Gobierno**





En enero de 2021 fui elegido como Presidente de la Junta de Gobierno del CRIM. Acepté este nuevo reto para dar continuidad a proyectos en los que confío generaran mayores recaudos para los municipios. Por ser miembro de la Junta de Gobierno en los pasados años, he podido ser parte del desarrollo y modernización del CRIM; y ahora tengo el compromiso de dar continuidad a las iniciativas y objetivos identificados en el Plan Fiscal del CRIM.

Reconociendo que los fondos que reciben los municipios a través del CRIM es la principal fuente de ingresos operacionales, queremos continuar un plan de trabajo para estabilizar y aumentar los recaudos. Para esto, es necesario asegurarnos de mantener la estructura administrativa y operacional estable, con la confianza que el personal del CRIM tiene el dominio y las destrezas para llevar a cabo con éxito las mejoras en procesos y la implementación de nuevas iniciativas.

Nuestro rol desde la Junta de Gobierno es asegurarnos de establecer una política pública objetiva, para que los ciudadanos confíen en que las contribuciones se están utilizando adecuadamente en beneficio de lo que les ofrece cada municipio a sus constituyentes.

Este año fiscal 2020-2021, se ha demostrado que el CRIM es la entidad principal para asegurar la estabilidad económica a los municipios. A pesar de los recortes en las asignaciones estatales, el CRIM continúa aumentando los recaudos de la contribución sobre la propiedad.

Cuentan con el compromiso de este servidor y de los miembros de la Junta para dar continuidad a las metas trazadas y buscar las mejores opciones para asegurar la fuente de ingreso a los municipios, así como el mejor servicio a los contribuyentes.

Hon. Jesús E. Colón Berlingeri

Presidente Junta de Gobierno CRIM

Alcalde de Orocovis



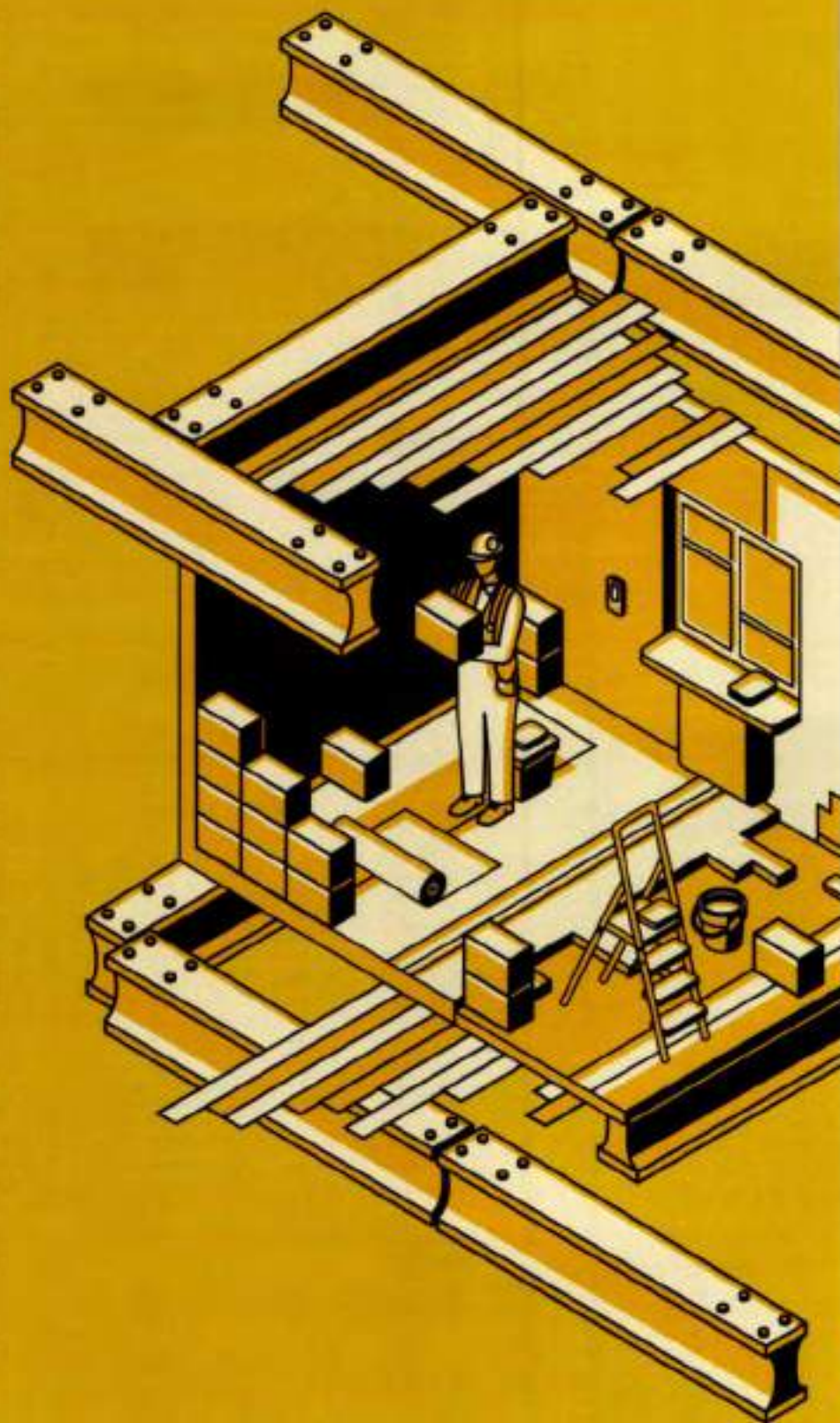
SECCIÓN 2: Estructura Organizacional

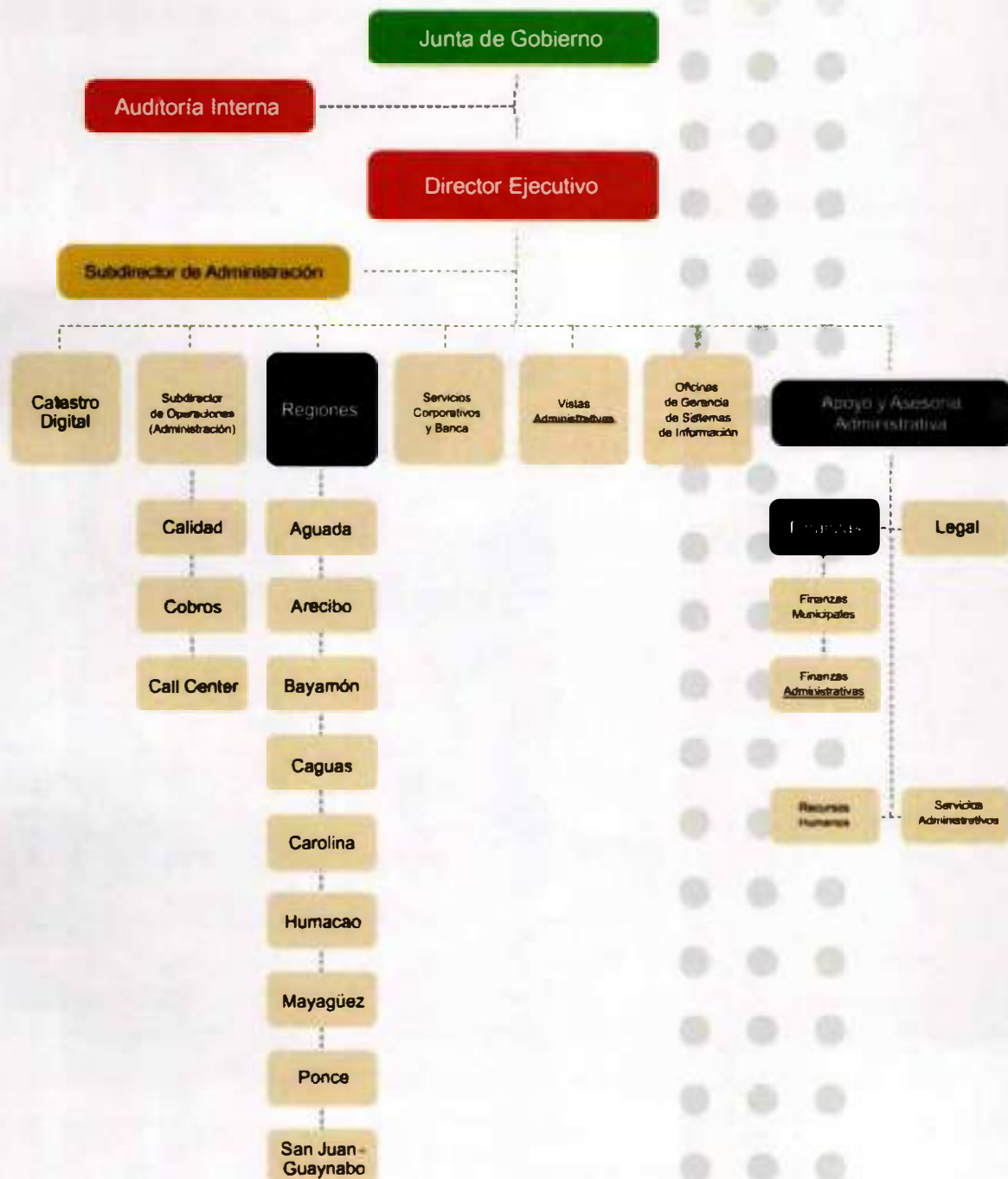
Informe(anual)

20/21

C.R.I.M.

Centro de Investigación de
Registros Municipales







Junta de Gobierno

Hon. Jesús Colón Berlingeri

Alcalde de Orocovis

Presidente

Hon. William Alicea Pérez

Alcalde de Aibonito

Vicepresidente

Hon. Eduardo Cintrón Suárez

Alcalde de Guayama

Secretario

Hon. Félix Delgado Montalvo

Alcalde de Cataño

Tesorero

Hon. Ramón L. Rivera Cruz

Alcalde de Bayamón

Hon. Lorna Soto Villanueva

Alcaldesa de Canóvanas

Hon. Alfredo Alejandro Carrión

Alcalde de Juncos

Hon. William Miranda Torres

Alcalde de Caguas

Hon. Julia Nazario Fuentes

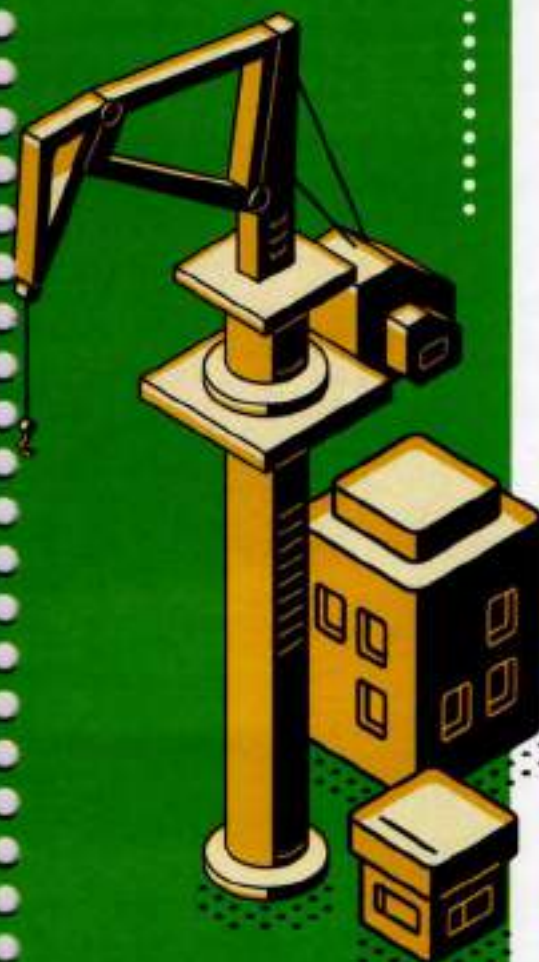
Alcaldesa de Loíza

Lcdo. Omar J. Marrero Díaz

Autoridad de Asesoría Financiera y Agencia Fiscal (AAFAF)

Javier Carrasquillo Cruz

Asesor de Asuntos Municipales en Fortaleza





Directores de Unidades de Apoyo Operacional y Asesoría Administrativa

Javier García Cintrón

Subdirector Ejecutivo de Operaciones

Ulises Feliciano Troche

Director Catastro Digital

Director de Oficina Gerencia de Sistemas de Información (OGSI)

CPA Diana Claudio Sauri

Directora de Finanzas

Pedro Ortiz Pagán

Director de Servicios Administrativos

Lcdo. Alexis Acevedo Colón

Director de Asesoramiento Legal

Omar Rivera Meléndez

Director Recursos Humanos

CPA Carlos García Rosado

Director de Auditoría Interna



Grupo Ejecutivo

Luis Torres Torres

Subdirector Ejecutivo de Administración

William Arroyo Rivera

Ayudante Ejecutivo

María París Marcano

Ayudante Ejecutivo

Glendaly Russe Meléndez

Ayudante Ejecutivo

Carmen Santos Otero

Secretaria Confidencial del Director

Eliza Fontáñez Fontáñez

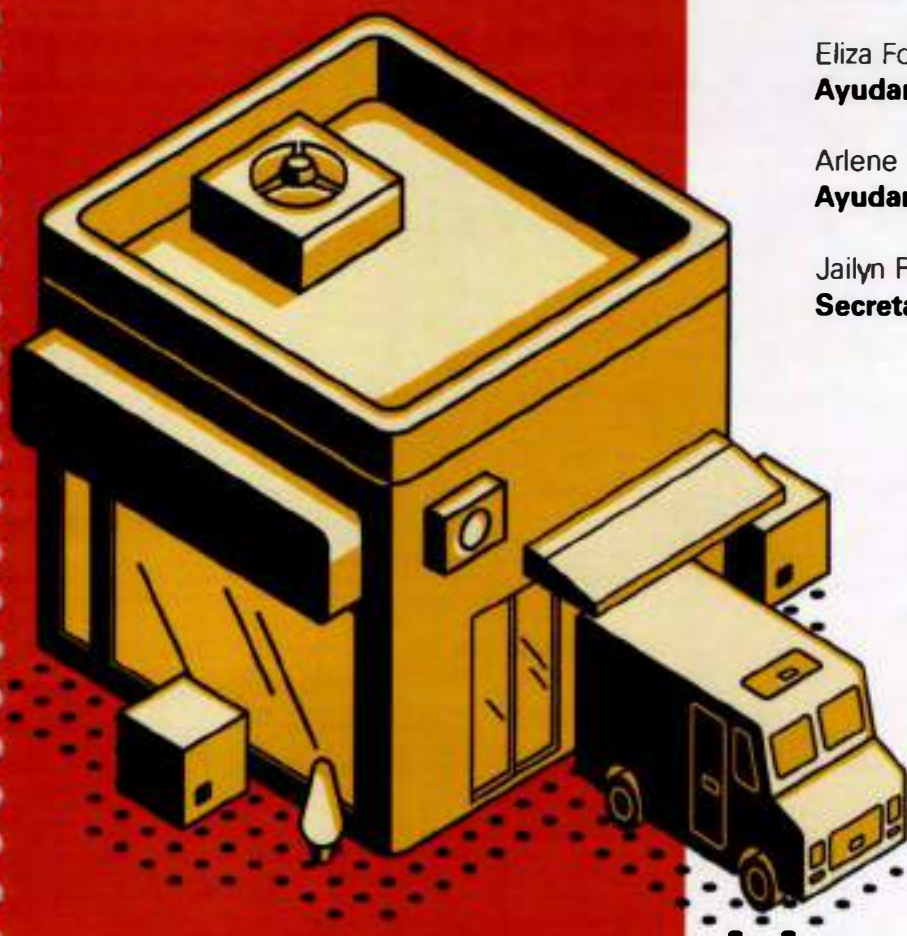
Ayudante Administrativo

Arlene Duteil Bibiloni

Ayudante Administrativo

Jailyn Rivera Meléndez

Secretaria de la Junta de Gobierno





Oficinas Regionales

En términos de estructura operacional, el CRIM cuenta con una (1) Oficina Central y nueve (9) oficinas regionales, ubicadas a través de toda la isla. Estos centros son Aguada, Arecibo, Bayamón, Caguas, Carolina, Humacao, Mayagüez, Ponce y San Juan-Guaynabo. En adición de asistir a los contribuyentes en sus solicitudes de servicio las regiones llevan a cabo las siguientes funciones técnicas: tasación de la propiedad inmueble, valoración de la propiedad mueble e investigaciones, entre otras. Las oficinas regionales están estructuradas en las siguientes áreas: Servicio y Cobro al Contribuyente, Propiedad Mueble y Propiedad Inmueble.



■ AGUADA ■ ARECIBO ■ BAYAMÓN ■ CAGUAS ■ CAROLINA ■ HUMACAO ■ MAYAGÜEZ ■ PONCE ■ SAN JUAN - GUAYNABO



Administradores Regionales

Karina Ronda Carril

Administradora Región Aguada

Reynaldo Hernández Santa

Administrador Región Arecibo

Herbert Rodríguez Camacho

Administrador Región Bayamón

Virginia Santiago Calderón

Administradora Región Caguas

Norma Maldonado Candelaria

Administradora Región Carolina

Stephanie López Aponte

Administradora Región Humacao

Michelle Oliver Vélez

Administradora Región Mayagüez

María Santiago Collazo

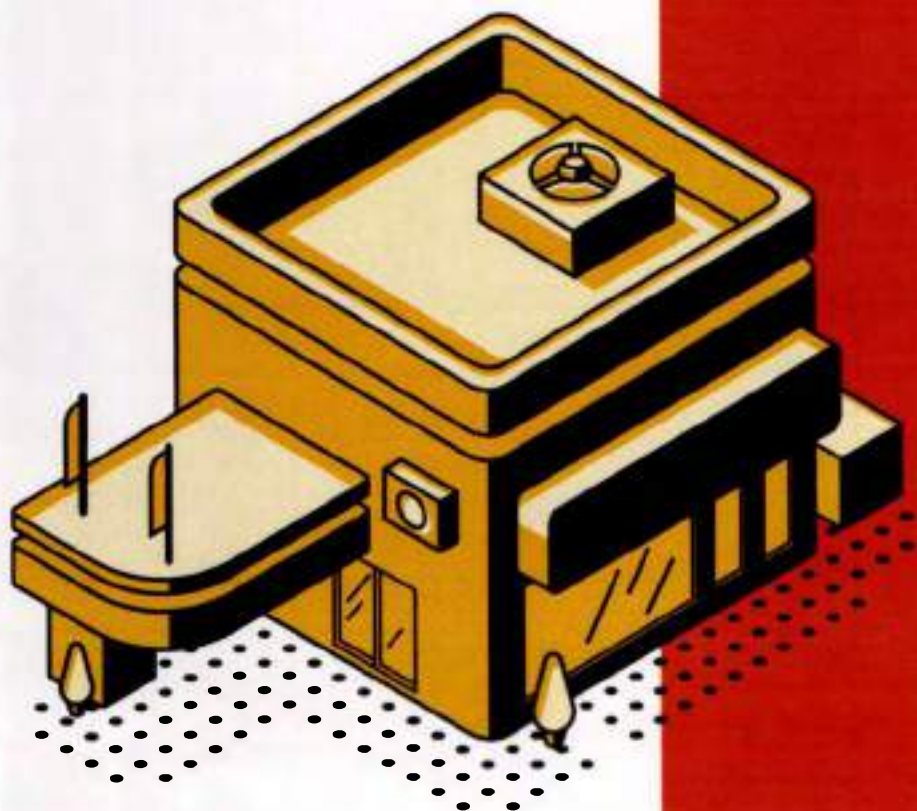
Administradora Interina Región Ponce

Ángel López Díaz

Administrador Región San Juan/Guaynabo

SECCIÓN 3:

Plan Estratégico a cinco años





El CRIM comenzó a ejecutar el plan de trabajo enmarcado en el Plan Fiscal Certificado por la Junta de Supervisión Fiscal, en el año fiscal 2020. Este plan de trabajo establece las bases para poder ayudar a los municipios a aumentar sus recaudos. Dado a la pandemia del COVID-19, la implementación de la mayoría de las iniciativas establecidas en el plan fiscal se vieron afectadas lo que produjo recalendarizar las fechas establecidas para su cumplimiento. No empecé a esas limitaciones, no podemos dejar de señalar que la gestión de recaudo del CRIM no se vio afectada, al contrario, pudimos superar nuestros estimados.

Los objetivos del plan estratégico del CRIM a cinco años son:

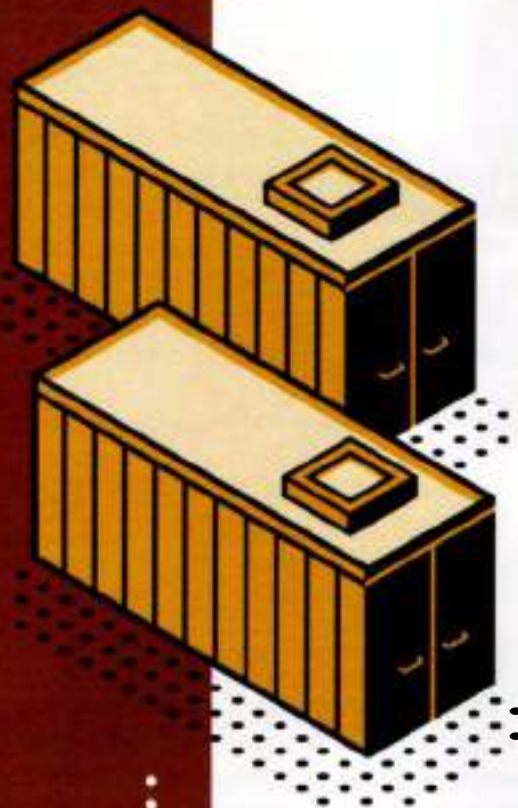
- Incrementar la cantidad de propiedades registradas
- Corregir la clasificación de propiedades
- Incrementar el porcentual de cobrabilidad
- Reducir la cantidad de propiedades con exoneraciones y exenciones indebidas

Las medidas en este plan estratégico están enfocadas en mejorar las operaciones y aumentar los recaudos por concepto de pago de la contribución sobre la propiedad tomando en consideración que los municipios enfrentan una nueva realidad. Las iniciativas aquí establecidas deben mirarse como un todo y no por separado. El efecto de completar la implementación y consecución de todas las iniciativas es proveer un aumento estable y uniforme en los recaudos de los municipios.

Las iniciativas contempladas toman en consideración:

- Eficiencia operacional: mediante la transformación operacional que incluye cambios en aplicaciones o sistemas de información, cambios en los equipos de tecnología, implementación de buenas prácticas, reingeniería, y descentralización de procesos. Estas iniciativas sirven como la base que le permitirá al CRIM implementar nuevas estrategias que redunden en el incremento de recaudos.
- Aumento en la captación de la base contributiva municipal: el plan estratégico a cinco años detalla las iniciativas que el CRIM ejecutará para capturar el recaudo de contribuciones de propiedades que no estaban registradas en la entidad municipal, propiedades sin tasar y propiedades con mejoras no reportadas.

El cumplimiento e implementación de las diferentes iniciativas delineadas en el plan estratégico son ejecutadas por las diferentes áreas de apoyo del CRIM. El engranaje de todas se traduce en una mejor y más eficiente ejecución de la tasación, imposición, facturación y cobro de la contribución, que a su vez, provee una mayor estabilidad y uniformidad en los recaudos por concepto de contribución sobre la propiedad mueble e inmueble a distribuirse entre los municipios.





El CRIM atraviesa una importante transformación operativa centrada en la sustitución de aplicaciones y sistemas obsoletos; implementación de mejores prácticas administrativas; y descentralización y reingeniería de procesos para mejorar el servicio a los contribuyentes.

Estas iniciativas son las bases para implementar con éxito estrategias que redunden en mayor recaudación de la contribución.

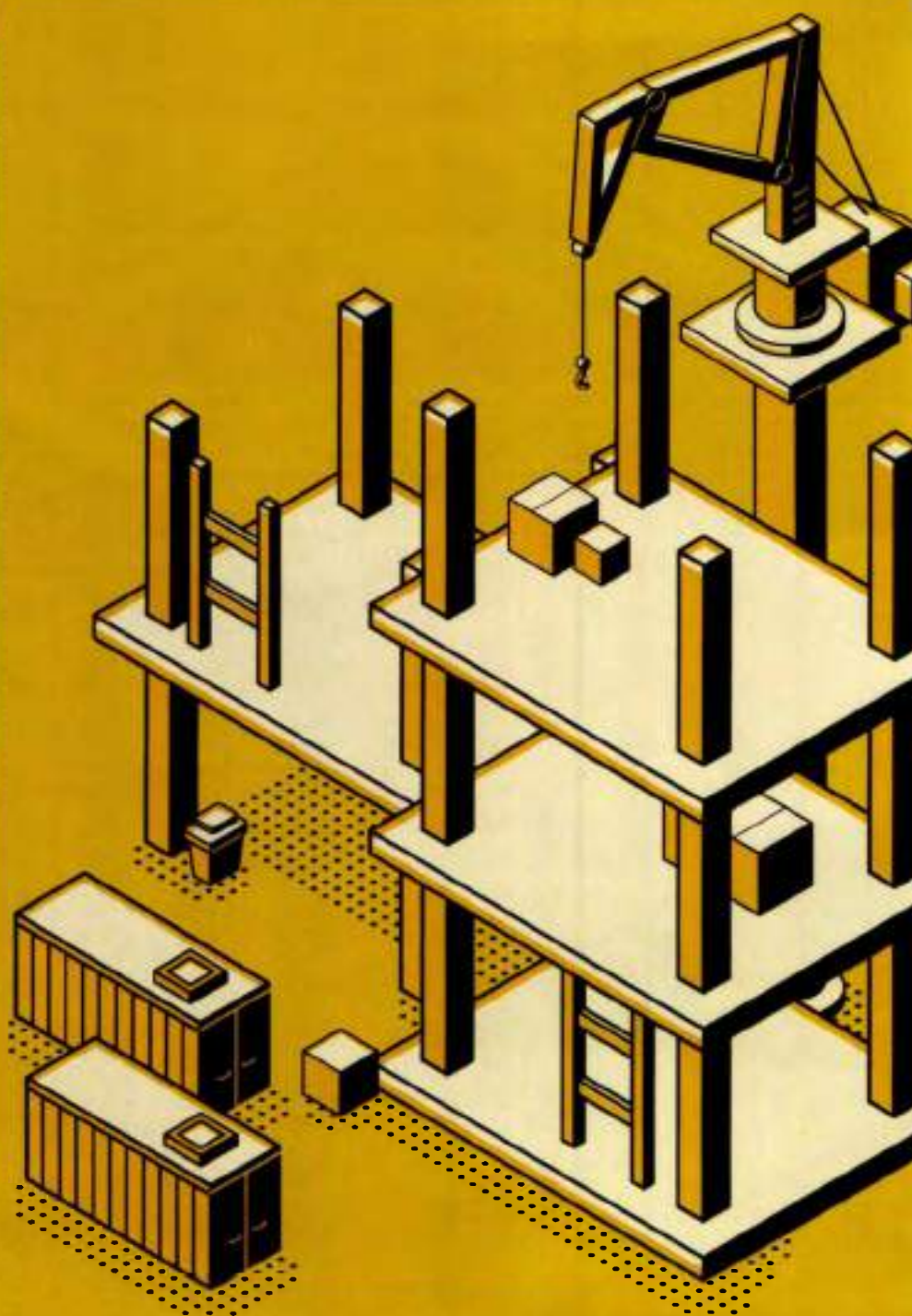
En este año fiscal iniciamos la uniformidad de todos los procesos de cobros, estableciendo métricas que nos permiten evaluar el desempeño de los empleados y la descentralización de las operaciones dirigido a empoderar las nueve (9) regiones para que estas puedan ofrecer un servicio ágil, rápido y eficiente, eliminando el largo tiempo de espera para completar los servicios.

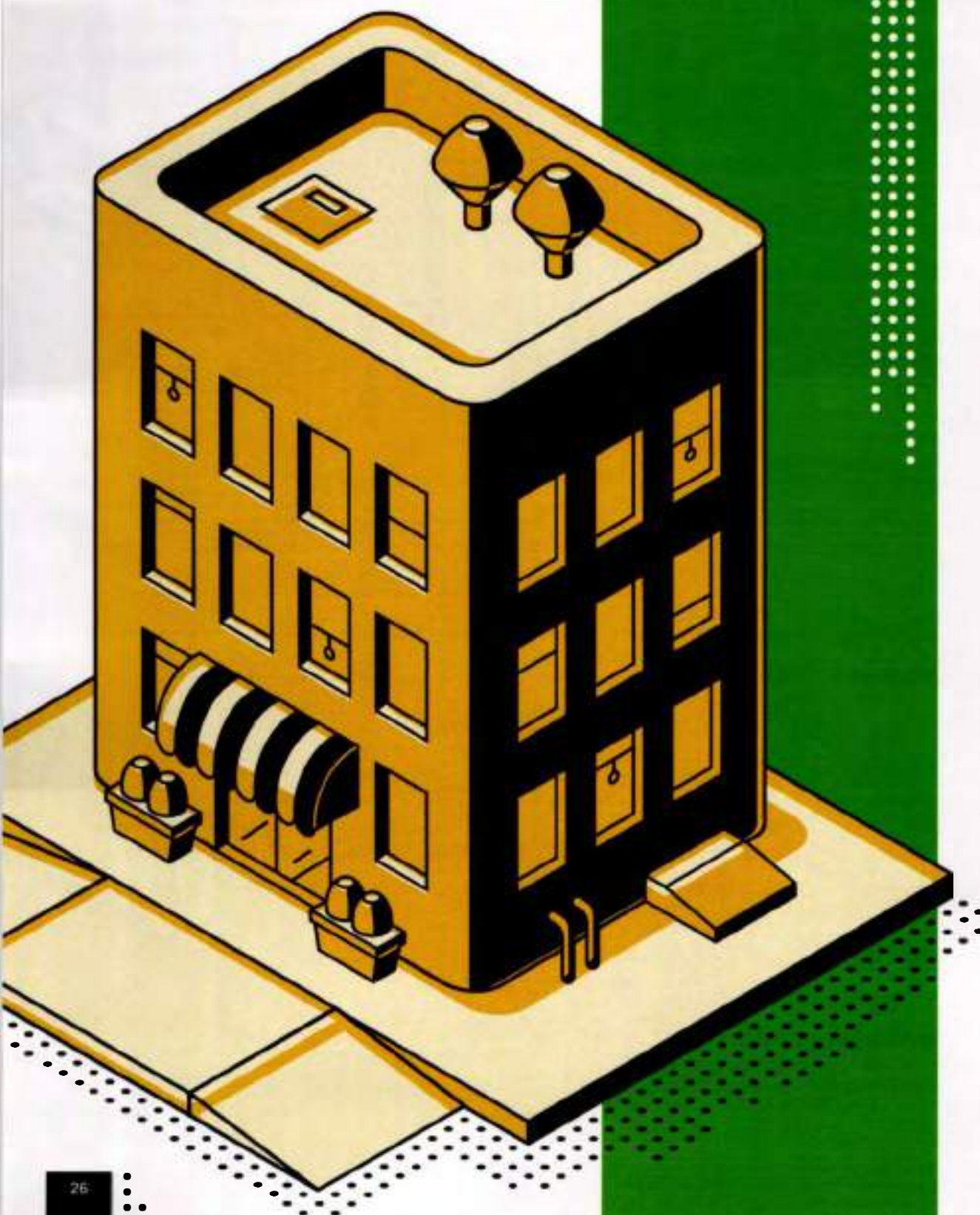
Todos los cambios han sido cuantificados en términos de la expectativa de ingresos a corto, mediano y largo plazo.



SECCIÓN 4:

Servicios Operacionales







El Área de Servicios Operacionales es responsable de las funciones de tasar, imponer y recaudar, según las responsabilidades delegadas por el Código Municipal. En esta área se desarrollan e implementan proyectos que persiguen la utilización óptima de los recursos existentes en aras de lograr aumentos en los recaudos por concepto de contribución sobre la propiedad mueble e inmueble para cada uno de los municipios de Puerto Rico.

Propiedad Inmueble

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

Al finalizar el año fiscal 2020-2021 contamos con un registro de 1,331,617 propiedades inmuebles tasadas para fines contributivos. El valor total tasado de estas propiedades asciende a \$19,387,538,967 al cierre del año fiscal.

Este importe disminuye, para efecto contributivo, por exenciones parciales o totales concedidas, por la cantidad de \$3,998,653,719; y exoneraciones parciales o totales a contribuciones impuestas, que representan un valor total de \$7,238,119,549. El valor neto tributable de los bienes inmueble tasados asciende a **\$8,150,765,699**. Del valor tributable, el CRIM emitió facturación de la contribución sobre la propiedad ascendente a **\$839,215,363**.

A continuación, se presenta una gráfica de la relación comparativa de base tributaria:





El registro de propiedades continua en aumento constante, reflejando un aumento en los ingresos de la contribución sobre la propiedad inmueble, según se muestra en la siguiente gráfica:



Propiedad Mueble

La contribución sobre la propiedad mueble se determina de acuerdo con los valores contributivos autoimpuestos por el contribuyente al 1ro de enero de cada año, informado en la planilla de contribución sobre la propiedad mueble. Dicha propiedad se informa en las planillas que se radican anualmente, el día 15 de mayo.

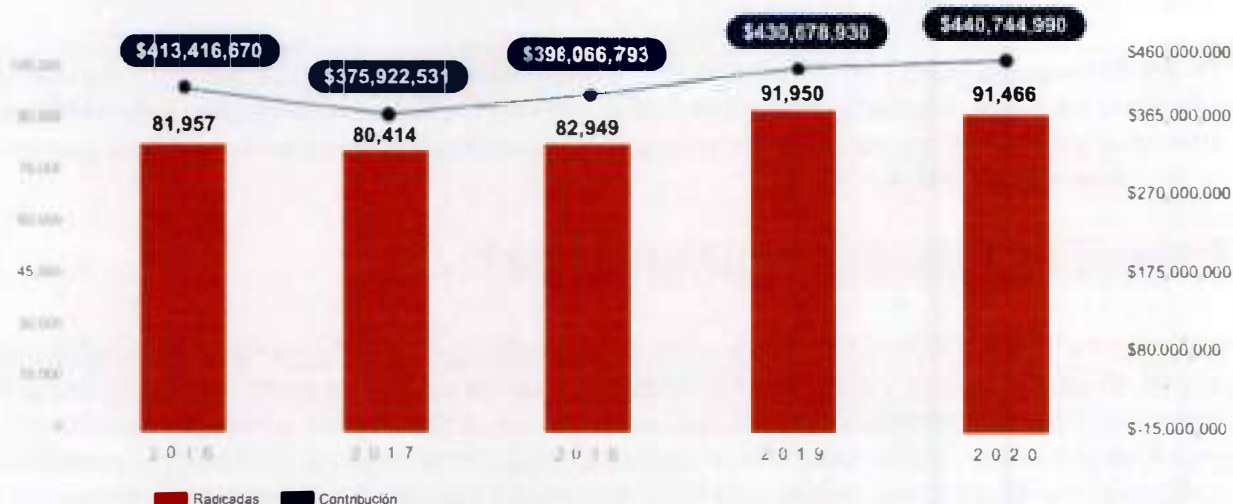
La propiedad mueble se define como propiedad tangible e intangible utilizada en la industria o negocio que no indiquen permanencia y se puede mover fácilmente de un lugar a otro. Es decir, maquinarias, vasijas, instrumentos o implementos no adheridos a un edificio o al suelo que indique permanencia.

En mayo 2021 implementamos una nueva plataforma digital funcional para la radicación de la planilla mueble y durante este año se realizaron las mejoras solicitadas por los usuarios, en su mayoría contadores públicos autorizados (CPA). Se simplificaron los procesos, reduciendo pasos complejos, añadiendo funciones que facilitan el trabajo. Con esto se cumplen dos objetivos importantes: (1) radicar electrónicamente de manera fácil; y (2) eliminar visitas físicas innecesarias a las oficinas, evitando filas y demoras en las ejecutorias.

Durante el año fiscal 2020-2021 se recibieron 91,466 planillas de contribución sobre la propiedad mueble. En la siguiente gráfica se muestra el aumento en la radicación de planillas:



Contribución sobre Propiedad Mueble



Servicios Corporativos y Banca

La Oficina de Servicios Corporativos y Banca fue creada con el propósito de ofrecer a las instituciones financieras, inversionistas, desarrolladores, aseguradoras de título de propiedad y bufetes especializados en la gestión hipotecaria, un servicio rápido, ágil y sobre todo personalizado, todo en un mismo lugar. En mayo del 2020, se lanzó el portal de servicios corporativos y banca. Siendo este un vehículo para que los clientes y usuarios del portal anterior de banca continúen enviando sus solicitudes de servicio. La implementación de este portal ha redundado en grandes beneficios durante este año fiscal debido a las medidas de prevención contra el COVID-19. Nuestras operaciones no se vieron afectadas grandemente durante el periodo de aislamiento ya que este servicio se distingue por que la solicitud de los servicios es a través del portal web. Durante este año fiscal trabajamos con el desarrollo, redacción y cumplimiento de los procesos necesarios para la implementación del reglamento que establecerá las guías y los procesos del funcionamiento del portal. Buscando además ampliar la base de usuarios de nuestro portal.

Entre los servicios que el nuevo portal permite podemos mencionar las siguientes: solicitudes de servicio de segregaciones, agrupaciones, rectificación de cabida, cambios de dueño, exoneraciones, exenciones, exoneraciones retroactivas, transferencias, tasaciones, tasaciones preliminares, entre otros.

Las propiedades inmuebles que poseen hipotecas representaron al cierre del año fiscal 2021 el 28.5% de los cobros registrados en el CRIM. Por lo tanto, casi una tercera parte de nuestra cartera requiere de un apoyo constante para así facilitar el cobro de estas contribuciones.

La unidad de Servicios Corporativos y Banca ofrece a las instituciones financieras, inversionistas, desarrolladores, aseguradoras de título de propiedad y bufetes especializados en la gestión hipotecaria, un servicio rápido, ágil.



Al presente sobre 224 instituciones financieras, inversionistas, aseguradoras y bufetes de abogados, con un total de 1,717 usuarios, reciben los servicios de esta unidad administrativa, ahorrando tiempo y dinero.

En el año fiscal 2020-2021 se atendieron y completaron 4,846 solicitudes de servicio, que como resultado hace que las instituciones financieras remitan los pagos más rápido. Esta iniciativa mejoró el servicio de las regiones, que ahora tienen más disponibilidad de tiempo para atender al contribuyente individual.

Proyecto Especial "CRIM al DÍA"

El proyecto "CRIM al DÍA" (CAD) forma parte de las iniciativas que tiene como objetivo agilizar el servicio al contribuyente y aumentar los recaudos municipales por concepto de la contribución sobre la propiedad. Este proyecto brinda apoyo a las oficinas regionales, con el propósito de eliminar los trabajos en retraso para operar de una manera eficiente. Por otro lado, permite la oportunidad de maximizar los recursos disponibles para la fiscalización de las contribuciones sobre la propiedad.

Para enero de 2020, se provee al contribuyente una herramienta a través de la página digital del CRIM en la cual éste podrá solicitar una certificación manual conocida como Lapidaria, la cual indica el estado contributivo de su propiedad. Las lapidarias son enviadas al contribuyente a través del correo electrónico y éste debe dirigirse a la región más cercana para validarla por un funcionario del CRIM. Este servicio fue asignado a la oficina de CAD, generando aproximadamente 150 lapidarias.

Luego de un largo proceso de análisis sobre la metodología utilizada por el CRIM para valorar las propiedades inmuebles a través de los años, surge el Proyecto de Tasación Virtual, también conocido como Skala II, el cual tendrá un proceso de tasación automático y virtual. CAD fue la oficina seleccionada para atender todas aquellas reclamaciones provenientes del proyecto de tasación virtual. Durante este proceso, la oficina del CAD ha realizado sobre los distintos modelos de tasación de acuerdo con diferentes escenarios, propusimos recomendaciones, se anticiparon posibles reclamaciones y se clasificaron de acuerdo con cada situación de manera que nos permita organizarnos y atender cada reclamación de forma eficaz.

Simultáneamente, se continuó dando apoyo a las regiones, atendiendo las Hojas de Servicios en atraso registradas de forma digital.

Centro de Servicios al Contribuyente (Call Center)

El Centro de Servicios al Contribuyente (Call Center) continúa ofreciendo un servicio directo al contribuyente. La capacitación a nuestras agentes de servicio es diaria, teniendo siempre presente los cambios y adelantos tecnológicos, así como todas las actualizaciones dispuestas en ley como en los procesos de reingeniería de nuestros sistemas. El Call Center se ha desarrollado como un área de servicio vital para el recaudo de las contribuciones como para la emisión de certificaciones. Ofrecemos un servicio de alta calidad supervisado en todo



momento, ya que contamos con la más alta tecnología. Para asegurar la calidad del servicio contamos con la opción de grabar el 100% de las llamadas brindando mayor confiabilidad al contribuyente al momento de solicitar servicios. Los volúmenes de llamada se han mantenido en aumento debido a la emergencia decretada por la pandemia del COVID-19, ya que es la alternativa para que los contribuyentes puedan cumplir con su responsabilidad tributaria sin tener que personarse en las oficinas regionales. Además de recibir los pagos vía telefónica, propósito original de la ampliación de este servicio, hemos adiestrado a los agentes para que puedan asistir a los contribuyentes contestando preguntas y generando hojas de servicio para realizar cambios de dueño entre otros.

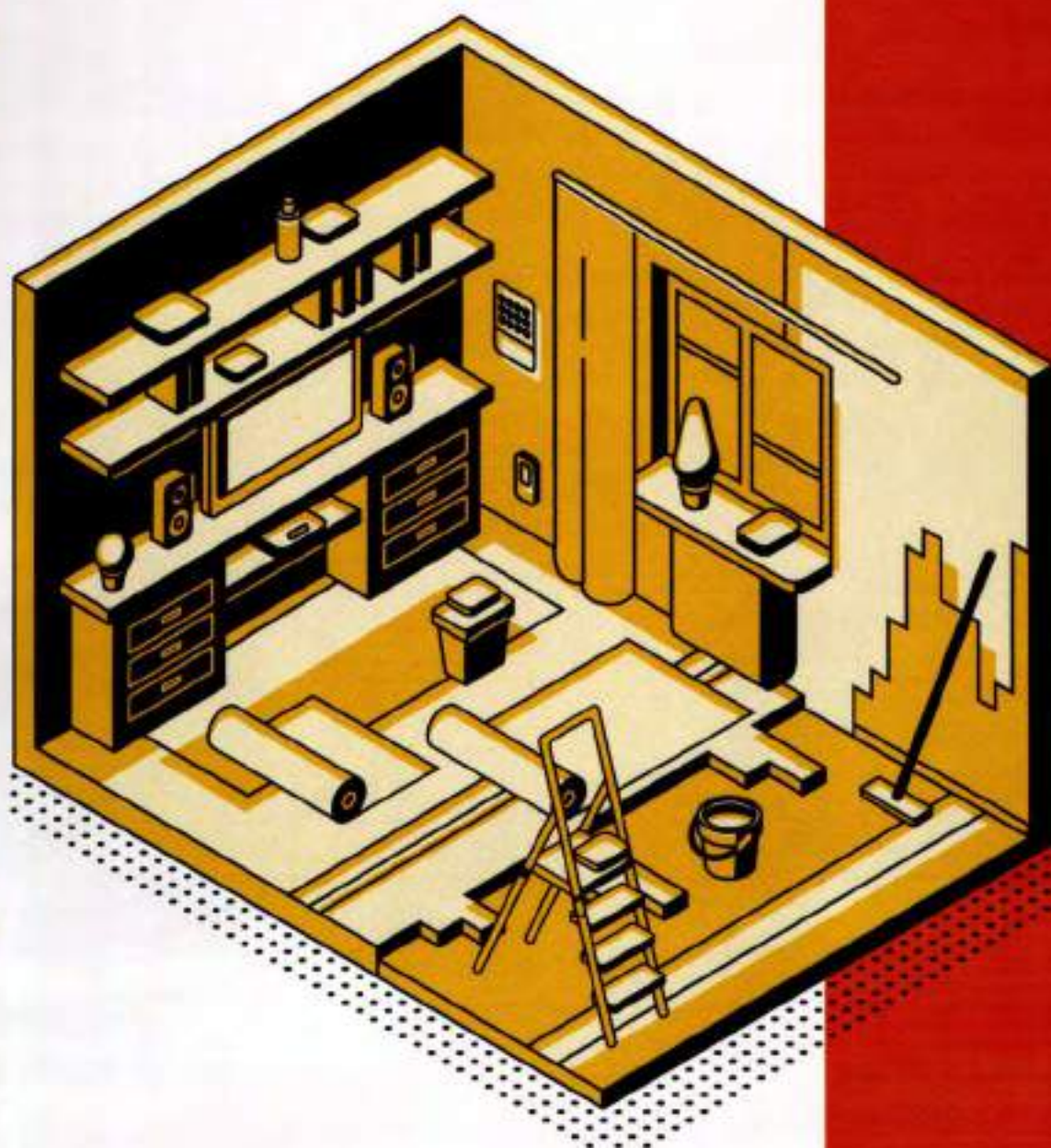
El Call Center ha demostrado ser una herramienta vital dentro de los diferentes servicios que ofrece nuestra entidad. Trabajamos en horario regular de 8:00 a.m. a 4:30 p.m. de lunes a viernes. En lo que conocemos como temporada alta, julio y enero, procuramos extender el horario para poder atender la mayor cantidad de contribuyentes debido al alto volumen de llamadas generado en esas fechas.

Los recaudos cobrados a través de Call Center durante el año fiscal 2020-2021, ascendieron a \$ 23.8 millones.

SECCIÓN 4:

Unidades de Apoyo Operacional







Catastro Digital

El Catastro Digital de Puerto Rico (CDPR) es el inventario cartográfico de las propiedades inmuebles localizadas dentro de los límites territoriales de Puerto Rico. La información catastral que se comparte a través del Portal incluye las colindancias y la valoración para efectos del CRIM para cada propiedad. Es una herramienta de gran utilidad para el desarrollo de obra pública, la protección del medio ambiente y para la gestión municipal.

El Catastro Digital de Puerto Rico, se caracteriza por ser un sistema de innovación tecnológica que da base a la gestión fiscal de los gobiernos municipales. El CRIM se mantiene en cumplimiento de la disposición de Ley de mantener actualizado y administrar el inventario cartográfico de propiedades inmuebles mediante la asignación de identificadores geocodificados únicos para cada propiedad. El identificador único conocido como número de catastro, es el dato integrador de todas las transacciones que se realizan en el CRIM, así como en otras entidades gubernamentales que manejan competencias de gerencia y reglamentación del territorio.

Portal Catastro Digital y la aplicación de Productos Cartográficos

El CRIM utiliza las tecnologías de información geográficas que facilitan su distribución web entre usuarios internos e Interagenciales, además del sector privado y ciudadanos en general. A partir de las mejoras implementadas durante el año fiscal 2019-2020, el servicio web del Catastro Digital recibió alrededor de 2,502,594 visitas durante el año fiscal 2020-2021.

En el año fiscal 2021 se registraron 339,719 usuarios nuevos. Entre enero a junio de 2021 se registró un aumento de 141% en la cantidad de usuarios del sistema, aumentando de 87,120 a 209,808. Al menos 334,596 usuarios utilizaron el sistema en bases regulares. Mediante la aplicación de Productos Cartográficos se gestionaron 1,143 órdenes realizadas por el público. Las mejoras y cambios en la infraestructura del Catastro Digital continúan fortaleciendo las operaciones e integración al sistema contributivo y catastral.

Casos y Parcelas Generados

En el mapa parcelario se trabajaron un total de 2,363 casos que, a su vez generaron 3,888 parcelas. A pesar de la limitación de los servicios por efecto de la pandemia COVID-19 en las operaciones del CRIM, estas cifras reflejan una ligera mejoría en comparación con el año fiscal 2019-2020.

Servicios al contribuyente y apoyo al otorgamiento de préstamos federales para mejoras (SBA)

Este año se le prestó servicios de orientación y localización de propiedades a 600 contribuyentes en la Oficina Central del CRIM por parte del personal del Catastro Digital. Como parte del apoyo a los servicios brindados por el gobierno federal, el CRIM ha facilitado el proceso de aplicaciones para préstamos federales. Se le brindó información de los propietarios y las parcelas directamente a SBA para asegurar un trámite rápido en la otorgación de los préstamos para ayudar a nuestra población y a la economía. Durante el año fiscal 2020-2021 se procesaron 36 hojas de información para préstamos.



OFICINA DE GERENCIA DE SISTEMAS DE INFORMÁTICA (OGSI)

La Oficina de Gerencia de Sistemas de Informática (OGSI) realizó cambios y actualizaciones importantes en su infraestructura de informática para mejorar la disponibilidad, eficiencia, seguridad y acceso a nuestros sistemas además de la culminación de varias iniciativas comenzadas. A continuación, se menciona un resumen de las mismas.

Mejoras en la Seguridad Informática

Durante el año fiscal 2020-2021 se llevaron a cabo diversas iniciativas dirigidas a la instalación y actualización de aplicativos y procesos de seguridad en nuestros sistemas. Entre los cambios más significativos se encuentra la implementación de la herramienta de seguridad "Proofpoint" para hacer frente a las constantes campañas de "phishing", virus y "malware" que se propagaron a través de las plataformas de correo electrónico. También se implementaron actualizaciones en la infraestructura para mayor protección en las conexiones vía VPN y se reforzó las políticas de "firewall" y antivirus para mayor eficiencia al momento de enfrentar amenazas externas. Con estas iniciativas elevamos el nivel de seguridad en el CRIM a la vez que mantenemos la mayor eficiencia para nuestros usuarios.

Mejoras en la red de comunicaciones

Aumentamos el ancho de banda del intranet y a su vez el número de líneas en las SIP permitiendo una mayor cantidad de llamadas simultáneas en nuestro centro de llamadas. Con esto logramos aumentar la capacidad y disponibilidad de acceso tanto interno como remoto para nuestros usuarios y se realizaron las configuraciones necesarias para el mejor desempeño y seguridad

Desarrollo del nuevo sistema contributivo y catastral

Durante el año fiscal 2020-2021 se continuó el desarrollo del nuevo sistema contributivo y catastral CRIM 360 para el manejo y administración unificado de las operaciones de propiedad inmueble y mueble. Este sistema provee para la integración del sistema cartográfico y los módulos de tasación, manejo de cuentas y otros. Como parte de las iniciativas llevadas a cabo se laboró en la programación de flujos de trabajo en la plataforma y la integración con módulos y sistemas existentes en vías de implementar un sistema cartográfico y catastral de fácil acceso y uso en un ambiente de alta disponibilidad.

Acuerdos Colaborativos

Se finalizó los procesos de configuración para la conexión entre el CRIM y el Departamento de Hacienda en vías de comenzar el envío e intercambio de datos como parte del acuerdo colaborativo. Habiendo culminado este paso queda implementado y en funciones el canal de seguridad para el envío de datos. También se concretó el acuerdo colaborativo con la Corporación del Fondo del Seguro del Estado con el fin de mejorar las funciones de ambas agencias por medio del intercambio de datos.



Distribución de Laptops (tele-trabajo)

Debido a la pandemia del COVID-19 salvaguardamos el recurso humano para que no se vea afectado y a la vez poder dar continuidad a los trabajos. Se continuó con la distribución de equipos a empleados para trabajo remoto. Junto con las mejoras en la infraestructura de comunicaciones y seguridad y la implementación de herramientas de colaboración logramos asegurar la continuidad de las operaciones en todos los niveles operacionales.

Apoyo a Usuarios

Con las limitaciones inherentes al periodo durante plena pandemia del COVID-19 se hizo integral y de alta importancia los procesos de asistencia a los usuarios por parte de los recursos técnicos de la OGSI. A estos fines y en lo correspondiente al regreso paulatino de usuarios a las áreas de trabajo se llevó a cabo un programa de asistencia y adiestramiento. Por medio de este programa se instruyó a los usuarios en el uso de programas de colaboración como Microsoft Teams, SharePoint y otros.

Oficina de Reconsideración de Determinaciones

Esta Oficina tiene la responsabilidad de dirigir los procesos relacionados a la reconsideración de una determinación solicitada por aquellos contribuyentes que no están conformes con la imposición contributiva sobre su propiedad inmueble, o de aquellas en que el contribuyente solicita reconsideración de una determinación de deficiencia sobre su planilla de propiedad mueble. Se evalúan aquellas decisiones emitidas por las oficinas regionales que a tenor con el Reglamento 9268 sobre Procedimientos Adjudicativos quedan sujetas a un proceso de evaluación. Estas incluyen cualquier tipo de determinación dirigida a un contribuyente mediante comunicación escrita.

Es importante establecer que todo contribuyente que esté inconforme con una determinación administrativa, siempre tendrá el derecho de acudir al Tribunal de Primera Instancia para la revisión de la misma.



Unidades de Asesoría y Apoyo Administrativo

FINANZAS

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

La Oficina está compuesta por tres áreas funcionales: (1) Gerencia y Presupuesto; (2) Finanzas Administrativas; y (3) Finanzas Municipales.

Finanzas Municipales

Hemos contabilizado la contribución sobre la propiedad mueble e inmueble recaudada en este año fiscal, por un total de \$1,144.99 millones, de los cuales \$706.7 millones corresponde a la propiedad inmueble y \$438.2 millones a la propiedad mueble. En total, representa un aumento de \$65.3 millones en cobros de contribución en comparación con el año fiscal anterior. De este aumento, \$57.6 millones corresponde a los recaudos de la propiedad inmueble y \$7.7 millones a la propiedad mueble.

La siguiente gráfica presenta un comparativo de los recaudos de la contribución sobre la propiedad mueble e inmueble en los pasados cinco (5) años:

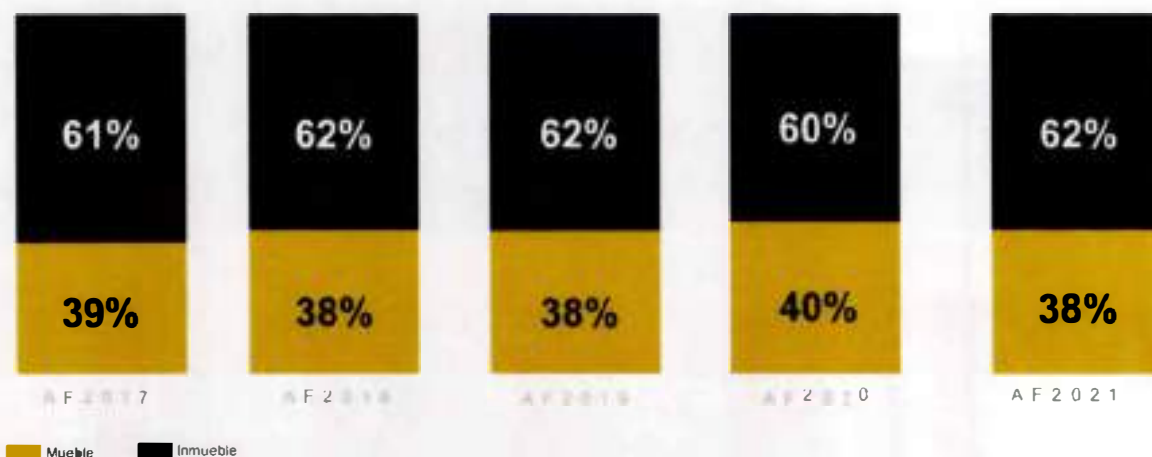


En este año fiscal 2020-2021 hubo un incremento en el cobro de la contribución sobre la propiedad, luego de superar el efecto de la pandemia por el COVID-19.



En términos porcentuales, los recaudos por concepto de contribución sobre la propiedad inmueble incrementaron y se estabilizó en este año fiscal, en relación con el total de recaudos de la contribución, según se muestra en la siguiente gráfica:

Relación Porcentual de Recaudos



Realizamos la liquidación anual, distribuyendo a los municipios \$840.2 millones, según se desglosa a continuación:

Contribución Municipal sobre la Propiedad Mueble e Inmueble:

Contribución Básica	\$354,936,453
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Contribución del 1% y 3% al Fondo de Equiparación	\$254,495,748
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Asignaciones Estatales:

2.5% de las Rentas Internas Netas (Subsidio)	\$175,730,000
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Asignación presupuestaria aprobada por la Asamblea Legislativa en el Presupuesto General	
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35% de los Ingresos Netos de la Lotería Electrónica	\$55,087,267
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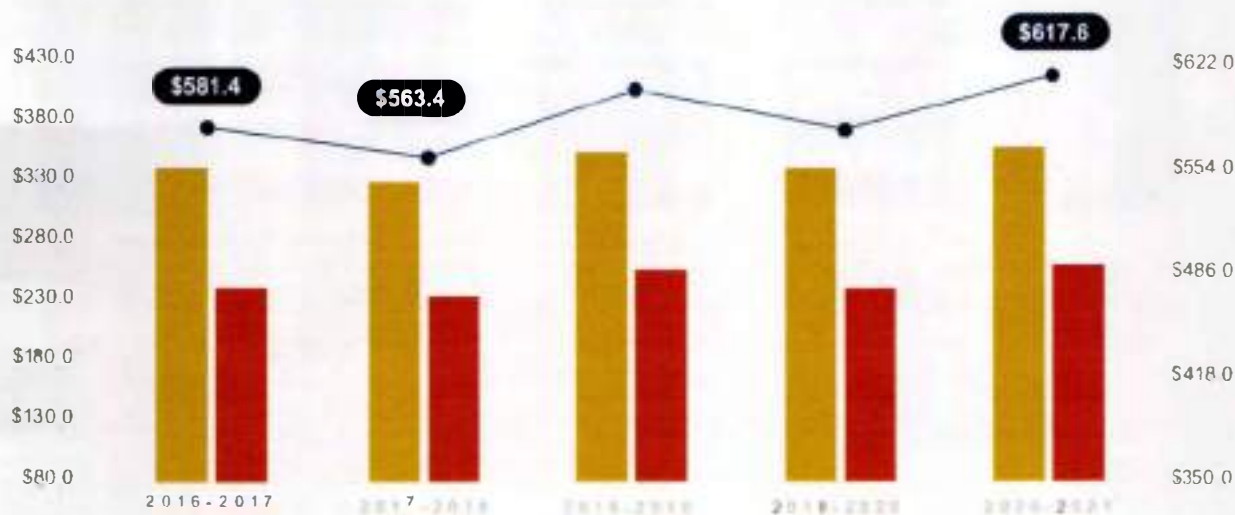
Total Ingresos Distribuidos:	\$840,249,468
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Presentamos la gráfica que muestra como ha ido en aumento los ingresos de la contribución que van directo a los municipios, en los pasados cinco (5) años:

Contribución Básica Municipal

(Básica No Exonerada & Equiparación 1% y 3%)



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

Este año fiscal, la Contribución Básica Municipal aumentó por \$36.7 millones en comparación con el año anterior, lo que representa un incremento de 5.9% de los ingresos destinados para la operación de los municipios.



Contribución Adicional Especial (CAE)

(\$ en millones)



La Contribución Adicional Especial (CAE) continúa siendo el recurso fundamental en los municipios para la realización de obras capitales, mejoras permanentes y proyectos esenciales para el mantenimiento de servicios esenciales. Durante el año 2020-2021 hubo un aumento neto por \$23.3 millones en comparación con el año anterior, para un recaudo total de \$400.4 millones; lo que representa un aumento de un 5.8% comparado con el recaudo del CAE en el año anterior.

Fondo Redención de Deuda Estatal



El Fondo de Redención de la Deuda Estatal (FRDE) es la aportación de cada municipio al Gobierno Central, equivalente al tipo contributivo del 1.03% de la tasa contributiva, según establecido en el Código Municipal (Ley Núm. 107-2020). El recaudo de la contribución destinado para el FRDE aumentó por \$7.1 millones, equivalente a un 5.6% en comparación con el año anterior.



A continuación, presentamos un resumen de las fuentes de ingresos que recibe el CRIM y el desglose de la distribución a municipios y fondos de redención:

Fuentes de Ingreso Municipal (\$ Millones)

Contribución Gobierno Estatal	2017	2018	2019	2020	2021
Rentas Internas Netas / Asignación Estatal	\$ 227.58	\$ 219.73	\$ 175.78	\$ -	\$ 131.84
Propiedad Exonerada	86.10	-	-	-	-
CAE Exonerado	30.19	-	-	-	-
Veinte Centésimas	16.72	-	-	-	-
Subtotal	\$ 360.60	\$ 219.73	\$ 175.78	\$ -	\$ 131.84
Ley Núm. 29-2019: Aportación Municipal	-	-	-	202.95	-
35% de Ingresos Netos de la Lotería Electrónica	45.95	36.65	55.09	16.67	47.00
Subtotal	\$ 406.54	\$ 256.38	\$ 230.87	\$ 230.87	\$ 178.84
Contribución sobre la Propiedad					
Contribución Mueble e Inmueble	\$ 1,050.01	\$ 1,029.08	\$ 1,116.99	\$ 1,079.60	\$ 1,144.93
Total de Ingresos	\$ 1,458.55	\$ 1,285.46	\$ 1,347.86	\$ 1,096.27	\$ 1,323.77

Distribución de Ingresos (\$ Millones)

Fondos de Redención de la Deuda Pública Estatal y Municipal	2017	2018	2019	2020	2021
Fondo de Redención Deuda Municipal					
[Contribución Adicional Especial (CAE)]	\$ 380.17	\$ 351.42	\$ 383.93	\$ 377.07	\$ 400.36
Fondo de Redención Deuda Estatal	118.56	114.03	123.61	119.73	126.79
Fondo General	0.02	0.02	0.02	0.04	0.07
Subtotal	\$ 400.75	\$ 465.47	\$ 507.56	\$ 496.83	\$ 527.22
Liquidación a Municipios	957.80	819.99	840.30	599.44	796.56
Distribución Total	\$ 1,458.55	\$ 1,285.46	\$ 1,347.86	\$ 1,096.27	\$ 1,323.77

Fuentes de Ingreso Municipal (\$ Millones)

Contribución Gobierno Estatal	2015	2016	2017	2018	2019
Rentas Internas Netas	\$ 227.58	\$ 227.58	\$ 227.58	\$ 219.73	\$ 175.78
Propiedad Exonerada	86.10	86.10	86.10	-	-
CAE Exonerado	30.19	30.19	30.19	-	-
Veinte Centésimas	16.72	16.72	16.72	-	-
Subtotal	\$ 360.59	\$ 360.59	\$ 360.59	\$ 219.73	\$ 175.78
35% de Ingresos Netos de la Lotería Electrónica	50.00	51.19	45.59	36.65	36.65
Subtotal	\$ 410.59	\$ 411.78	\$ 406.18	\$ 256.38	\$ 212.43
Contribución sobre la Propiedad					
Contribución Mueble e Inmueble	\$ 1,011.60	\$ 1,015.25	\$ 1,050.01	\$ 1,029.08	\$ 1,116.99
Total de Ingresos	\$ 1,422.19	\$ 1,427.03	\$ 1,456.55	\$ 1,285.46	\$ 1,347.86

Distribución de Ingresos (\$ Millones)

Fondos de Redención de la Deuda Pública Estatal y Municipal	2015	2016	2017	2018	2019
Fondo de Redención Deuda Municipal					
[Contribución Adicional Especial (CAE)]	\$ 367.82	\$ 370.03	\$ 380.17	\$ 351.42	\$ 383.93
Fondo de Redención Deuda Estatal	115.03	115.45	118.56	114.03	123.61
Fondo General	0.08	0.02	0.02	0.02	0.02
Subtotal	\$ 482.93	\$ 485.50	\$ 498.75	\$ 465.47	\$ 507.56
Liquidación a Municipios	\$ 939.26	\$ 941.53	\$ 957.80	\$ 819.99	\$ 840.30
Distribución Total	\$ 1,422.19	\$ 1,427.03	\$ 1,456.55	\$ 1,285.46	\$ 1,347.86



Finanzas Administrativas: Presupuesto y Contabilidad

La fuente principal de ingresos del CRIM proviene del 5% de la contribución Básica Municipal que se genera de los cobros de los setenta y ocho (78) municipios. En este año fiscal, esta fuente de ingresos representó el 93.4% de los ingresos operacionales. Adicional, el CRIM genera ingresos por el cobro de otras actividades, tales como: acceso a entidades bancarias y financieras dedicadas a la industria de bienes raíces a los datos de propiedades de contribuyentes; venta de certificaciones y mapas; e intereses bancarios.

Para el año fiscal 2020-2021 el presupuesto operacional del CRIM ascendió a \$31.2 millones; de los cuales \$22.4 millones se invirtieron en nómina, lo que representa el 71.7% del ingreso; y \$8.8 millones se utilizaron en gastos operacionales recurrentes, lo que representa el 28.3% del ingreso.

ASESORAMIENTO LEGAL

La Oficina de Asesoramiento Legal del CRIM brinda asesoramiento con relación a la formulación de la política pública, en los procesos legislativos y en los asuntos legales internos y externos. Además, tiene la función de velar que las transacciones en el CRIM cumplan con la legislación y reglamentación vigente. Es responsable de evaluar proyectos y anteproyectos de ley y asesora al Director Ejecutivo y a la Junta en cuanto a la política pública a adoptar con relación a estos. Asesora e interpone los remedios legales necesarios ante los tribunales y su comparecencia en representación del CRIM. En los procesos administrativos, revisa y redacta reglamentación necesaria para las operaciones del CRIM, emite opiniones legales y memorandos en asuntos en controversia que sean requeridas y prepara, otorga y notifica a la Oficina del Contralor de Puerto Rico los contratos de servicios profesionales.

Esta Oficina cuenta con personal especializado a tiempo completo para atender los casos de quiebras que se radican ante el Tribunal Federal de Distrito de los Estados Unidos.

A través de esta Oficina se logró establecer las siguientes iniciativas y Proyectos Especiales:

1- Acuerdos Finales y Compromisos de Pago

Por razón del aumento en solicitudes se asignó personal adicional a tiempo completo para recibir, cotejar y analizar las solicitudes de acuerdos finales y compromisos de pago de manera que el proceso sea más rápido y efectivo. Durante este año se recibieron 789 solicitudes de acuerdo final, de las cuales 309 se encuentran en alguna de las distintas etapas del proceso luego de la evaluación del Comité de Acuerdos Finales. El Comité evaluó un total de 552 de las solicitudes recibidas en 42 reuniones. Durante el año fiscal 2020-2021 los trabajos del equipo de Acuerdos Finales representan un aumento en recaudos de deudas vencidas que ascienden a un total aproximado de \$7,194,519.25, una suma que, de otra manera, no hubiéramos podido cobrar o cuya gestión de cobro sería más compleja, costosa o tomaría más tiempo.



Leyes, Reglamentos, Órdenes Administrativas y Cartas Circulares Aprobadas

A continuación, se hace un desglose de las leyes, reglamentos y órdenes administrativas aprobadas en el año fiscal:

LEYES RELACIONADAS AL CRIM O A LAS CONTRIBUCIONES SOBRE LA PROPIEDAD:

- **Ley Núm. 69-2020** (19 de julio de 2020) – Ley de la Autoridad para el Financiamiento de la Vivienda; Enmiendas. (P. del S. 1626) (Conferencia)

Se enmienda el Artículo 2 y se añaden los Artículos 8, 8 A, 8 B, 8 C y 9, y se renumeran los Artículos 7 A y 7, como Artículos 7 y 10 respectivamente de la Ley 103-2001, según enmendada, conocida como “Ley de la Autoridad para el Financiamiento de la Vivienda de Puerto Rico”, con el fin de autorizar a la Autoridad para el Financiamiento de la Vivienda de Puerto Rico a transferir unidades de viviendas reposeídas a los municipios para proveer vivienda segura a ciudadanos, cuyos hogares resultaron inhabitables a consecuencia de los terremotos ocurridos en el suroeste de la isla desde diciembre de 2019 hasta el presente; y para otros fines relacionados.

Se añade un nuevo Artículo 8-C, a la Ley 103-2001, según enmendada, para que lea como sigue: “Artículo 8-C. - Exención de aranceles registrales

Se eximen las transacciones inmobiliarias, ley de cancelar sellos o comprobantes de rentas internas, no obstante, se valorará la donación que haga la Autoridad para el Financiamiento de la Vivienda a los municipios afectados para fines del cálculo de los aranceles notariales correspondientes a tenor con lo dispuesto en la Ley Notarial de Puerto Rico para transacciones inmobiliarias realizadas por la AFV. Se realizará y notificará la Planilla de Traslado de Bienes Inmuebles que exige el Departamento de Hacienda para fines informativos. Se notificará al Centro de Recaudaciones de Ingresos Municipales (CRIM) la correspondiente forma de traslado o cambio de dueño. Estas propiedades donadas no estarán sujetas a contribuciones sobre la propiedad y al momento de ocurrir el traspaso del título de la AFV a los municipios afectados se ordena emitirse un certificado de deudas y valores libre de deudas.”

- **Ley Núm. 107-2020** (14 de agosto de 2020) – Código Municipal de Puerto Rico. (P. del S. 1333) (Conferencia)

Para crear el Código Municipal de Puerto Rico a los fines de integrar, organizar y actualizar las leyes que disponen sobre la organización, administración y funcionamiento de los Municipios; añadir nuevos modelos procesales para la consecución de mayor autonomía para estos; y derogar las siguientes leyes: Ley 81-1991, según enmendada, conocida como “Ley de Municipios Autónomos de Puerto Rico”; Ley 83-1991, según enmendada, conocida como “Ley de Contribución Municipal sobre la Propiedad de 1991”; Ley 80-1991, según enmendada, conocida como “Ley del Centro de Recaudación de Ingresos Municipales (CRIM)”; Ley Núm. 113 de 10 de julio de 1974, según enmendada, mejor conocida como “Ley de Patentes Municipales”;



Ley 19-2014, según enmendada conocida como "Ley de la Corporación de Financiamiento Municipal"; Ley Núm. 19 de 12 de mayo de 1977, según enmendada, conocida como "Ley de la Policía Municipal"; Ley 31-2012, conocida como "Ley para Viabilizar la Restauración de las Comunidades de Puerto Rico"; Ley 120-2001, según enmendada, conocida como "Ley de Municipalización de Instalaciones Recreativas y Deportivas Comunitarias"; Ley Núm. 21 de 20 de mayo de 1987, según enmendada, conocida como "Ley de Control de Acceso de 1987"; Ley 21-1997, según enmendada, conocida como "Ley de Ventas de Deudas Contributivas"; Ley 137-2014, según enmendada, conocida como "Ley para la Distribución de los Fondos Federales del "Community Development Block Grant Program" (CDBG) entre los Municipios de Puerto Rico"; Ley Núm. 222 de 15 de mayo de 1938, según enmendada, conocida como "Ley para Autorizar a los Municipios a Adoptar Ordenanzas Relacionadas con la Reparación y Eliminación de Viviendas Inadecuadas"; Ley 118-2010, según enmendada, conocida como "Ley de Incentivos para el Desarrollo Económico y Turístico Municipal"; Ley 18-2014, según enmendada, conocida como "Ley del Fondo de Administración Municipal"; Ley 64-1996, según enmendada, conocida como "Ley de Financiamiento Municipal de Puerto Rico de 1996"; Ley Núm. 29 de 30 de junio de 1972, según enmendada, conocida como "Ley de la Agencia de Financiamiento Municipal de Puerto Rico"; Ley 114-2009 mejor conocida como "Para facultar a los Gobiernos Municipales a Crear Centros de Cuido Diurno"; y para otros fines.

- **Ley Núm. 120-2020** (15 de agosto de 2020) – Ley de Adopción de Ciclovías. (P. del S. 991)

Para establecer la "Ley de Adopción de Ciclovías" en aras de incentivar el establecimiento de ciclovías mediante mecanismos que involucren la participación directa del sector privado, en coordinación y colaboración con el Gobierno de Puerto Rico y sus Municipios; y para otros fines relacionados.

El Artículo 10 lee como sigue:

"Artículo 10.-Exenciones y Disposiciones Contributivas.

El trámite y obtención de los permisos correspondientes para la construcción de Ciclovías al amparo de las disposiciones de esta Ley podrá estar exento del pago de aquellos impuestos, contribuciones o arbitrios municipales que sean aplicables, siempre y cuando la Legislatura Municipal, así lo autorice. Esta exención no incluye aquellos arbitrios, contribuciones o impuestos aplicables a las compras de materiales o servicios necesarios para la construcción.

El Auspiciador de una Ciclovía podrá, para efectos del Código de Rentas Internas, reclamar como un donativo aquellos gastos, debidamente documentados y evidenciados, incurridos como parte de un Acuerdo de Auspicio, según las disposiciones de esta Ley. Esta reclamación estará sujeta a las disposiciones aplicables del Código de Rentas Internas y su correspondiente reglamentación. Además, para propósitos de realizar la reclamación contributiva correspondiente, el Auspiciador tendrá que presentar ante el Departamento de Hacienda una certificación de la entidad gubernamental concerniente en la cual se certifique la ejecución satisfactoria de un Acuerdo de Auspicio según lo dispuesto en esta Ley, según los reglamentos que adopte el Departamento de Hacienda para implementar las disposiciones de esta Ley."



• **Ley 129-2020** (16 de agosto de 2020) – Ley de Condominios de Puerto Rico
(P. de la C. 1874) (Conferencia)

Para establecer la “Ley de Condominios de Puerto Rico”, a los fines de actualizar las normas que rigen la convivencia en los condominios; derogar la Ley Núm. 104 de 25 de junio de 1958, según enmendada, conocida como la “Ley de Condominios”; y para otros fines relacionados.

El Artículo 40 lee como sigue:

“Artículo 40.-Arrendamientos de los Apartamentos a Corto Plazo

Salvo que en la escritura matriz o en el reglamento, exista una prohibición expresa o que establezca un término mínimo de arrendamiento, no se podrá prohibir el arrendamiento de los apartamentos a corto plazo en los inmuebles sometidos al Régimen de Propiedad Horizontal. En el Reglamento se podrá regular la forma en que se llevarán a cabo los arrendamientos de los apartamentos a corto plazo, incluyendo requerir un término mínimo de noches a arrendar y podrá imponer una cuota mensual especial, la cual no podrá ser mayor a la cuota de mantenimiento, a los titulares que arrienden su apartamento a corto plazo. El Administrador, informará al Centro de Recaudación de Ingresos Municipales anualmente las propiedades sujetas a contratos de arrendamiento a corto plazo.”

• **Ley Núm. 148-2020** (12 de noviembre de 2020) – Para autorizar al Secretario de Hacienda a establecer el Fideicomiso Independiente de Becas de la Universidad de Puerto Rico (P. de la C. 2595)

Para autorizar al Secretario de Hacienda de Puerto Rico a establecer mediante escritura pública un fideicomiso que se conocerá como el “Fideicomiso Independiente de Becas de la Universidad de Puerto Rico”, establecer el propósito del fideicomiso; autorizar que el fiduciario del fideicomiso sea cualquier entidad, pública o privada, o corporación sin fines de lucro; proveer que el fideicomiso estará exento del pago de contribuciones, establecer que las aportaciones o donativos hechos al fideicomiso serán cien (100) por ciento deducibles en la planilla individual o corporativa del donante; y para otros fines relacionados.

El Artículo 6 lee como sigue:

“Artículo 6.-Exención Contributiva del Fideicomiso y Tratamiento Contributivo de las Aportaciones o Donativos al Fideicomiso.

El Fideicomiso estará totalmente exento de, y no estará sujeto al pago de contribuciones, impuestos, licencias, sellos, honorarios u otros cargos similares impuestos por el Gobierno de Puerto Rico o cualquier entidad gubernamental sobre cualquiera de sus recursos económicos o sobre sus actividades o sobre cualquier ingreso, interés, pago o ganancia derivada de las mismas. De igual manera, serán cien (100) por ciento deducibles contra el ingreso bruto las aportaciones o donativos hechos al Fideicomiso por corporaciones o individuos, conforme a la Ley 1-2011, según enmendada, conocida como “Código de Rentas Internas para un Nuevo Puerto Rico”.

• **Ley Núm. 169-2020** (30 de diciembre de 2020) – Código de Incentivos; Enmienda
Sec. 6060.05 (P. del S. 1600)

Para añadir una nueva Sección 6060.05 al Subcapítulo A, Capítulo 1, Subtítulo F de la Ley 60-



2019, según enmendada, conocida como “Código de Incentivos de Puerto Rico”, a los fines de incorporar las disposiciones de la Ley 216-2011, según enmendada, conocida como “Ley de Transición del Programa Impulso a la Vivienda”, en el referido Código; para modificar la vigencia de tales disposiciones; y para otros fines relacionados. Esta ley lee como sigue:

“Sección 1.- Se añade una nueva Sección 6060.05 al Subcapítulo A, Capítulo 1, Subtítulo F de la Ley 60-2019, según enmendada, conocida como “Código de Incentivos de Puerto Rico”, para que lea como sigue:

Sección 6060.05.- Ley de Transición del Programa Impulso a la Vivienda

Las disposiciones de la Ley 216-2011, según enmendada, conocida como “Ley de Transición del Programa Impulso a la Vivienda”, se hacen formar parte integral de este Código. Los beneficios dispuestos por la Ley 216-2011, según enmendada, incorporada a este Código, conocida como “Ley de Transición del Programa Impulso a la Vivienda”, incluyendo, pero sin limitarse a los contenidos en sus artículos 3(d), 4(b), 5(b) y 6(c), tendrán vigencia hasta el 31 de diciembre de 2030.

Sección 2.- El Departamento de Desarrollo Económico y Comercio emitirá una carta circular u orden administrativa, para hacer valer lo dispuesto en la presente Ley. Asimismo, deberá adoptar lo aquí dispuesto en la reglamentación correspondiente a la Ley 60-2019, según enmendada, conocida como “Código de Incentivos de Puerto Rico”, dentro del término de noventa (90) días siguientes a la aprobación de esta Ley, según lo dispuesto en la Ley 38-2017, según enmendada, conocida como “Ley de Procedimiento Administrativo Uniforme del Gobierno de Puerto Rico”.

Sección 3.- La exención temporera sobre la contribución de la propiedad inmueble, aquí dispuesta, será por un término de cinco (5) años, a partir del otorgamiento de la escritura de compraventa, y será de aplicación a toda vivienda elegible bajo las disposiciones de esta Ley.

Sección 4.- Esta Ley entrará en vigor inmediatamente después de su aprobación.”

• **Ley Núm. 170-2020** (30 de diciembre de 2020) – Código Municipal; Enmiendas (P. del S. 1676)

Para enmendar los Artículos 1.008, 1.010, 1.011, 1.012, 1.029, 1.042, 2.005, 2.012, 2.014, 2.040, 2.042, 2.044, 2.045, 2.048, 2.057, 2.058, 2.060, 2.062, 2.066, 2.085, 2.110, 3.026, 6.008, 6.010, 6.011, 6.012, 6.018, 6.023, **7.003, 7.008, 7.012, 7.033, 7.041, 7.062, 7.162, 7.163, 7.196, 7.274, 7.275, 7.284** y 8.001 de la Ley 107-2020, conocida como “Código Municipal para Puerto Rico”, a los fines de realizar varias enmiendas técnicas; y para otros fines relacionados.

• **Ley Núm. 5-2021** (27 de mayo de 2021) – Código Municipal; Enmiendas. Esta Enmienda no afecta a CRIM ni a las contribuciones sobre Propiedad. (P. del S. 423)

Para enmendar el Artículo 2.097 y 2.101 de la Ley 107-2020, según enmendada, conocida como “Código Municipal de Puerto Rico” para modificar las fechas en las cuales se debe radicar el presupuesto municipal ante la legislatura municipal y considerar el presupuesto radicado por el alcalde; y para otros propósitos relacionados.



REGLAMENTOS

- Reglamento Núm. 9268 del 26 de marzo de 2021

Reglamento de Procedimientos Adjudicativos del Centro de Recaudación de Ingresos Municipales.

ÓRDENES ADMINISTRATIVAS

- Orden Administrativa Núm. 2020-09 del 28 de julio de 2020

Aplicación de Orden Administrativa 2015-06 a la fecha de vencimiento para la radicación de la planilla de contribución sobre propiedad mueble del año económico 2019, cuyo término extendido mediante Orden Administrativa 2020-03 ante el estado de emergencia decretado por Coronavirus (COVID-19) acaerá en un fin de semana y para aclarar el inciso (B) de la Sección II de la Orden Administrativa 2020-03

- Orden Administrativa Núm. 2020-10 del 29 de julio de 2020

Extensión de Órdenes Administrativas Núm. 2020-03, 2020-04, 2020-08 y 2020-09, y extensión de fecha de aplicación del descuento de la contribución sobre la propiedad inmueble que vence al 31 de julio de 2020 y descuentos subsiguientes, por el paso del ciclón número nueve.

- Orden Administrativa Núm. 2020-11 del 4 de agosto de 2020

Extensión de Órdenes Administrativas Núm. 2020-03, 2020-09 y 2020-10 sobre la presentación de planilla de contribución de propiedad mueble del año económico 2019, solicitudes de prórroga de planillas de contribución sobre la propiedad mueble del año económico 2019 o revisiones administrativas relacionadas por el paso de Tormenta Isáis.

- Orden Administrativa Núm. 2020-12 del 5 de agosto de 2020

Extensión de término para el pago del primer trimestre de la contribución estimada sobre propiedad mueble correspondiente al año económico 2020.

- Orden Administrativa Núm. 2020-13 del 15 de octubre de 2020

Aprobación y efectos de la vigencia de la Ley Núm. 107-2020, conocida como Código Municipal de Puerto Rico.

- Orden Administrativa Núm. 2020-14 del 29 de octubre de 2020

Aclarar la fecha límite para la radicación de la planilla de contribución sobre propiedad mueble del año económico 2019, de contribuyentes acogidos a la prórroga y establecer los requisitos para acogerse a la extensión concedida mediante esta Orden para la radicación de los estados financieros auditados, en los casos requeridos.

- Orden Administrativa Núm. 2021-01 del 21 de abril de 2021

Fecha de radicación y pago de contribuciones de planilla de contribución sobre propiedad mueble correspondiente al año económico 2020.



Cartas Circulares

No hay cartas circulares emitidas durante el año fiscal 2020-21.

Área de Quiebras

Información relacionada con los pagos recibidos y casos radicados por Asesoramiento Legal para el año fiscal 2020-21.

Reclamaciones por tipo de Deuda/Mes

Mes/Radiados	Asegurado	No Asegurado	Prioridad	Total
Julio-66	\$363,334.05	\$253,263.24	-	\$616,597.29
Agosto-33	\$202,165.99	\$171,075.51	-	\$373,241.50
Septiembre-33	\$131,662.75	\$142,014.21	-	\$273,676.96
Octubre-33	\$148,133.29	\$109,583.03	-	\$257,716.32
Noviembre-23	\$58,521.81	\$47,070.83	\$1,827.81	\$107,420.45
Diciembre-30	\$155,986.96	\$146,848.10	\$7.06	\$302,842.12
Enero-26	\$74,168.41	\$135,071.85	\$8,173.32	\$217,413.58
Febrero-24	\$107,841.29	\$94,045.20	\$222.64	\$202,109.13
Marzo-42	\$227,919.48	\$202,402.04	\$340.55	\$430,662.07
Abril-36	\$370,127.96	\$277,234.15	\$5,795.13	\$653,157.24
Mayo-27	\$286,463.32	\$143,781.02	\$3,169.13	\$433,413.47
Junio-9	\$210,569.33	\$85,208.71	\$1,155.35	\$296,933.39
Total	\$2,336,894.64	\$1,807,597.89	\$20,690.99	\$4,165,183.52

Reclamaciones por Mes

Mes	Cheques	Transferencias Electrónicas	Total
Julio	\$14,742.63	\$51,827.87	\$66,580.50
Agosto	\$4,656.73	\$49,356.17	\$54,012.90
Septiembre	\$104,391.66	\$71,074.71	\$175,466.37
Octubre	\$68,832.22	\$54,298.56	\$123,130.78
Noviembre	\$63,940.61	\$119,680.39	\$183,621.00
Diciembre	\$1,027.81	\$51,499.59	\$52,527.40
Enero	\$36,935.43	\$61,925.32	\$98,860.75
Febrero	\$32,060.72	\$48,825.71	\$80,886.43
Marzo	\$77,845.12	\$58,966.00	\$136,811.12
Abril	\$54,340.87	\$59,452.27	\$113,793.14
Mayo	\$80,508.21	\$72,669.99	\$153,178.20
Junio	\$26,027.47	\$98,564.91	\$124,592.38
Total	\$565,319.48	\$798,141.49	\$1,363,460.97



Servicios Administrativos

Esta unidad administrativa es responsable de la planificación, dirección, coordinación, supervisión y evaluación de las actividades relacionadas con el funcionamiento y administración en el CRIM. Su rol principal es identificar nuevos proyectos, estrategias y programas dirigidos a promover procesos administrativos efectivos y eficientes, así como mejorar todos los procesos administrativos. Para esto, está a cargo de los procesos de adquisición de bienes y servicios, control y custodia de activos fijos, flota vehicular, mensajería interna y externa, archivo inactivo y de la seguridad y mantenimiento de planta física. Adicional, se le ha delegado la identificación, evaluación, desarrollo y manejo de proyectos especiales.

Funciones

- Planificar, programar, organizar, dirigir y controlar las actividades administrativas de contratación de bienes y servicios de la Institución que permitan el óptimo funcionamiento de estos, con base en las políticas, objetivos, pautas y directrices internas del CRIM.
- Promover por el buen manejo y control de los activos fijos de la institución.
- Coordinar y supervisar el proceso de negociación con el exterior para la adquisición de bienes y servicios que necesite el CRIM.
- Ejecución de los Proyectos Institucionales
- Ejecución de proyectos de Planta Física
- Archivo y Gestión Documental

Con el propósito de fomentar un ambiente seguro y adecuado, que permita ser efectivos en la práctica del recaudo de la contribución, donde se cumpla con la visión del CRIM, comenzamos y completamos la relocalización de la Oficina Regional de Carolina.

Los contribuyentes serán atendidos en estas nuevas instalaciones con todas las herramientas tecnológicas y de conectividad necesarias para ofrecer un mejor servicio, en un lugar accesible, con cómodo estacionamiento y en unas facilidades amplias y modernas.

Con estos proyectos obtendremos los siguientes resultados:

- Más accesibilidad para los contribuyentes
- Relocalización de la región de Carolina presenta ahorros de \$144,000 anual en comparación a la facilidad donde ubicaba la Región actual; además de los beneficios de seguridad y accesibilidad
- Seguridad electrónica para el beneficio de los empleados y contribuyentes
- Facilidades disponibles sin costo adicional para horarios extendidos y fines de semana

Proyectos Completados

- Implementación de SIMA – sistema financiero reemplazando Oracle
- Implementación de STAFF M - sistema de Recursos Humanos reemplazando HR Sense



- Integración de los departamentos de Finanzas y Recursos Humanos a través de las nuevas plataformas
- Planta Física Oficina Centrales: Remodelación de área de Finanzas
- Ampliación del área designada para el Centro de Servicios al Contribuyente
- Continuidad en el plan de prevención y mitigación del contagio del COVID-19

RECURSOS HUMANOS

El pasado año fiscal representó un año de transición hacia una nueva realidad laboral tanto en el sector público como en el privado. No solo se trató de ajustes operacionales y cambios en los modelos de negocio, sino también un ajuste por parte de los empleados en cuanto a cómo regresarían paulatinamente a realizar sus tareas de manera presencial, de cara a una nueva normalidad. La Oficina de Recursos Humanos logró llevar a cabo un regreso efectivo de todos los empleados, brindándoles a ellos la seguridad necesaria en sus áreas de trabajo y también un ambiente seguro a nuestros contribuyentes para que se sintieran cómodos visitando nuestras facilidades. En el CRIM tenemos la dicha de contar con un capital humano sumamente comprometido, lo cual facilitó todo el proceso.

1. DESARROLLO ORGANIZACIONAL

Cuando hablamos de desarrollo organizacional nos referimos a iniciativas, tanto gerenciales como de recursos humanos, que impactarán a toda la organización en el mediano y largo plazo. La Oficina de Recursos Humanos ha puesto énfasis en el pasado año fiscal en fortalecer el área de desarrollo organizacional, poniendo en marcha varias iniciativas:

A. Análisis de Puestos

Un Análisis de Puestos, por definición, maneja los temas relacionados a la cantidad de puestos existentes que una organización en un punto determinado en el pasado; la cantidad que tiene al momento y la proyección del recurso humano que necesitará para la consecución de las metas futuras. En el CRIM se llevó a cabo dicho análisis, el cual fue sometido a la Junta de Supervisión Fiscal, de forma preliminar y con la autoridad nominadora.

A continuación, un resumen del trabajo realizado:

- Se efectuaron sesiones de trabajo con cada uno de los Administradores de las Oficinas Regionales, a través de las cuales se analizó por área los puestos existentes y su distribución, algunas de las tareas realizadas por los empleados en dichos puestos y la necesidad de recursos adicionales.
- La información recopilada se contrastó con lo reflejado en los organigramas de cada una de las unidades y los Registro de Puestos sometidos por la Oficina de Recursos Humanos.
- Se llevaron a cabo sesiones de trabajo con cada uno de los directores de las unidades funcionales que componen la Oficina Central.



- Utilizando la metodología para este tipo de análisis, se llegó a un cálculo que nos permitió obtener el total idóneo de recursos necesarios para cada unidad de trabajo para lograr las metas proyectadas.

B. Análisis de Tareas

El Análisis de Tareas busca identificar las tareas específicas que llevan a cabo cada uno de los empleados en los puestos que ocupan. Esto nos permitirá maximizar la utilización de nuestros recursos humanos y lograr desarrollar procesos más eficientes y ágiles en todas nuestras unidades de trabajo. A tono con ello, al momento se han llevado a cabo los siguientes trabajos:

- Agrupación de Puestos según Título de Clase para efectos del análisis
- Identificación de Representantes a ser entrevistados para cada puesto
- Calendarización de Entrevistas y Diseño del Cuestionario de Descripción de Tareas y Diario de Tareas
- Sesiones de trabajo con la muestra seleccionada de cada grupo

Estas son los primeros cuatro pasos del análisis. Para diciembre de 2021 deben estar culminados los dos pasos restantes, a saber: redacción/modificación de los documentos que describen las tareas e identificar posibles modificaciones al Plan de Clasificación y presentar la documentación final para revisión y aprobación de la Autoridad Nominadora.

C. Conclusión del Programa de Integración Departamental

El 17 de junio de 2021 se llevó a cabo la sesión de conclusión del Programa de Integración Departamental, el cual tenía como meta fomentar una mayor interacción entre las unidades de trabajo de la Oficina Central entre sí y éstas con las Oficinas Regionales. Participaron del programa un total de nueve unidades de la Oficina Central, así como los administradores de las nueve regiones del CRIM.

2. IMPLEMENTACIÓN Y ACTUALIZACIONES

A. Implementación del Protocolo de Acoso Laboral

Se diseñó e implementó el Protocolo para la Prevención y el Manejo del Acoso Laboral, según requerido por la Ley 90-2020 (Ley para Prohibir y Prevenir el Acoso Laboral en Puerto Rico). El mismo fue presentado a los Supervisores, Administradores Regionales y Directores de la Oficina Central el 26 de febrero de 2021. Posteriormente, a partir del mes de marzo se llevaron a cabo nueve sesiones de orientación para todos los empleados. Tanto el Protocolo así como la documentación de apoyo al mismo fue distribuida a todo el personal.

B. Revisión Orden Administrativa sobre Medidas Correctivas

Se actualizó la Orden Administrativa que presenta las Normas y Procedimientos sobre Medidas Correctivas del CRIM. Esta orden fue sustituida por la OA 2021-03. Durante los meses de marzo a mayo de 2021, el comité de trabajo designado para esos fines revisó las 136 Medidas



Correctivas existentes y antes de que finalizara el año fiscal 2020-2021 se concluyó el proceso con la revisión de la Base Legal, así como las Normas y Procedimientos relacionados.

AUDITORÍA INTERNA

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

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

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

En el año fiscal 2020-2021 la Oficina de Auditoría Interna realizó las siguientes intervenciones:

- Se realizaron cuatro (4) auditorías regulares y especiales
- Se investigaron cuatro (4) querellas relacionadas a propiedad y fondos públicos
- Se atendieron 85 requerimientos de las oficinas de Ética Gubernamental, Contralor de Puerto Rico, Área de Integridad Pública del Departamento de Justicia y el Departamento de Seguridad Pública

El personal de esta Oficina cumplió con mantener su desarrollo profesional, tomando 108 horas de educación continua a nivel grupal. Los temas atendidos fueron en las siguientes materias:

- Técnicas de Auditoría Interna
- Recursos Humanos
- Ética Profesional
- Evaluaciones de Riesgo
- Investigaciones de Fraude
- Gerencia Organizacional



100%



SECCIÓN 5: Estados Financieros





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

BASIC FINANCIAL STATEMENTS

**For The Fiscal Year Ended June 30, 2021
(With The Additional Report Required By
The *Government Auditing Standards*)**

Trabaja para ti



**CENTRO DE RECAUDACIÓN
DE INGRESOS MUNICIPALES**

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Certified Public Accountants / Management Advisors

López-Vega, CPA, PSC

Member of:

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the **Municipal Revenue Collection Center (the Center)** as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the **Center's** basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified
Tax Amnesty Fund	Unmodified
Special Revenue Fund	Unmodified
Agency Fund	Unmodified

Basis for Qualified Opinion on the Governmental Activities

Noncompliance with GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement No.68*" and GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*"

The Retirement System Administration (ERS) has not provided the financial and technical information necessary for the proper recognition and reporting of its total pension liability as of June 30, 2021. As a result, management has not implemented the accounting and financial reporting requirements for pensions as set forth in the GASB Statement No. 73. Accounting principles generally accepted in the United States of America require that governmental employers whose employees are provided with defined benefit pensions recognize a liability and pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions administered through a trust that do not meet the requirements of GASB Statement No. 68. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the **Center's** governmental activities has not been determined. Also, the **Center's** financial statements do not disclose the descriptive information about the pension plans through which the pensions are provided required by the GASB Statement No. 73. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

In addition, the **Center's** pension plan administrator has not provided the **Center** with the audited schedules of employment allocations and OPEB amounts by employer as of June 30, 2020 (**Center's** measurement date), necessary to comply with the requirements of GASB No. 75 "*Accounting and Financial Reporting for Postretirement Benefits Other Than Pensions*", as of June 30, 2021. As a result, amounts to be reported as deferred outflows/inflows of resources related to OPEB, the net OPEB liability, applicable disclosures and required supplementary information have been omitted.

Qualified Opinion on the Governmental Activities

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the **Center**, as of June 30, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the **Center**, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described on **Note 1**, on August 14, 2020, the Commonwealth of Puerto Rico enacted to law the Act No. 107 (Act No. 107-2020), to create the Municipal Code of Puerto Rico in order to integrate, organize and update the laws related to the organization, administration and operation of Municipalities. This Act adds new procedural models for greater autonomy for the Municipalities and repeals several Acts that provide guidance and requirements for their operations. Accordingly, Act No. 80 of August 30, 1991, as amended (Known as the Municipal Revenue Collection Center (CRIM) Act" was repeal by Act No. 107-2020.

Also, on December 30, 2020, Act No. 170-2020 was enacted to amend and clarify several articles and provisions of Act No. 107-2020.

Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages **5-17** and **82**, respectively, be presented to supplement the basic financial statements. Such information, although is not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted historical pension information and the applicable disclosures and required supplementary information, as stated in GASB Statement No. 73 and GASB Statement No. 75, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Certified Public Accountants / Management Advisors

López-Vega, CPA, PSC

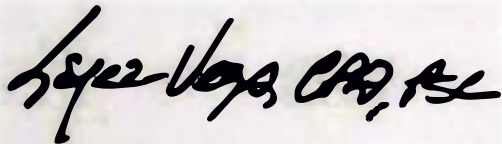
INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, on our consideration of the **Center's** internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the **Center's** internal control over financial reporting and compliance.



LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
March 31, 2022

Stamp No. 2783585 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.



López-Vega, CPA, PSC

Certified Public Accountants / Management Advisors

INTRODUCTION

The Management's Discussion and Analysis (MD&A) of the Municipal Revenue Collection Center (the Center) provides an overview of the Center's operational as well as financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Center's performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding.

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

ORGANIZATION STRUCTURE

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

The Governing Board is comprised of eleven (11) members, from which nine (9) are mayors, the Commissioner of Municipal Affairs, and the President of the Government Development Bank for Puerto Rico ("GDB").

Act No. 109-2017, known as Law for the Restructuring of the Debt of the Government Development Bank for Puerto Rico, amended Act No. 80-1991 for define that GDB will act as a designated trustee until Fiscal Agency and Financial Advisory Authority (FAFAA) assume these functions or appoint a financial institution to assume these functions, which must occur on or before the closing date (as such term is defined in the Act). Effective on August 2017 the Executive Director of FAFAA assumed representation on CRIM's Governing Board

At the end of fiscal year 2017-2018, the Office of the Commissioner of Municipal Affairs culminates as an entity, transferring the main functions to the Office of Management and Budget. Effective as of July 1, 2018, the Governor of Puerto Rico delegates to Municipal Affairs Advisor as the representative on the CRIM Governing Board.

CENTER'S SERVICES

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

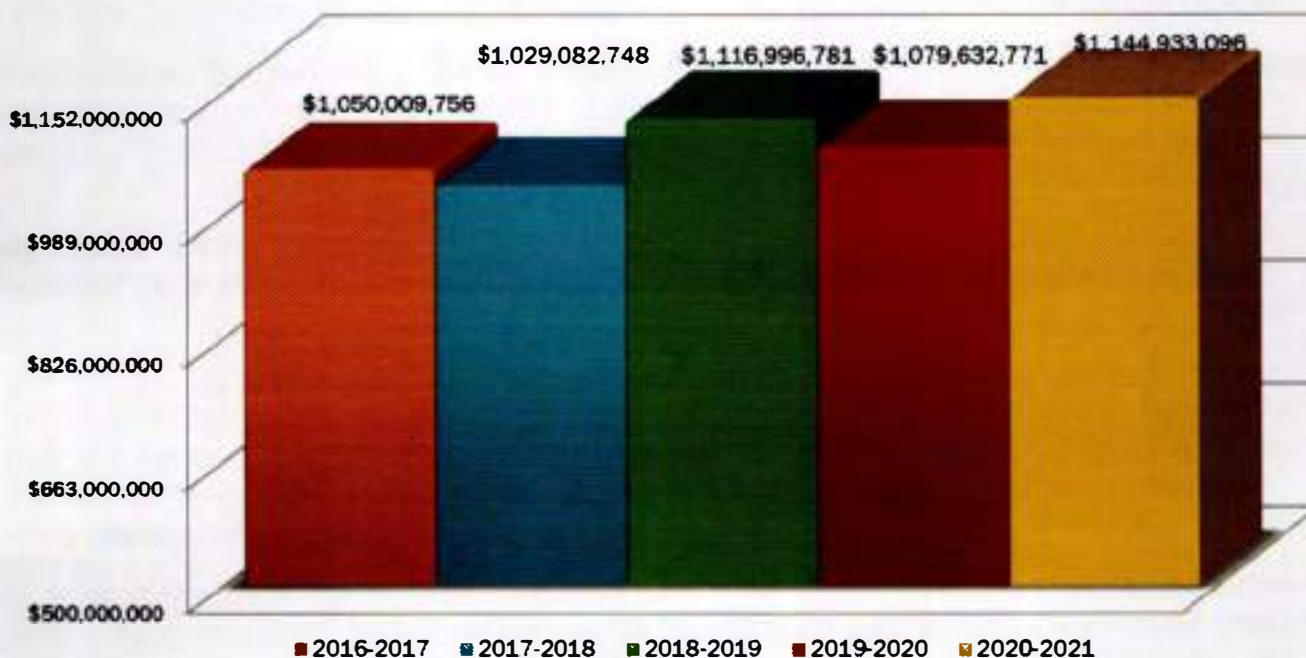
The Center provides fiscal services to all the municipalities including but not limited to notification, assessment, and collection of both personal and real property taxes. To offer the service it renders, its principal source of revenue is derived from up to five percent (5%) of the municipal property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

OPERATIONAL HIGHLIGHTS

The Center experienced an increase on its tax collections from \$1,079.6 million in fiscal year 2019-2020 to \$1,144.9 million in the current fiscal year, representing an increase of \$65.3 million. This increase in collections was the effect of the implementation of various project, discussed below, that increase the taxpayer database.

The amounts do not include assignments from the Commonwealth of Puerto Rico and revenues awarded from the Puerto Rico Additional Lottery System.

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



On June 30, 2016, President Barack Obama signed the Puerto Rico Oversight, Management and Economic Stability Act, known as PROMESA for its acronym, into law (as codified under 48 U.S.C. §§ 2101-2241). In general terms, PROMESA seeks to provide the Commonwealth and its instrumentalities with fiscal and economic discipline through, among other things, the establishment of the Oversight Board, whose responsibilities include the certification of fiscal plans and budgets for the Commonwealth and its instrumentalities.

OPERATIONAL HIGHLIGHTS (CONTINUED)

On April 6, 2016, Governor Alejandro J. Garcia Padilla signed into law Act 21-2016, known as the "Puerto Rico Emergency Moratorium and Financial Rehabilitation Act" (as amended, "Act 21"). Act 21, among other things, created the Puerto Rico Fiscal Agency and Financial Advisory Authority (the "FAFAA"), as an independent public corporation to assume the extinguished Government Development Bank for Puerto Rico's role as fiscal agent, financial advisor and reporting agent for the Commonwealth, its instrumentalities, and municipalities (Act 2-2017 subsequently repealed and replaced the provisions of Act 21 regarding FAFAA). FAFAA has also been assigned with the task of ensuring compliance with fiscal plans and budgets approved by the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board") pursuant to PROMESA's Title II.

In its First Public Meeting held on September 30, 2016, the Oversight Board designated CRIM as on the initial covered entities subject to oversight under PROMESA. Subsequently, on its May 9, 2019 Presentation to CRIM and Municipalities, the Oversight Board stated for the first time that it will require CRIM to submit a fiscal plan and budget. On June 14, 2019, CRIM submitted its initial fiscal plan and after addressing certain points of non-compliance identified by the Oversight Board, proceeded to submit its revised fiscal plan on July 16, 2019.

On June 4, 2020, nearly a year after CRIM's revised fiscal plan submission, the Oversight Board issued a Notice of Violation of the submitted Fiscal Plan and established that CRIM had to submit another revised fiscal plan by June 24, 2020. On June 25, 2020, CRIM submitted its revised fiscal plan and after indicating that such fiscal plan was non-compliant with the parameters established by the Oversight Board, proceeded to certify their own fiscal plan on June 26, 2020 (the "2020 Certified Fiscal Plan").

The driving factor guiding the 2020 Certified Fiscal Plan is to have CRIM become a more efficient entity in the collection of municipal revenues in an effort to partially offset the gradual reductions in transfers from the Central Government, as established in the 2020 Commonwealth Fiscal Plan, as well as assist municipalities overcome the financial difficulties that lie ahead. Understanding that CRIM plays an essential role in supporting the 78 municipalities, they established measures focused in two main areas: (i) operational efficiencies and (ii) tax revenues collection enhancements. In summary, by enhancing CRIM's technological capabilities, it will be able to capture unrealized tax revenues and better monitor ongoing efforts.

Specifically, the 2020 Certified Fiscal Plan established 10 areas of focus which would result in short- and medium-term increases in tax revenue collections and savings for CRIM:

- 1) Appraisal of non-appraisal properties
- 2) Swimming pool new in tax roll
- 3) Correction of mailing address
- 4) Identification and appraisals of new properties
- 5) Improvements of real property tax collections rates
- 6) Home improvements new to tax roll
- 7) Sale of Accounts Receivables
- 8) FY2019 A/R – Collect in FY2020 and FY2021
- 9) Improve Personal property self-reporting compliance
- 10) Operational Improvements: a new Tax System

OPERATIONAL HIGHLIGHTS (CONTINUED)

The subsequent FY2021 Certified Fiscal serves as a continuation of the FY2020 Certified Fiscal Plan and updated the existing implementation processes being undertaken by CRIM. In addition, the FY2021 Certified Fiscal Plan requires CRIM to research and submit reports with recommendations regarding the implementation of a property tax regime with taxable values based on current market values vs. the existing replacement cost approach.

CRIM has been in the process of implementing the measures established in the 2020 and 2021 Certified Fiscal Plans and continually discussing with the Oversight Board any hurdles that CRIM faces during the process. Major technological areas that CRIM has been undertaking, even before it was required in the 2020 Certified Fiscal Plan, was the improvement of the Digital Cadastre, the Virtual Appraisals project, and the implementation of an enhanced ERP System called CRIM 360. With the implementation of these projects being completed in the upcoming FY2022, CRIM will have complied with the vast majority of the areas of focus established in the 2020 Certified Fiscal Plan and updated in subsequent Fiscal Plans, including the identification of properties which are not included in its tax roll and the reappraisal of all the properties throughout the 78 municipalities. We are certain that the completion of these measures will result in increased tax revenue collections and precise reporting for more efficient decision-making processes, all for the benefit of Puerto Rico's 78 municipalities and its constituents.

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

COLLECTIONS	TRANSACTIONS	AMOUNT
Website	260,467	\$742,747,067
IVR	24,261	12,750,892
Phone Line	28,644	24,885,154
Wire Transfers	29,288	190,306,041
TOTAL	333,847	\$970,689,154

During the fiscal year 2020-2021, the Center updated electronic filing program of the Personal Property Tax Return, requiring all taxpayer filled Tax Return through Personal Property Portal. In this fiscal year there were approximately eighty-five thousand six hundred and forty-two (85,642) returns electronically filed and the related collections amounted to \$438.2 million.

FINANCIAL HIGHLIGHTS

Government-wide highlights

Net Position – The total assets of the **Center** exceeded its total liabilities for fiscal year ended June 30, 2021 by \$29,260,858 as presented in “total net position”. Of this amount, the unrestricted portion amounted to \$11,051,388 and \$18,209,470 is related to the net investment in capital assets. Also, the **Center's** total net position increased by \$1,442,139 in comparison with the prior fiscal year balance.

Condensed Statements of Net Position	2021	2020	Change	%
Current and other assets	\$ 22,643,771	\$ 23,805,001	\$ (1,161,230)	(4.88)%
Capital assets	18,209,470	17,543,894	665,576	3.79%
Total assets	40,853,241	41,348,895	(495,654)	(1.20)%
Current liabilities	5,299,016	7,030,831	(1,731,815)	(24.63)%
Long-term liabilities	6,293,367	6,499,345	(205,978)	(3.17)%
Total liabilities	11,592,383	13,530,176	(1,937,793)	(14.32)%
Total net position	\$ 29,260,858	\$ 27,818,719	\$ 1,442,139	5.18%

The following chart presents a comparison of total assets, total liabilities and total position of the **Center** for the fiscal years ended June 30, 2021 and 2020.



FINANCIAL HIGHLIGHTS (CONTINUED)

Governmental Fund highlights

Government Funds – Fund Balances - As of June 30, 2021, the **Center's** Governmental Funds reported a combined ending fund balance of \$17,560,127, representing an increase of \$553,628 in comparison with the prior year balance. Of this total amounts, \$6,244,752 represents unassigned fund balance; \$3,849,009 are committed to specific purposes as established by the Governing Board, such as relocation of the **Center's** regional offices of the Municipalities of Arecibo, Bayamón, Carolina and Ponce and maintenance of the digital cadastre and \$7,466,366 are assigned for payment of contracts and obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Fund Financial Statements

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

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Notes to the financial statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS-VARIANCES

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

Statement of Net Position

Total assets decreased by \$495,654 (1.20%) in comparison with the prior fiscal year. This decrease was caused mainly by a decrease of current and other assets amounting to \$1,161,230 and an increase in capital assets of \$665,576.

Total liabilities decreased by \$1,937,793 (14.32%) in comparison with the prior fiscal year. This is the net effect of: (a) a decrease in current liabilities of \$1,731,815; and (b) a decrease in long-term debt by \$205,978 during the year ended June 30, 2021.

Total net position increased by \$1,442,139 (from \$27,818,719 in 2020 to \$29,260,858 in 2021), mainly as a result of the change in net position in the Statement of Activities. Below, we summarize the main reasons for such increase.

Statement of Activities

Total revenues increased by \$1,973,518 (6.24%) in comparison with prior fiscal year. This effect was caused by the increase in revenues related to property tax administrative fees amounting to \$1,841,931 and a net increase in other revenues of \$131,587.

Total expenses decreased by \$1,868,357 (5.49%) in comparison with the prior fiscal year. The main reason for the decrease in expenses was the decrease in salaries and fringe benefits of \$1,060,615, the decrease in professional services by \$1,061,501, and the net increase in other expenses of \$253,759.

Also, transfers from other funds decreased by \$823,307 compared with the prior year.

As a result of the variances discussed above, the total change in net position increased by \$3,018,568 (from a deficiency of \$1,576,429 in 2020 to \$1,442,139 in 2021).

GOVERNMENT-WIDE FINANCIAL ANALYSIS-VARIANCES (CONTINUED)

Statement of Activities (Continued)

The following table shows the condensed statements of activities of the **Center** for the fiscal years ended June 30, 2021 and 2020.

Condensed Statements of Activities	2021	2020	Change	%
General revenues				
Property tax administrative fees	\$ 30,272,517	\$ 28,430,586	\$ 1,841,931	6.48%
Sales of certifications and maps	996,044	663,892	332,152	50.03%
Interest income	5,323	94,681	(89,358)	(94.38)%
Service charges to banks	1,122,242	1,021,602	100,640	9.85%
Other income	1,209,094	1,365,457	(156,363)	(11.45)%
Federal grant	-	55,484	(55,484)	(100.00)%
Total revenues	33,605,220	31,631,702	1,973,518	6.24%
Expenses				
Taxpayers' and technical services	15,691,308	16,917,217	(1,225,909)	(7.25)%
Administration	16,471,773	17,114,221	(642,448)	(3.75)%
Total expenses	32,163,081	34,031,438	(1,868,357)	(5.49)%
Transfers from other funds	-	823,307	(823,307)	(100.00)%
Change in net position	1,442,139	(1,576,429)	3,018,568	(191.48)%
Net position, beginning of year	27,818,719	29,395,148	(1,576,429)	(5.36)%
Net position, end of year	\$ 29,260,858	\$ 27,818,719	\$ 1,442,139	5.18%

The following table shows the **Center's** expenses by type for the years ended June 30, 2021 and 2020.

Expenses by type	2021	2020	Change	%
Salaries and fringe benefits	\$ 22,023,554	\$ 23,084,169	\$ (1,060,615)	(4.59)%
Professional and consulting services	2,977,329	4,038,830	(1,061,501)	(26.28)%
Travel and representation	279,947	251,126	28,821	11.48%
Depreciation	1,043,130	1,044,106	(976)	(0.09)%
Supplies	234,420	239,599	(5,179)	(2.16)%
Rent	1,560,951	1,474,562	86,389	5.86%
Repairs and maintenance	1,595,902	1,902,108	(306,206)	(16.10)%
Utilities	1,189,445	999,863	189,582	18.96%
Printed forms	254,490	220,017	34,473	15.67%
Postage	577,558	424,430	153,128	36.08%
Insurance	202,440	172,351	30,089	17.46%
Trainings	5,333	7,751	(2,418)	(31.20)%
Interest	148,285	130,379	17,906	13.73%
Other	70,297	42,147	28,150	66.79%
Total expenses	\$ 32,163,081	\$ 34,031,438	\$ (1,868,357)	(5.49)%

FINANCIAL ANALYSIS OF THE CENTER'S GOVERNMENTAL FUND

The focus of the **Center's** Governmental Funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the **Center's** financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. There is an amount of \$3,849,009 of fund balance committed to indicate that it is not available for new spending because it has already been committed to cover special projects according to the resolutions of the Governing Board, and there are \$7,466,366 assigned to liquidate contracts and purchase orders.

The General Fund is the operating fund of the **Center**. At the end of the current fiscal year, unassigned fund balance was \$6,244,752 while the total fund balance reached \$17,560,127. The **Center's** General Fund balance increased by \$1,126,161 million during the fiscal year ended June 30, 2021.

GENERAL FUND BUDGETARY HIGHLIGHTS

The **Center's** General Fund final budget amounted to \$31,286,624, an increase of \$986,176 when compared with the original budget. For the fiscal year 2021, the general fund actual expenditures amounted to \$30,395,379, which represents \$891,245 less than the final budget. Also, the general fund actual revenues amounted to \$32,605,220, which represents \$1,318,596 more than the final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The **Center's** capital assets for its governmental activities as of June 30, 2021 amounted to \$39,498,115 with an accumulated depreciation of \$21,288,645, resulting in a book value of \$18,209,470. This investment in capital assets includes land, construction in progress, building, building improvements, leasehold improvements, office equipment, computer hardware and software and vehicles.

Debt administration

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

ADOPTION OF GASB STATEMENTS NO. 73 AND NO. 75

The GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68", requires that governmental employers whose employees are provided with defined benefit pensions recognize a liability and pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions administered through a trust that do not meet the requirements of GASB Statement No. 73. The **Center's** pension plan is administered by the Employees Retirement System Administration (ESR). The ESR has not provided to the **Center** the financial and technical information necessary for the proper recognition and reporting of its net pension liability, deferred inflows of resources and deferred outflows of resources. Accordingly, the **Center** could not comply with the accounting and financial reporting requirements set forth in GASB Statement No. 73. Consequently, the **Center's** financial statements do not report or disclose the required information for its pension plan.

ADOPTION OF GASB STATEMENTS NO. 73 AND NO. 75 (CONTINUED)

In addition, the **Center's** pension plan administrator has not provided the **Center** with the audited schedules of employment allocations an OPEB amounts by employer as of June 30, 2020 (the **Center's** measurement date), necessary to comply with the requirements of GASB No. 75 "Accounting and Financial Reporting for Postretirement Benefits Other Than Pensions", as of June 30, 2021. As a result, amounts to be reported as deferred outflows\inflows of resources related to OPEB, the net OPEB liability, applicable disclosures and required supplementary information have been omitted.

ECONOMIC FACTORS

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

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

As more fully explained in **Note 14** to the financial statements, the Governments of the United States of America and the Commonwealth of Puerto Rico have approved and implemented certain laws to overcome this crisis. Following are some of the measures implemented to this end:

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

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

Since that date, the Commonwealth of Puerto Rico has submitted and the Board has revised and approved its fiscal plan for every fiscal year. On April 23, 2021, the most recent fiscal plan corresponding to the fiscal year 2021-2022, was approved and certified by the Board. On January 27, 2022, a revised version the 2022 fiscal plan was certified by the Board, following the approval of the Commonwealth Plan of Adjustment on January 18, 2022, as described in **Note 17**.

ECONOMIC FACTORS (CONTINUED)

- **CRIM Certified Fiscal Plans**

On June 26, 2020, the Board certified a fiscal plan for the **Center** for fiscal years 2021 to 2025 (the Fiscal Plan). In accordance with "PROMESA", this Fiscal Plan projects a baseline forecast of the **Center's** sources and uses of funds for the next five fiscal years based on historical trends and discussions with the **Center's** management. In order to provide a greater revenue base for Municipalities and ensure greater fairness in property tax collections, certain measures have been developed to improve operations and increase tax collections at the **Center**. These measures are incremental to the baseline projections and must be adopted and successfully implemented to achieve the targets of the Fiscal Plan.

On April 23, 2021, the Board certified a fiscal plan for the **Center** for fiscal years 2022-2026, as an update and continuation of the requirements set forth in the FY2021 Certified Fiscal Plan approved on June 26, 2020. The new plan is highlighting what was accomplished during the fiscal year and mapping what lies ahead. As described above, the **Center** is maintaining the measures set forth in the FY2021 Certified Fiscal Plan, as much work still needs to be completed to improve operations, provide a greater revenue base for municipalities, and ensure greater fairness in property tax collections, all of which will result in increased tax collections for the municipalities. The measures outlined in the new Fiscal Plan center around improving the competitiveness of Puerto Rico's property tax regime and the enhancement of collections to reduce reliance on Central Government transfers and less optimal taxes, such as the inventory tax charged to businesses.

- **Impact of COVID-19 Pandemic**

On March 12, 2020, Governor of the Commonwealth of Puerto Rico declared a state of emergency across the island due to the COVID-19 global pandemic. Furthermore, on March 15, 2020, the Governor signed an executive order (EO 2020-023), which established the closure of all private and government operations, except for those related to essential services. This order was extended through June 30, 2020, by the signing of a new executive order (EO 2020-44). Executive Order 2020-44 eased the COVID-19 lockdown restrictions, reduced the curfew hours, allowed some businesses to operate at 50% capacity, and authorized the opening of the majority of businesses and activities (except nightclubs, game rooms, and casinos) including on Sundays.

The new order also called on government management employees to return to work on June 16, 2020. The **Center's** central and regional offices remained closed during the lockdown period, and, as a result, tax collections for the month of March, April, May, and June for the fiscal year 2020 were significantly lower than originally projected. Even though property taxes can still be paid through the website, many taxpayers still pay their taxes at the regional offices but have not been able to do so because of the office closures at that dates. Even after accounting for a decline in collections, due to Covid-19, the **Center** has experienced a higher year to date collections compared to what was originally estimated.

Subsequently, the Central Government has issued several executive orders to deal with the impact of the COVID-19 pandemic.

ECONOMIC FACTORS (CONTINUED)

CONTACTING CRIM FINANCIAL MANAGEMENT

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

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 12,507,448
Accounts receivable	726,415
Due from other funds	<u>9,409,908</u>
Total current assets	<u>22,643,771</u>
Noncurrent assets:	
Nondepreciable assets	6,737,016
Depreciable assets	<u>11,472,454</u>
Capital assets, net of accumulated depreciation	<u>18,209,470</u>
Total assets	<u>\$ 40,853,241</u>
Liabilities	
Current portion of:	
Capital lease obligations	\$ 94,770
Accrued compensated absences	120,602
Accounts payable and accrued expenses	<u>5,083,644</u>
Total current liabilities	<u>5,299,016</u>
Noncurrent liabilities:	
Capital lease obligations, net of current portion	170,423
Accrued compensated absences, net of current portion	6,035,444
Claims and judgments	<u>87,500</u>
Total noncurrent liabilities	<u>6,293,367</u>
Total liabilities	<u>11,592,383</u>
Net position:	
Net investment in capital assets	18,209,470
Unrestricted	<u>11,051,388</u>
Total net position	<u>29,260,858</u>
Total liabilities and net position	<u>\$ 40,853,241</u>

The notes to the financial statements are an integral part of this statement.

	<u>Governmental Activities</u>
Expenses:	
Taxpayers' and technical services	\$ 15,691,308
Administration	<u>16,471,773</u>
Total expenses	<u>32,163,081</u>
General revenues:	
Property taxes administrative fees	30,272,517
Sales of certifications and maps	996,044
Service charges to banks	1,122,242
Interest income	5,323
Other income	<u>1,209,094</u>
Total general revenues	<u>33,605,220</u>
Change in net position	1,442,139
Net position, beginning of fiscal year	<u>27,818,719</u>
Net position, ending of fiscal year	<u>\$ 29,260,858</u>

The notes to the financial statements are an integral part of this statement.

Assets				
Cash and cash equivalents	\$ 12,406,068	\$ -	\$ 101,380	\$ 12,507,448
Accounts receivable	708,750	-	17,665	726,415
Due from other funds	9,584,309	-	-	9,584,309
Total assets	<u>22,699,127</u>	<u>-</u>	<u>119,045</u>	<u>22,818,172</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable and accrued liabilities	5,083,644	-	-	5,083,644
Due to other funds	55,356	-	119,045	174,401
Total liabilities	<u>5,139,000</u>	<u>-</u>	<u>119,045</u>	<u>5,258,045</u>
Fund balances:				
Committed	3,849,009	-	-	3,849,009
Assigned	7,466,366	-	-	7,466,366
Unassigned	6,244,752	-	-	6,244,752
Total fund balances	<u>17,560,127</u>	<u>-</u>	<u>-</u>	<u>17,560,127</u>
Total liabilities and fund balances	<u>\$ 22,699,127</u>	<u>\$ -</u>	<u>\$ 119,045</u>	<u>\$ 22,818,172</u>

The notes to the financial statements are an integral part of this statement.

Total Fund Balance-Governmental Funds **\$ 17,560,127**

Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. In the
current period, these amounts are:

Non-depreciable assets	\$ 6,737,016	
Depreciable capital assets	32,761,099	
Accumulated depreciation	<u>(21,288,645)</u>	
Total capital assets		18,209,470

Some liabilities are not due and payable in the current period
and, therefore, are not reported in the funds. Those liabilities
consist of:

Capital leases	265,193	
Reserve for claims and judgments	87,500	
Accrued compensated absences	<u>6,156,046</u>	
Total long-term liabilities		<u>(6,508,739)</u>

Total Net Position of Governmental Activities **\$ 29,260,858**

The notes to the financial statements are an integral part of this statement.

	General Fund	Tax Amnesty Fund	Special Revenue Fund	Total Governmental Funds
Revenues				
Property taxes administrative fees	\$ 30,272,517	\$ -	\$ -	\$ 30,272,517
Sales of certifications and maps	996,044	-	-	996,044
Service charges to banks	1,122,242	-	-	1,122,242
Interest income	5,323	-	-	5,323
Other income	<u>1,209,094</u>	<u>-</u>	<u>-</u>	<u>1,209,094</u>
Total revenues	<u>33,605,220</u>	<u>-</u>	<u>-</u>	<u>33,605,220</u>
Expenditures:				
Taxpayers' and technical services	15,691,308	-	-	15,691,308
Administration	<u>17,360,284</u>	<u>-</u>	<u>-</u>	<u>17,360,284</u>
Total expenditures	<u>33,051,592</u>	<u>-</u>	<u>-</u>	<u>33,051,592</u>
Excess of expenditures over revenues	<u>553,628</u>	<u>-</u>	<u>-</u>	<u>553,628</u>
Other financing sources (uses):				
Transfers in	572,533	-	-	572,533
Transfers out	<u>-</u>	<u>(572,533)</u>	<u>-</u>	<u>(572,533)</u>
Total other financing sources (uses)	<u>572,533</u>	<u>(572,533)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,126,161	(572,533)	-	553,628
Fund balances, beginning	<u>16,433,966</u>	<u>572,533</u>	<u>-</u>	<u>17,006,499</u>
Fund balances, ending	<u>\$ 17,560,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,560,127</u>

The notes to the financial statements are an integral part of this statement.

Net Change in Fund Balances – Total Governmental Funds **\$ 553,628**

Amounts reported for governmental activities in the Statement are different because:

Governmental funds report capital outlays as expenditures. However, in the government-wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives a depreciation expense. This is the amount of Capital assets additions recorded in the current period. **1,708,706**

Depreciation expense on capital assets is reported in the government-wide Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in the governmental funds. **(1,043,130)**

Long-term accrued compensated absences are reported in the government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, long-term accrued compensated absences were amounts not reported as expenditures in the governmental funds. The following amount represents the net change in the long-term accrued compensated absences from prior year. **124,704**

Repayment of the principal balance of the obligation under capital lease in recorded as expenditure in the governmental funds, but reduces long term-debt balance of the obligation under capital lease in the government-wide Statement of Net Position. **98,231**

Change in Net Position of Governmental Activities **\$ 1,442,139**

The notes to the financial statements are an integral part of this statement.

	<u>Citizen's Participation</u>	<u>Property Taxes</u>	<u>Municipal Redemption</u>
Assets			
Cash and cash equivalents	\$ -	\$ 166,820,197	\$ 454,838,731
Due from:			
Taxpayers-real property, net of allowance for uncollectable of \$3,663,398,610	-	773,254,670	-
Taxpayers-personal property, net of allowance for uncollectable of \$436,619,955	-	115,593,408	-
Municipalities, net of allowance for uncollectable of \$41,088,095	-	164,687,090	-
Commonwealth, net of allowance for uncollectable of \$8,313,077	-	13,906,890	-
Others	<u>4,000</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 4,000</u>	<u>\$ 1,234,262,255</u>	<u>\$ 454,838,731</u>
Liabilities			
Due to:			
Commonwealth Government	\$ -	\$ 252,148,608	\$ -
Municipalities-real property	-	773,254,670	-
Municipalities-personal property	-	115,593,408	-
Municipalities-restricted for debt service	-	-	454,838,731
Municipalities-other	4,000	83,851,662	-
Other funds	<u>-</u>	<u>9,413,907</u>	<u>-</u>
Total liabilities	<u>\$ 4,000</u>	<u>\$ 1,234,262,255</u>	<u>\$ 454,838,731</u>

The notes to the financial statements are an integral part of this statement.

1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Organization

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

On August 14, 2020, the Commonwealth of Puerto Rico enacted to law the Act No. 107, to create the Municipal Code of Puerto Rico in order to integrate, organize and update the laws related to the organization, administration and operation of Municipalities. This Act adds new procedural models for greater autonomy for the Municipalities and repeals the following laws:

- Law 81-1991, as amended, known as the "Law on Autonomous Municipalities of Puerto Rico";
- Law 83-1991, as amended, known as the "Municipal Property Contribution Act 1991";
- Law 80-1991, as amended, known as the "Municipal Revenue Collection Center (CRIM) Act";
- Law No. 113 of July 10, 1974, as amended, better known as the "Municipal Patents Act";
- Law 19-2014, as amended known as "Law of the Municipal Finance Corporation";
- Law No. 19 of May 12, 1977, as amended, known as the "Municipal Police Act";
- Law 31-2012, known as "Law to Make the Restoration of the Communities of Puerto Rico" feasible;
- Law 120-2001, as amended, known as "Law on municipalization of recreational and community sports facilities";
- Law No. 21 of May 20, 1987, as amended, known as the "Access Control Act 1987";
- Law 21-1997, as amended, known as the "Contributing Debt Sales Act";
- Law 137-2014, as amended, known as "Law for the Distribution of Federal Funds of the *Community Development Block Grant Program*"(CDBG) among the Municipalities of Puerto Rico";
- Law No. 222 of May 15, 1938, as amended, known as "Law to Authorize Municipalities to Adopt Ordinances Related to the Repair and Elimination of Inadequate Housing";
- Law 118-2010, as amended, known as the "Incentives For Municipal Economic and Tourism Development Act";
- Law 18-2014, as amended, known as the "Law of the Municipal Management Fund";
- Law 64-1996, as amended, known as the "Puerto Rico Municipal Financing Act of 1996";
- Law No. 29 of June 30, 1972, as amended, known as the "Law of the Municipal Financing Agency of Puerto Rico";
- Law 114-2009 better known as "To empower Municipal Governments to Create Day Care Centers"; and for other purposes.

1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Organization (Continued)

The new Municipal Code maintains the definition of "Autonomous Municipality" provided for in Law 81-1991, as amended. The Code is an advanced legislation, consisting of eight (8) books, which in turn are subdivided into chapters and articles. The table of contents of the Code is as follows:

- Book I - Municipal Government - Powers and Faculties of the Municipality, the Mayor and the Municipal Legislature
- Book II - Municipal Administration - Organization, Planning and Control of Available Goods and Human Resources
- Book III - Municipal Services
- Book IV - Municipal Processes and Community Management
- Book V - Economic Development
- Book VI - Planning and Territorial Planning
- Book VII - Municipal Treasury

One of the most important books for Municipalities and their Mayors is the Book VII entitled "Municipal Treasury". This book sets out the rules and laws related to income and financing necessary for the operation of Municipalities. This Book is divided into: "Municipal Tax Collection Center", "Municipal Tax Types" and "Municipal Financing". The Municipal Code of Puerto Rico established the municipal legal order for Municipalities to renew and look for real alternatives to the new fiscal challenges they face.

Also, on December 30, 2020, Act No. 170-2020 was enacted to amend and clarify several articles and provisions of Act No. 107-2020.

B. Reporting Entity

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

C. Basis of Accounting

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses and/or expenditures during the reporting period. Actual results could differ from those estimates.

C. Basis of Accounting (Continued)

Cash and cash equivalents

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

Capital assets

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

The **Center** defines capital assets as assets, which have an initial individual cost of more than \$500 at date of acquisition and an estimated useful life of five (5) or more years. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their acquisition value / entry price (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date).

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

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

<u>Types of Capital Assets</u>	<u>Years</u>
Building/Infrastructures	40
Building/Infrastructure improvements	40
Leasehold improvement	10
Office equipment	5
Computer hardware and software	5
Vehicles	5
Office equipment under capital lease	5

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

C. Basis of Accounting (Continued)

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

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

In the government-wide Statement of Net Position, the **Center** reports deferred outflows/inflows of resources that result from the following transactions:

1. **Government-mandated or voluntary non-exchange transactions received before the time requirements have been met** – Federal and state grants received before the beginning of the fiscal year to which they pertain are recognized as deferred inflows of resources. The amounts deferred would be recognized as an inflow of resources (revenue) in the period in which the time requirements are fulfilled.
2. **Implementation of GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement No. 68” and GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”** – Amounts reported for changes in the calculation of the total pension liability that result from: a) differences between expected and actual experience; b) changes of assumptions; c) net difference between projected and actual earnings on pension plan investments; d) changes in proportion and difference between the **Center’s** contributions and proportionate share of contributions; and e) the **Center’s** contributions subsequent to the measurement date.

In the governmental funds Balance Sheet, the **Center** reports deferred inflows of resources that result from the following transactions:

1. **Government-mandated or voluntary non-exchange transactions received before the time requirements have been met** – Federal and state grants received before the beginning of the fiscal year to which they pertain are recognized as deferred inflows of resources. The amounts deferred would be recognized as an inflow of resources (revenue) in the period in which the time requirements are fulfilled.

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

C. Basis of Accounting (Continued)

Deferred outflows/inflows of resources (Continued)

2. **Unavailable revenue reported under the modified-basis of accounting** – Amounts are recognized as unavailable revenue from the following sources: property taxes, sales and use taxes and intergovernmental revenues collected or to be collected after the availability period. The amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available. Since this deferred inflow of resources is the result of the modified-accrual basis of accounting, it is only reported in the Fund Financial Statement (FFS).

Long-term obligations

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

Compensated absences

Compensated absences are those absences for which employees will be paid, such as a vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the **Center** and its employees is accrued as employees earn its rights to benefits. Until February 3, 2017, employees earned their right to annual vacation leave at the rate of thirty (30) working days per calendar year up to a maximum permissible accrual of sixty (60) working days for regular employees.

The excess was payable, if not used by the employee, by June 30 of the next fiscal year. Employees earned sick leave at the rate of eighteen (18) working days per calendar year. Sick leave is only payable if the regular employee resigns and has more than ten (10) years of employment, or retires. The maximum permissible accrual is ninety (90) working days for all employees and the excess is payable if not used by employee by March 31 of the next fiscal year.

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

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

C. Basis of Accounting (Continued)

Compensated absences (Continued)

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

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

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

Claims and judgments

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

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

Accounting for pension costs

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

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

C. Basis of Accounting (Continued)

Accounting for pension costs (Continued)

Effective on July 1, 2017, the **Center** and other participants of the ERS converted to a new PayGo model. Under the PayGo funding, the participant employers directly pay the pension benefits as they are due rather than attempt to build up assets to pre-fund future benefits. PayGo payments are recorded as expenditures\expenses in the financial statements. Accordingly, at that date, the **Center** shall implement the requirements set forth by GASB Statement No. 73 *"Accounting for Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB No. 68"*

GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" is effective for the **Center** starting on July 1, 2017. As required by the accounting pronouncement, OPEB transactions should be accounted based on its proportional share of the collective net OPEB liability, OPEB expense and deferred outflows/inflows of resources reported by the Plan. For purposes of measuring, OPEB costs should have all been determined on the same basis as they are reported by the Plan. The ERS has not issued its 2020 and 2021 basic financial statements, nor has it provided to the **Center** with the required information to implement the referred accounting pronouncement. The **Center's** contribution for OPEB is included as part of the PayGo charges billed on a monthly basis by the Puerto Rico Department of Treasury ("PRDT"). PayGo payments are recorded as expenditures\expenses in the financial statements.

C. Measurement Focus

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

Government-Wide Financial Statements

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

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

E. Basic Financial Statements Presentation (Continued)

Financial reporting presentation (Continued)

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

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

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

As described in **Note 5**, during fiscal year ended June 30, 2021, the funds available in the Tax Amnesty Fund amounted to \$572,533, were transferred to the General Fund for operational purposes.

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

4. The statements and notes are followed by the required supplementary information that contains the budgetary comparison schedule for the General Fund. The Schedule of the **Center's** Proportionate Share of the Net Pension Liability and the Schedule of **Center's** Contributions are also required supplementary information required by GASB, but are not presented as further explained in **Note 12** of the financial statements.

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

E. Basic Financial Statements Presentation (Continued)

Financial reporting presentation (Continued)

5. The Statement of Fiduciary Net Position is reported using the economic measurement focus and the accrual basis of accounting, similar to the Government-Wide Financial Statements described above. The **Center** reports the following fiduciary funds:
 - a. **Agency fund:** This fund reports resources held by the reporting government in a purely custodial capacity. There are three major agency funds reported by the **Center** as follows:
 - i. **Property Tax Fund:** Pursuant to Act No. 107 of August 14, 2020, as amended, the **Center** is empowered to bill and collect property taxes in order to distribute property tax collections to the Municipalities.
 - ii. **Municipal Redemption Fund:** This fund is used to service the debt of the Municipalities.
 - iii. **Citizens' Participation Fund:** The **Center** is responsible for receiving and distributing funds assigned by the Commonwealth for citizens' participation in the municipality development program, (the Program). The Program was established by Act No. 2 of July 9, 1973, as amended, and is funded through legislative appropriations. The funds of the Program are distributed to the Municipalities based on some specific criteria established by the Act.
6. Notes to the financial statements

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

F. Fund Balances –Governmental Funds

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

- **Non-spendable:** This classification includes amounts that cannot be spent because they are either: a) not in spendable form or b) are legally or contractually required to be maintained intact. The **Center** has currently no funds under this classification as there are no items that are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either: (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

F. Fund Balances –Governmental Funds (Continued)

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

Fund balance flow assumptions

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

G. Financial Risk

The **Center** carries commercial insurance to cover casualty, theft, tort claims and other losses. The cost of insurance for the year ended June 30, 2021 amounted to \$202,440. The current insurance policies have not been cancelled or terminated.

H. Reconciliation of Government-Wide and Fund Financial Statements

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

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

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

H. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

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

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

2-CASH AND CASH EQUIVALENTS

A. Deposits

The **Center** is authorized to deposit only in bank institutions approved by the Department of Treasury of the Commonwealth. Such deposits should be kept in separate accounts in the name of the **Center**. It is the **Center's** policy to have all bank account openings approved by the Board. During the year ended June 30, 2021, the **Center** invested its funds in interest-bearing accounts.

B. Custodial Credit Risk

Custodial credit risk – deposits: is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The **Center** maintains cash deposits in one (1) commercial bank located in Puerto Rico. Under Commonwealth of Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of insurance provided (up to \$250,000) by the Federal Deposit Insurance Corporation (FDIC). All securities pledged as collateral by the **Center** are held by agents designated by the Puerto Rico Secretary of Treasury but not in the **Center's** name. Total deposits in this commercial bank, at June 30, 2021, amounted to \$633,936,141.

Deposits in commercial banks

The **Center** has the following depository accounts in one (1) commercial bank. All deposits are carried at cost plus accrued interest, if any.

<u>Depository Account</u>	<u>Bank Balance at June 30, 2021</u>
Deposits insured by the FDIC	\$ 250,000
Deposits subject to the collateral requirements	633,686,141
Total deposits	<u>\$ 633,936,141</u>

3-RECEIVABLES

The accounts receivable as of June 30, 2021 amounted to \$726,415. This balance includes an amount of \$643,302 mostly due from services charged to financial institutions for access through the web to the **Center's** tax system and sale of maps. It also includes a rent receivable for the amount of \$65,448 and a portion of a claim submitted to the Federal Emergency Management Agency (FEMA) amounted to \$17,665 to mitigate the impact of the expenditures incurred due to the damages caused by the Hurricane Maria.

4-ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2021 are summarized as follows:

Description	General Fund	Total Governmental Funds
Accounts payable	\$ 4,847,584	\$ 4,847,584
Accrued liabilities	236,060	236,060
Total	<u>\$ 5,083,644</u>	<u>\$ 5,083,644</u>

5-INTERFUND TRANSACTIONS

A. Due from/to other funds

Receivable Fund	Payable Funds	Amount
General Fund	Special Revenue Fund	\$ 119,045
	Fiduciary Fund – Property Tax Fund	9,465,264
		<u>\$ 9,584,309</u>
Fiduciary Fund:		
Property tax fund	General Fund	\$ 51,356
Citizens' Participation Fund	General fund	<u>4,000</u>
		<u>\$ 55,356</u>

B. Transfers-in (out)

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

Originating Fund	Receiving Fund	Purpose	Amount
Tax Amnesty Fund	General Fund	Transfer of cash balance	<u>\$ 572,533</u>

6-CAPITAL ASSETS

The **Center's** capital assets activity for the year ended June 30, 2021 is as follows:

Governmental Activities:	Balance at July 1, 2020	Additions	Retirements	Balance at June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 6,715,000	\$ -	\$ -	\$ 6,715,000
Construction in progress	-	22,016	-	22,016
Total capital assets, not being depreciated	\$ 6,715,000	\$ 22,016	\$ -	\$ 6,737,016
Capital assets, being depreciated:				
Building/infrastructure	9,785,000	-	-	9,785,000
Building/infrastructure improvements	4,380,166	233,904	-	4,614,070
Leasehold improvements	669,317	1,070,564	-	1,739,881
Office equipment	2,611,406	360,063	-	2,971,469
Capital lease	482,343	-	-	482,343
Computers hardware and software	5,617,485	22,159	-	5,639,644
Vehicles	208,144	-	-	208,144
Other equipment	7,320,548	-	-	7,320,548
Total capital assets, being depreciated	31,074,409	1,686,690	-	32,761,099
Less accumulated depreciation for:				
Building/infrastructure	(4,158,625)	(244,625)	-	(4,403,250)
Building/infrastructure improvements	(1,423,399)	(107,465)	-	(1,530,864)
Leasehold improvements	(43,507)	(123,843)	-	(167,350)
Office equipment	(2,322,206)	(122,973)	-	(2,445,179)
Capital lease	(152,742)	(96,469)	-	(249,211)
Computers hardware and software	(4,654,834)	(332,884)	-	(4,987,718)
Vehicles	(169,654)	(14,871)	-	(184,525)
Other equipment	(7,320,548)	-	-	(7,320,548)
Total accumulated depreciation	(20,245,515)	(1,043,130)	-	(21,288,645)
Total capital assets, being depreciated, net	10,828,894	643,560	-	11,472,454
Governmental activities capital assets, net	\$ 17,543,894	\$ 665,576	\$ -	\$ 18,209,470

The **Center** follows the provisions of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, an amendment of GASB Statement No. 34. This Statement establishes guidance for accounting and reporting for impairment of capital assets and insurance recoveries. The **Center** did not recognize any impairment loss during the fiscal year ended June 30, 2021.

7-LONG-TERM LIABILITIES

Long term liability activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>	<u>Due within One year</u>
Claims and judgments	\$ 87,500	\$ -	\$ 87,500	\$ -
Capital leases	363,424	(98,231)	265,193	94,770
Accrued compensated absences	6,280,750	(124,704)	6,156,046	120,602
Total long-term liabilities	<u>\$ 6,731,674</u>	<u>\$ (222,935)</u>	<u>\$ 6,508,739</u>	<u>\$ 215,372</u>

The long-term liabilities are described as follows:

- 1. Claims and judgments** - Represents the estimated loss of legal cases to be paid subsequent to June 30, 2021. The awarded amount, if any, will be paid with unrestricted funds.
- 2. Accrued compensated absences** - The Government-Wide Statement of Net Position includes \$6,156,046 of accrued compensated absences benefits and accrued compensatory time representing the **Center's** commitment to fund such costs from future operations.
- 3. Capital lease obligations** - The **Center** leases office equipment under a non-cancellable capital lease. The lease requires monthly payments of \$8,694 including interest at 4.60%.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 for the next three (3) years are as follows:

<u>Year ending June 30,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2022	\$ 94,770	\$ 9,887	\$ 104,657
2023	98,891	5,766	104,657
2024	71,532	1,249	72,781
Total	<u>\$ 265,193</u>	<u>\$ 16,902</u>	<u>\$ 282,095</u>

8-FUND BALANCES

Fund balances are classified as follow:

Fund Balance Classifications	General Fund	Tax Amnesty Fund	Total Governmental Funds
Committed			
Relocation of Regional Offices (Arecibo, Bayamón, Carolina and Ponce)	\$ 101,748	\$ -	\$ 101,748
Emergency repairs due to earthquakes (Arecibo and Ponce)	11,370	-	11,370
Call center services	3,925	-	3,925
Emergency budget for power generator	173,000	-	173,000
Special Payroll – transitional employees	867,241	-	867,241
Image actualization – digital cadaster	2,691,725	-	2,691,725
Total committed	3,849,009	-	3,849,009
Assigned			
General, administrative and operational Expenditures	7,466,366	-	7,466,366
Unassigned	6,244,752	-	6,244,752
Total fund balances	\$ 17,560,127	\$ -	\$ 17,560,127

General Fund

The General Fund has unassigned fund balance of \$6,244,752 at June 30, 2021. Also, it has assigned funds consisting of balances reserved for outstanding contracts of \$7,466,366. In addition, the General Fund has \$3,849,009 committed for special projects as determined by the Board's Resolutions.

9-AGENCY FIDUCIARY FUND

A. Agency Funds

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

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

9-AGENCY FIDUCIARY FUND (CONTINUED)

A. Agency Funds (Continued)

I. Citizens' Participation Fund

The **Center** is responsible for the receiving and distribution of funds assigned by the Commonwealth for Citizens' Participation in the Municipal Development Program (the Program). The Program was established by Act No. 81 of August 30, 1991, repealed by Act 107 of August 14, 2020 and is funded through legislative appropriations. Programs funds are distributed to the Municipalities based in certain specific criteria established by the Act. As of June 30, 2021, the funds available for distribution amounted to **\$4,000**.

II. Municipal Redemption Fund

The Municipal Redemption Fund is used to service the debt of the Municipalities. As described on **Note 11**, on November 29, 2018, the **Center**, FAFAA and GDB provided an amendment and full reformulation of the **Center's** deed of trust under the "Deed of Trust No. 58". Accordingly, the government enacted Law No. 109 of August 24, 2017, to amend Law No. 80 (repealed by Act 107 of August 14, 2020), in order to appoint FAFAA as trust's designated trustee. Also, on November 29, 2018, the **Center** (as settlor), FAFAA (as trustee) and a commercial banking institution (as custody bank) made a second amendment and restatement to the "Trust Account Custody and Management Agreement" pursuant to the provisions of the amended and restated "Deed of Trust No. 58". The FAFAA bank maintains records of outstanding municipal bonds and notes, makes principal and interest payments on their due dates, and notifies the **Center** of the amounts paid. The fund increases by the collections of the designated portions of real and personal property taxes. During the fiscal year 2020-2021, the **Center** collected for the Municipal Redemption Fund the amount of \$400,356,901. Total debt service payments amounted to \$227,398,844. Of such amount, principal and interest amounted to \$143,394,003 and \$84,004,841, respectively.

Outstanding notes and bonds of all Municipalities as of June 30, 2021 amounted to \$1,549,957,269. On July 1, 2021, the **Center** made a payment amounting to \$178,544,030, including principal of \$141,407,448 and interest of \$37,136,582.

III. Property Tax Fund

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

9-AGENCY FIDUCIARY FUND (CONTINUED)

A. Agency Funds (Continued)

The property tax rates per annum vary among Municipalities. For the fiscal year 2020-2021, the rates were comprised as follows:

	Personal Property		Real Property	
	Minimum	Maximum	Minimum	Maximum
Basic	3.72%	4.00%	5.72%	6.00%
Contribution to debt redemption funds:				
State	1.03%	1.03%	1.03%	1.03%
Municipal	1.00%	5.50%	1.20%	5.50%

Total property tax rates, charged to taxpayers, varied from 5.80% to 10.33% for personal property and 8.03% to 12.33% for real property.

The property tax fund includes a total of approximately \$4.99 billion in gross receivables. Of these, approximately \$4.44 billion and \$552 million are included in the accounts of real and personal property taxes, respectively. Management has performed an in-depth analysis of the aged receivables and has determined to establish an allowance for uncollectible accounts of 82%.

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

Account Type	Principal	Discounts	Interest	Penalties and Others	Total	Reserve
Governmental agencies	\$ 9,389,314	\$ -	\$ 14,917,055	\$ 933,436	\$ 25,239,805	\$ 25,239,805
Bankruptcy	100,857,303	(4,305)	61,523,608	13,086,205	175,462,811	170,357,510
Remaining accounts receivable balance	2,059,601,621	(586,726)	2,516,769,713	212,379,419	4,788,164,027	3,904,421,250
Total	\$ 2,169,848,238	\$ (591,031)	\$ 2,593,210,376	\$ 226,399,060	\$ 4,988,866,643	\$ 4,100,018,565

9-AGENCY FIDUCIARY FUND (CONTINUED)

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

One of the measures approved for the reduction of governmental expenditures included in the fiscal plan certified by the Financial Oversight and Management Board is the progressive reduction of the transfers of funds provided by the Commonwealth of Puerto Rico (the Commonwealth) to the Municipalities, mainly the ones that are paid through the monthly advances of property taxes made by the **Center** to the Municipalities. However, for the fiscal year 2021, the reduction of the Commonwealth transfers, were postponed for the next fiscal year.

Based on the approved budget of Commonwealth of Puerto Rico for fiscal year 2020-2021, the **Center** shall experience an increase of revenues of \$14,430,000. This amount represents an increase of 9.05% in revenues compared to the prior fiscal year, as presented below.

Revenue Source	2020-21 Budget	2019-20 Budget	Increase (Decrease)	Percentage of Change
General Fund (Transfers)	\$ 131,838,000	\$ 131,838,000	\$ -	0.00%
35% of Puerto Rico Additional Lottery System	42,100,000	27,670,000	14,430,000	52.15%
Total	\$ 173,938,000	\$ 159,508,000	\$ 14,430,000	9.05%

However, during the fiscal year 2020-2021, total actual transfer of funds from the Commonwealth's General Fund and the Lottery amounted to \$178,838,000, representing an increase of \$30,330,873 or 20.42%, compared with prior year. Also, during fiscal year 2020-2021, basic property taxes increased by \$18,052,656 or 7.47% compared to prior fiscal year. Accordingly, during fiscal year 2020-2021, total revenues experienced an increase of \$48,383,529 or 12.40%, as shown in the following table:

Revenue Source	2020-21	2019-20	Increase (Decrease)	Percentage of Change
35% of Puerto Rico Additional Lottery System	\$ 47,000,000	\$ 16,669,127	\$ 30,330,873	181.96%
General Fund (Transfers)	131,838,000	131,838,000	-	0.00%
Sub-total	178,838,000	148,507,127	30,330,873	20.42%
1% and 3% basic property taxes	259,626,248	241,573,592	18,052,656	7.47%
Total	\$ 438,464,248	\$ 390,080,719	\$ 48,383,529	12.40%

9-AGENCY FIDUCIARY FUND (CONTINUED)

C. Equalization Process

Act No. 107 of August 14, 2020, as amended, established a special fund known as the Equalization Fund ("Fondo de Equiparación") for the purpose of ensuring that all Municipalities receive at least the same amount of revenues as they received on the prior year from these sources.

The Equalization Fund shall include the following:

- (a) All funds derived from basic property taxes assessed by the Commonwealth of Puerto Rico prior to the 1991 Municipal Reform corresponding to a tax rate of 1% for personal property tax and a tax rate of 3% over the assessed value of all real estate property in Puerto Rico, not otherwise exempt. For the fiscal year ended June 30, 2021, these funds amounted to \$259,626,248.
- (b) 2.50% for the fiscal years after 2002-2003 of the net internal revenue of the Commonwealth of Puerto Rico. However, during the last fiscal years, this amount have been reduced under the provision of the Commonwealth's approved fiscal plan under PROMESA. For the fiscal year ended June 30, 2021, total transfers received from the Commonwealth amounted to \$131,838,000.
- (c) An amount equal to 35% of the Puerto Rico Additional Lottery System (the Lottery) net operational income. However, during the last fiscal years, the financial statements of the Lottery are not available at the date of the issuance of this report. Accordingly, for the fiscal year ended June 30, 2021, the funds received by the **Center**, which are included in the schedule, amounted to \$47,000,000.
- (d) An amount equal to 2% of the state imposed penalties described under Sec. 5001 of Title 9, known as the Puerto Rico Vehicles and Transit Law ("Ley de Vehiculos y Tránsito de Puerto Rico") to be distributed by Municipalities by the **Center**. Funds under this item shall be collected and distributed to the corresponding Municipalities directly by Puerto Rico Treasury Department; therefore such amounts are not part of the Schedule.

Funds received under items (a) above are distributed to the corresponding Municipalities. Funds received under items (b) and (c) above are distributed to the Municipalities up to the amounts required to make each Municipality's revenue equal its revenue from these sources for the prior fiscal year (i.e., equalize the Municipalities). Any excess funds received under items (b) and (c) above are distributed to the Municipalities using the four (4) factors provided by Act No. 107.

However, due to the deficiency of funds for the equalization process caused by the periodic reductions of Commonwealth's transfers to the **Center**, the Act No. 107 of August 14, 2020, states that the **Center's** Governing Board has the authority to establish the formula to determine the bases for the equalization and distribution of funds to the Municipalities.

9-AGENCY FIDUCIARY FUND (CONTINUED)

C. Equalization Process (Continued)

As described before, due to the reductions of Commonwealth transfers to the **Center**, the funds collected during the fiscal year were not sufficient to provide an equalization of revenues for all the municipalities. Accordingly, a deficiency of funds for the equalization of revenues resulted in the amount of \$81,325,428, as shown in the following table:

Funds required for the equalization of revenues	\$ 515,528,920
1% and 3% basic property taxes	(259,626,248)
Excess of revenues over the equalization requirements	<u>4,260,756</u>
Total funds required to be covered with General Fund transfers and Lottery	260,163,428
General Fund (transfers)	(131,838,000)
Funds from the Puerto Rico Additional Lottery System	<u>(47,000,000)</u>
Deficiency of funds for equalization of revenues	\$ <u>81,325,428</u>

Taking into consideration the deficiency of funds, the liquidation schedule for the fiscal year 2021 was prepared based on the following assumptions:

1. Computation of the equalization of funds for all Municipalities using the results obtained during fiscal year 2016-2017 as base year.
2. Five (5) Municipalities which resulted with an excess of revenues over the equalization requirements of \$4,260,756, will receive such excess and was excluded from the distribution of the deficiency of funds for equalization of revenues.
3. The requirement for equalization of revenues with the General Fund transfers and the Lottery for the remaining seventy three (73) Municipalities amounted to \$260,163,428. Notwithstanding, funds available for distribution amounted to \$178,838,000, which were distributed based on the proportionate share of each Municipality of the total of funds amounted to \$260,163,428, resulting in a deficiency of funds of \$81,325,428.

9-AGENCY FIDUCIARY FUND (CONTINUED)

C. Equalization Process (Continued)

During the fiscal year 2021, the **Center** distributed to the Municipalities \$259,626,248 of 1% and 3% of basic property taxes, \$358,091,063 of basic non exempt portion of property taxes, \$131,738,000 of General Fund transfers and \$47,000,000 of the Electronic Lottery System. As of June 30, 2021, the balance due from the Commonwealth of Puerto Rico related to the Electronic Lottery System amounted to \$13,906,891. This balance due is related to the difference of funds liquidation for fiscal year ended June 30, 2016, 2017 and 2018, based on the amounts presented in the audited financial statements of the Lottery. It also included the balance due from the estimated budget provided by the Lottery to the **Center** for the fiscal year 2020-2021 amounting to \$7,881,429.

As described on **Note 17**, one of the measures approved for the reduction of governmental expenditures included in the fiscal plan certified by the Financial Oversight and Management Board is the progressive reduction of the Commonwealth's General Fund transfers of funds given to the Municipalities. Based on the approved budget of Commonwealth of Puerto Rico for fiscal year 2021-2022, the estimated reduction of revenues will be \$37,096,000. Accordingly, during fiscal year 2021-2022, the Municipality's income will experience a reduction of 21.33%

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

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

- **Line of credit agreements:** In accordance with Act No. 42 of January 29, 2000, the **Center's** Board approved a line of credit with GDB amounting to \$166,449,961 to finance the accumulated debt due from Municipalities up to June 30, 2000 for the excess of remittances received by the Municipalities. The line of credit proceeds was used to pay off statutory and fiduciary obligations. This line of credit will be repaid from the increase of .48% of fixed subsidy of the net internal revenue of the Commonwealth granted to the Municipalities. In accordance with Act No. 146 of October 11, 2011, the **Center** approved a line of credit amounting \$105,000,000 to repurchase the tax liens sold to Puerto Rico Public Finance Corporation on June 30, 1998. The line of credit will be repaid from the increase of .48% of fixed subsidy of the net internal revenue of the Commonwealth granted to the Municipalities. The amount collected from the delinquent tax debt would be applied to principal. The **Center** cannot determine the amount to be collected from the delinquent tax debts. For these lines of credit, the **Center** has received the signed resolutions and notes payable from Municipalities. Once the Municipalities completed such documents, each individual note became part of the Municipal Redemption Fund.

10-TAX ABATEMENTS (CONTINUED)

Subtitle B – Chapter 6 and Subtitle C- Chapter 2 (previously ACT 73 of 2008 - “Economic Incentives Act for the Development of Puerto Rico”)

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

Tax Benefits (Exemptions):

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

Subtitle B- Chapter 5 and 11, Subtitle C- Chapter 1 and Subtitle E- Chapter 1 (previously ACT 74 of 2010 - “ Puerto Rico Tourism Development Act of 2010”)

Purposes:

- To make Puerto Rico a world-class tourist destination.
- To ensure adequate conditions for the continuous development and worldwide competitiveness of Puerto Rico's hotel industry.
- To provide the environment to continuously raise local and foreign capital for investment in tourism projects.
- To improve the incentives offered to the Puerto Rican tourist industry according to the evolution of the best tourist products offered, the challenges faced, and the opportunities offered by today's world.

10-TAX ABATEMENTS (CONTINUED)

Subtitle B- Chapter 5 and 11, Subtitle C- Chapter 1 and Subtitle E- Chapter 1 (previously ACT 74 of 2010 - " Puerto Rico Tourism Development Act of 2010") (Continued)

- To reduce the high costs of construction and operation of tourism-related businesses in Puerto Rico.
- To take action to reduce energy costs through the various renewable source alternatives.

Tax Benefits (Exemptions):

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

Subtitle B- Chapter 5 (previously ACT 118 of 2010 - " Municipal Economic and Tourist Development Incentives Act")

Purpose: Foster the economic development of Municipalities.

Tax Benefits:

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

10-TAX ABATEMENTS (CONTINUED)

Subtitle B- Chapter 9, Subtitle C- Chapter 5 and Subtitle E- Chapter 1 (previously ACT 27 of 2011 - "Puerto Rico Film Industry Economic Incentives Act")

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

Tax Benefits (Exemptions):

- Tax Credit amounting to forty percent (40%) of those amounts certified by the Auditor as disbursed in connection with all Puerto Rico Production Expenditures, except for payments made to Nonresident Talent; and twenty percent (20%) of those amounts certified by the Auditor as disbursed in connection with Puerto Rico Production Expenditures consisting of payments to Nonresident Talent.
- In the case of infrastructure projects, the credit granted shall be equal to twenty-five percent (25%) of those amounts certified by the Auditor to have been disbursed in connection with the development and/or expansion of the infrastructure project.
- Grantee's net income directly derived from the exploitation of activities covered under a Grant shall be subject to a fixed income tax rate of four percent (4%), in lieu of any other tax, if any, provided in the Code or any other Puerto Rico law.
- The real or personal property devoted to activities covered by a Grant that is otherwise subject to taxation, shall be entitled to a ninety percent (90%) exemption from all municipal and Puerto Rico taxes on real or personal property.
- No Grantee shall be subject to municipal license taxes, construction excise taxes, and other municipal income taxes imposed by a municipal ordinance.
- A special tax shall be imposed, collected and paid in lieu of any other taxes and regardless of any exemption provided in the Code, of twenty percent (20%) on the total amount received by any Nonresident Talent.

Subtitle B- Chapter 3 and Subtitle E- Chapter 1 (previously ACT 20 of 2012 - "Act to Promote the Export of Services")

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

10-TAX ABATEMENTS (CONTINUED)

Subtitle B- Chapter 3 and Subtitle E- Chapter 1 (previously ACT 20 of 2012 - "Act to Promote the Export of Services") (Continued)

Tax Benefits:

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

Subtitle B- Chapter 8 (previously ACT 225 of 1995, as amended - "Agricultural Tax Incentive Act")

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

Tax Benefits (Exemptions):

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

Subtitle B- Chapter 7 and Subtitle E- Chapter 1 (previously ACT 83 of 2010 - "Green Energy Incentive Act")

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

10-TAX ABATEMENTS (CONTINUED)

Subtitle B- Chapter 7 and Subtitle E- Chapter 1 (previously ACT 83 of 2010 - "Green Energy Incentive Act") (Continued)

Tax Benefits (Exemptions):

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

The Incentive Code will allow the types of incentives that are now granted to be standardized, and those risky incentives that have historically resulted in losses or that have adversely impacted Puerto Rico's economy be minimized.

The Incentives Code recognizes that it is essential to promote the effective and continuous measurement of the costs and benefits of the incentives granted, in order to determine the cash that is invested *vis a vis* what the treasury receives. Therefore, the new Incentive Code will also incorporate provisions to measure the return on investment (ROI) and keep updated data on that return by economic sector.

The Incentives Code will facilitate the analysis of our incentives to determine the desirability of maintaining, modifying or discontinuing any incentive that proves to be obsolete, or consequently, that has resulted in negative performance. The analysis, in addition, will allow to determine which incentives can provide positive performance based on specific data, if government resources should be redirected to other industries to maximize performance and stimulate productivity, and even, will identify the need to create New incentive mechanisms. New incentives will be evaluated and approved through mechanisms and processes established in the regulation adopted by the DDEC, based on complete analyzes that allow informed decisions. This structure will allow processes to be improved, incentives based on ROI, and economic priorities to be analyzed, and the desirability of continuing to grant the incentive to be determined within a reasonable time.

In line with the above, an incentive evaluation model will also be created, in accordance with the needs of the Puerto Rican economy, to measure the effectiveness of the program based on the annual reports submitted by the beneficiaries. The analysis of the reports will allow stimulus programs to be improved, and will ensure that incentives are allocated and used to maximize the economic impact on the island. Likewise, the evaluation will facilitate compliance with the terms and conditions of the incentives granted, including the measurement of risk and return on investment of such stimuli, in line with the public policy of economic development.

10-TAX ABATEMENTS (CONTINUED)

Subtitle B- Chapter 7 and Subtitle E- Chapter 1 (previously ACT 83 of 2010 - "Green Energy Incentive Act") (Continued)

As an important element to ensure rigor in the application of standards and transparency, a single office will be designated to monitor compliance aspects. For these purposes, the Tax Exemption Office, now the Incentive Office will become part of the DDEC and assume other responsibilities in accordance with the new Incentive Code.

Other significant laws enacted by the Commonwealth of Puerto Rico to assess economic development are:

ACT 168 of 1968, as amended - "Act to Grant Tax Exemption to Hospitals"

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

Tax Benefits (Exemptions):

- Tax Credit up to fifteen percent (15%) of the total eligible payroll expense to be used to reduce up to fifty percent (50%) of income taxes over eligible health service revenues.
- Exemption of a hundred percent (100%) for the payment of real and personal property over assets used to provide health services.
- Exemption of a hundred percent (100%) for the payment of state excise taxes over the acquisition of any equipment, machinery and effects used to provide medical treatment or diagnostics.
- No Hospital or eligible health service facility shall be subject to municipal license taxes, excise taxes and other municipal income taxes levied by a municipal ordinance.

Other Acts Enacted by the Commonwealth of Puerto Rico

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

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

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

10-TAX ABATEMENTS (CONTINUED)

Municipal Ordinances and Agreements

Purpose:

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

Tax Benefits (Exemptions):

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

The following table shows the amount of real property tax abatement during the fiscal year ended June 30, 2021.

Industry / Business	Real Property Tax Abatement	% of total Abatement
Buildings used for warehouses	\$ 51,188,261	15.9%
Pharmaceutical companies	111,791,908	34.6%
Hotels and related businesses	16,144,524	5.0%
Industrial companies and businesses	93,170,713	28.9%
Other industries and businesses	50,506,952	15.6%
Total	\$ 322,802,358	100.0%

As derived from the previous table, the industries with the highest tax abatement of real property tax during the fiscal year ended June 30, 2021 are the industrial companies and businesses and the pharmaceutical companies, which represented 28.9% and 34.6% of total tax abatement, respectively.

10-TAX ABATEMENTS (CONTINUED)

The following table shows the amount of personal property tax abatement during the fiscal year ended June 30, 2021.

Industry / Business	Personal Property Tax Abatement	% of total Abatement
Pharmaceutical companies	\$ 74,575,589	15.3%
Industrial companies and businesses	186,160,431	38.3%
Professional services	69,675,502	14.3%
Commercial companies and businesses	140,658,141	28.9%
Other industries and businesses	14,929,882	3.1%
Total	\$ 485,999,545	100.00%

As derived from the previous table, the industries with the highest tax abatement of personal property tax during the fiscal year ended June 30, 2021 are the industrial companies and businesses and the commercial companies and business, which represented 38.3% and 28.9% of total tax abatement, respectively.

11-DEED OF TRUST

On November 2, 2015, the **Center** (the Trustor) and the GDB (the Trustee) signed a deed of trust to create a Trust Fund pursuant the requirement and provisions of Article 4 of Act No. 80 of August 30 1991, as amended. The Trust shall receive: 1) all property taxes revenues collected by the **Center** pursuant the provisions of Articles 2.01 and 2.02 of Act No. 83 of August 30, 1991, as amended; 2) revenues derived from the "Additional Lottery System"; 3) and a percent of internal revenues corresponding to the Municipalities; and 4) any other revenue established by law corresponding to the Municipalities. The Trustee shall make payments to the beneficiaries (the Municipalities) of the Trust based on the criteria and priorities established by the **Center** pursuant the provisions of Article 17 of Act No. 80 of August 30, 1991, as amended. The Trust Fund's beginning capital balance amounted to \$291,103,470, based on the deposits held by the Trustee as October 31, 2015.

11-DEED OF TRUST (CONTINUED)

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

Amendment and Restatement to Deed of Trust

On November 29, 2018, the **Center**, FAFAA and GDB provided an amendment and full reformulation of the **Center's** deed of trust under the "Deed of Trust No. 58". Accordingly, the government enacted Law No. 109 of August 24, 2017, to amend Law No. 80, in order to appoint FAFAA as trust's designated trustee or one or more private banking institutions that FAFAA might designate, replacing GDB. The funds deposited on the trust fund amounting to \$363,617,079 at November 29, 2018 (excluding the funds deposited on the GDB which will be subject and used on the GDB restructuring transaction) represents the trust's available capital at that date. Under the provisions of the deed, the Trust shall receive: 1) All property taxes revenues collected by the **Center** pursuant the provisions of Article 2.01 (basic property tax) of Act No. 83 of August 30, 1991, as amended to be credited to the Equalization Fund; 2) All property taxes revenues collected by the **Center** pursuant the provisions of Article 2.02 (special property tax) of Act No. 83 of August 30, 1991, as amended to be credited to the State Fund; 3) All collections by the **Center** related to additional special municipal tax subject to the requirements of Law No. 64 and Law No. 83 to be credited to Public Debt Redemption Fund; 4) Any other future enacted tax that might be established by Law, to be credited under the provisions required by the Law.

Also, on November 29, 2018, the **Center** (as settlor), FAFAA (as trustee) and a commercial banking institution (as custody bank) made a second amendment and restatement to the "Trust Account Custody and Management Agreement" pursuant the provisions of the amended and restated "Deed of Trust No. 58". In addition, at that date, the GDB completed a restructuring of certain indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA.

11-DEED OF TRUST (CONTINUED)

As established by the deed of trust and its composition amended on November 29, 2018, there are three (3) funds within the Trust:

Municipal Redemption Fund –These are funds to pay bonds and loans payable from the Special Additional Tax (CAE). There are three (3) main creditors: private banks, the Puerto Rico Municipal Financial Agency (MFA) and the FAFAA.

Once in January and once in July, the FAFAA, as Trustee will pay the creditors from this fund. However, the Municipalities have the right to request once a year any excess of funds. FAFAA determines the excess of each Municipality and disburse such amount in accordance with applicable law.

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

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

12-PENSION PLAN

Pension System – Prior to July 1, 2017

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

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

12-PENSION PLAN (CONTINUED)

Pension System – Prior to July 1, 2017 (Continued)

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

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

Pension System – After July 1, 2017

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

Effective July 1, 2017 participants ceased to accrue new pension benefits and are no longer able to make direct credit payments or to make additional contributions to the ERS. The ERS created and will maintain, for each participant or actual beneficiary, an individual record as of June 30, 2017 which includes the accrued pension benefits, employment history and accumulated contributions made.

12-PENSION PLAN (CONTINUED)

Pension System – After July 1, 2017 (Continued)

All benefits including retirement, disability, death, and other pensioner additional benefits were determined in accordance to the specific benefit structures under Act 447, Act 1, Act 305 and Act 3 and will be paid based on the information provided in the individual record. The accrued pension benefits will be funded through:

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

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

Act 106 includes penalties and specific procedures for collection of unpaid PayGo charges. For Municipalities, it authorized a legal lien of property tax to be collected by the **Center** through the monthly advances. During the fiscal year 2020-2021, the **Center** was billed and recognized as PayGo charges expenditures for \$5,017,084. As of June 30, 2021, the balance due by the **Center** to the ERS amounted to \$2,148,083.

12-PENSION PLAN (CONTINUED)

Pension System – After July 1, 2017 (Continued)

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

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

Participant accounts and contributions - Funds are maintained in individual accounts for each participant which are credited with participant's pre-tax contributions and investment earnings. Participants are required to contribute at least 10% of gross salary. The Plan provides for voluntary additional pre-tax contributions as permitted by the Puerto Rico Internal Revenue Code of 2011 ("2011 PR Code"). After July 1, 2019, participants may direct the investment of their contributions into various investment options offered by the DC Plan. During the Fiscal Year Ended June 30, 2021, employees' contributions amounted to \$1,163,021.

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

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

12-PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions; and other required disclosures under GASB Statement No. 73

As discussed above, pursuant to Act No. 106, participants ceased to accrue new pension benefits and are no longer able to make direct credit payments or to make additional contributions to the ERS. In addition benefit payments are made through a "PayGo" funding administered by the PRDT. As a result the plans operated by ERS, under various benefit structures prior to July 1, 2017, are administered through a trust that do not meet the requirements of GASB Statement No. 68. Instead, since that date, the employers are subject to the requirements 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*. However, the ERS have not provided the **Center** with the audited actuarial and financial information necessary to comply with the requirements of GASB Statement No. 73 as of June 30, 2021. As a result, amounts that shall be reported as deferred outflows/inflows of resources related to pensions and pension liability in the government-wide financial statements had not been accounted for by the **Center**.

In addition, applicable disclosures and required supplementary information under the provisions of GASB Statement No. 73 have been omitted.

13-OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan description

The **Center** is a participating employer in the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities Medical Insurance Plan Contribution ("ERS-MIPC"). ERS MIPC is an unfunded, cost sharing, multi-employer defined benefit plan sponsored by the Commonwealth. Substantially all fulltime employees of the Commonwealth's primary government, and certain Municipalities of Puerto Rico and certain component units of the Commonwealth not having their own postemployment benefit plan, are covered by the OPEB. Commonwealth employees became members upon their date of employment. Plan members were eligible for benefits upon reaching the pension benefits retirement ages.

Benefits provided

ERS MIPC covers a payment of up to \$100 per month to the eligible medical insurance plan selected by the member provided the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3).

Contributions

The contribution requirement of ERS MIPC is established by Act No. 95 approved on June 29, 1963. This OPEB plan is financed by the Commonwealth on a pay-as-you-go basis. The funding of the OPEB benefits is provided to the ERS through legislative appropriations each July 1 by the Commonwealth's General Fund for former government and certain public corporations without own treasuries employees, and by certain public corporations with own treasuries and Municipalities for their former employees.

13-OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Contributions (Continued)

The **Center's** contribution is financed through the monthly PayGo charge. There is no contribution requirement from the plan member during active employment. Retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. As a result, these OPEB are 100% unfunded. The legislative appropriations are considered estimates of the payments to be made by the ERS for the healthcare benefits throughout the year.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB; other GASB Statement 75 required disclosures

The ERS have not issued its audited financial statements as of and for the fiscal year ended June 30, 2020 nor has it provided the **Center** with the audited schedules of employment allocations and OPEB amounts by employer as of June 30, 2020 (**Center's** measurement date), necessary to comply with the requirements of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", as of June 30, 2021.

As a result, amounts to be reported as deferred outflows/inflows of resources related to OPEB, the net OPEB liability, applicable disclosures and required supplementary information have been omitted.

14-CONTINGENCIES AND COMMITMENTS

Claims and Lawsuits

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

Operating Leases

The **Center** is obligated under various lease agreements, which expire on October 10, 2031. Operating leases do not give rise to property rights or lease obligations, and accordingly, no long-term liability is reflected in the **Center's** financial statements for these lease agreements.

Therefore, installments of the operating leases are presented as rent expenditures. The rent expenditures for the fiscal year ended June 30, 2021 amounted to \$1,560,951.

14-CONTINGENCIES AND COMMITMENTS (CONTINUED)

Operating Leases (Continued)

The following is a schedule of minimum rent payments required under operating leases that have initial or remaining non-cancellable lease term in excess of one year as of June 30, 2021:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 1,088,491
2023	897,286
2024	803,118
2025	706,045
2026	676,172
Thereafter	2,314,769
Total	<u>\$ 6,485,881</u>

As of June 30, 2021, the **Center** recognized and recorded a debt with the Puerto Rico Public Buildings Authority (PRBA) amounting to **\$924,583**. In addition, at that date, the **Center** has certain balances in dispute with the PRBA amounting to **\$3,569,252** related to the lease of various office spaces located in the Municipalities of Aguadilla, Arecibo, Caguas, Carolina, Mayaguez and Ponce.

Federal Award

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

Other Potential Liability – Additional Uniform Contribution (AUC)

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

The **Center** plans to defend its position vigorously. However, due to the uncertainty of the outcome of this claim by the ERS, a contingency of \$2,002,186 arise.

14-CONTINGENCIES AND COMMITMENTS (CONTINUED)

Fiscal Plan Submissions and Certifications – Commonwealth of Puerto Rico

On a letter dated January 18, 2017, the Financial Oversight and Management Board of Puerto Rico (“the Board”) provided the Governor the fiscal plan targets and guidelines, on a category-by-category basis, that the certified plan should satisfy. Also, the Board approved the Governor’s request that it extend the PROMESA stay on litigation through May 1, 2017 on conditions agreed to by the Governor, including a commitment not to attempt to procure short-term liquidity loans that could restrict fiscal options.

On February 28, 2017, the Governor submitted a proposed fiscal plan and, after the review, analysis and deliberation with the Board’s members, economists, consultants, attorneys and Governor’s representatives, the Board informed the Governor on March 9, 2017 that it had determined the proposed fiscal plan did not satisfy PROMESA’s requirements and recommended that certain revisions be made. On March 11, 2017, the Governor submitted to the Board a revised proposed fiscal plan to address the identified violations in the prior proposed plan and, during the review process, further changes were incorporated into the Government’s proposed plan. On March 13, 2017, the Governor’s final proposed fiscal plan was presented to the Board and, after its review and discussion, the Board approved and certified this final proposed plan with the following two (2) amendments:

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

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

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

14-CONTINGENCIES AND COMMITMENTS (CONTINUED)

Fiscal Plan Submissions and Certifications – Commonwealth of Puerto Rico (Continued)

- Adjustments of \$299 million in Health expenditures through the implementation of a new public healthcare model.
- An 80% reduction on debt service payments.

Since March 13, 2017, the Commonwealth of Puerto Rico has submitted and the Board has revised and approved its fiscal plan for every fiscal year. On April 23, 2021, the most recent fiscal plan corresponding to the fiscal year ended 2021-2022, was approved and certified by the Board. On January 27, 2022, a revised version of the 2022 fiscal plan was certified by the Board, following the approval of the Commonwealth Plan of Adjustment on January 18, 2022, as described in **Note 17**.

Fiscal Plan Submissions and Certifications – the Center and Municipalities

During 2016, the **Center** was designated as a Covered Territorial Instrumentality pursuant to Section 101 of the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA). In Accordance with Section 101 (d)(1)(E) of PROMESA and the resolution adopted by the Oversight Board at its May 9, 2019 meeting, the Oversight Board determined that the Governor must provide the Oversight Board with an Instrumentality Fiscal Plan and an Instrumentality Budget for the **Center**.

In addition, pursuant to Section 101 of PROMESA and the resolution adopted by the Oversight Board at its May 9, 2019 meeting, the Oversight Board designated all seventy eight (78) Municipalities as Covered Territorial Instrumentalities subject to the requirements of PROMESA. In terms of the submission of the Instrumentality Fiscal Plans and an Instrumentality Budgets required by Section 101 (d)(1)(E) of PROMESA, the Oversight Board determined in the resolution adopted at its May 9, 2019 meeting, to apply this provision to an initial group of ten (10) Municipalities as a pilot plan for assessing and enhancing municipal financial and budgetary practices, and for create new economic development strategies to address municipal fiscal challenges. As a part of the pilot plan, the ten (10) Municipalities will receive technical assistance from the Oversight Board. These initial actions should serve to begin achieving fiscally sustainable local units of government and to help pave the way for a broader municipal fiscal strengthening.

The ten (10) Municipalities selected were Aibonito, Barranquitas, Camuy, Cidra, Comerío, Isabela, Orocovi, Quebradillas, San Sebastián and Villalba. These Municipalities were selected considering a combination of factors such as fiscal challenges, impact of the reduction of transfers from the Central Government, and their experience implementing innovative and creative initiatives and collaborating with other Municipalities.

On April 16, 2021 the Oversight Board announced the conclusion of its pilot program effective June 30, 2021 stating that all 78 municipalities will remain covered entities and that they will continue to provide support to help improve municipalities' fiscal stability.

14-CONTINGENCIES AND COMMITMENTS (CONTINUED)

Fiscal Plan Submissions and Certifications – the Center and Municipalities (Continued)

The Governor must provide to the Oversight Board with an Instrumentality Fiscal Plan (Municipal Fiscal Plan) and an Instrumentality Budget (Municipal Budget) for each of the selected Municipalities under the pilot plan.

On June 26, 2020, the Oversight Board certified a Fiscal Plan for the **Center** for fiscal years 2021 to 2025 (the fiscal plan). In accordance with "PROMESA", this Fiscal Plan projects a baseline forecast of the **Center's** sources and uses of funds for the next five fiscal years based on historical trends and discussions with the **Center's** management. In order to provide a greater revenue base for Municipalities and ensure greater fairness in property tax collections, certain measures have been developed to improve operations and increase tax collections at the **Center**. These measures are incremental to the baseline projections and must be adopted and successfully implemented to achieve the targets of the Fiscal Plan.

The measures outlined in the Fiscal Plan were developed around improving the competitiveness of Puerto Rico's property tax regime and the enhancement of collections to reduce reliance on less optimal taxes, such as the inventory tax charged to businesses. The measures focus on:

- **Operational efficiencies** – the **Center** is undergoing an operational transformation centered around the replacement of outdated and inefficient applications and hardware; implementation of best practices for business continuity; decentralization of services and re-engineering of processes to improve services to Municipalities and taxpayers; along with the establishment of a data-driven culture. These initiatives should serve as the foundation that will enable the **Center** to implement strategies for the successful enhancement of tax revenue collections.
- **Tax revenue collection enhancement** - the Fiscal Plan outlines measures that the **Center** will undertake to better capture unrealized tax revenues by increasing tax compliance and improving overall collection rates. This will help reduce Puerto Rico's reliance on other undesirable taxes, which would improve its competitiveness and attractiveness for local and foreign investment.

On April 23, 2021, the Board certified a fiscal plan for the **Center** for fiscal years 2022-2026, as an update and continuation of the requirements set forth in the FY2021 Certified Fiscal Plan approved on June 26, 2020. The new plan is highlighting what was accomplished during the fiscal year and mapping what lies ahead. As described above, the **Center** is maintaining the measures set forth in the FY2021 Certified Fiscal Plan, as much work still needs to be completed to improve operations, provide a greater revenue base for municipalities, and ensure greater fairness in property tax collections, all of which will result in increased tax collections for the municipalities. The measures outlined in the new Fiscal Plan center around to continue improving the competitiveness of Puerto Rico's property tax regime and the enhancement of collections to reduce reliance on Central Government transfers and less optimal taxes, such as the inventory tax charged to businesses.

Success of the implementation of the initiatives outlined in the Fiscal Plan will come from the **Center's** ability to effectively collaborate with Municipalities, other government agencies, and the Oversight Board.

14-CONTINGENCIES AND COMMITMENTS (CONTINUED)

Impact of COVID-19 Pandemic

On March 12, 2020, Governor of the Commonwealth of Puerto Rico declared a state of emergency across the island due to the COVID-19 global pandemic. Furthermore, on March 15, 2020, the Governor signed an executive order (EO 2020-023), which established the closure of all private and government operations, except for those related to essential services. This order was extended through June 30, 2020, by the signing of a new executive order (EO 2020-44). Executive Order 2020-44 eased the COVID-19 lockdown restrictions, reduced the curfew hours, allowed some businesses to operate at 50% capacity, and authorized the opening of the majority of businesses and activities (except nightclubs, game rooms, and casinos) including on Sundays. The new order also called on government management employees to return to work on June 16, 2020. The **Center's** central and regional offices remained closed during the lockdown period, and, as a result, tax collections for the month of March, April, May, and June for the fiscal year 2020, were significantly lower than originally projected. Even though property taxes can be paid through the website, many taxpayers still pay their taxes at the regional offices but have not been able to do so because of the office closures at that dates.

Even after accounting for a decline in collections due to COVID-19, for the fiscal year 2020-2021, the **Center** has experience a higher year-to-date collections compared to what was originally estimated. Nevertheless, collections may continue to be affected by COVID-19, and as a result, the **Center** is continuously analyzing any adjustments that must be made to the municipal remittances to account for any tax deferral. To the extent a municipality experiences lower collection than what was advanced by the **Center**, this would be adjusted as part of the year-end reconciliation process. The year-end reconciliation process is completed by the **Center** after the end of the fiscal year to reconcile property tax advances to Municipalities, which are based on projections, with actual collections. To the extent a Municipality has higher collections than what has been advanced, the **Center** transfers the excess amount to the corresponding Municipality. On the other hand, if collections are lower than what has been advanced, Municipalities would have an account payable to the **Center** that is repaid from property tax advances from the subsequent fiscal year.

In light of the economic hardship for the residents of the Island, there have been multiple rounds of federal assistance which have included direct assistance to individuals and families, as well as funding provided to local government to assist under pandemic response. Also, during fiscal year 2020-2021, the Governor of Puerto Rico issued several executive orders to deal with the effects of the COVID-19 pandemic.

15-ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

Effective July 1, 2020, the **Center** adopted the provisions of the following GASB Statements:

- **GASB Statement No. 83, "Certain Asset Retirement Obligations":** This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. The requirements of this Statement, which were postponed one year by GASB Statement No. 95, are effective for reporting periods beginning after June 15, 2019. Earlier application is encouraged.
- **GASB Statement No. 84, "Fiduciary Activities":** The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement, which were postponed one year by GASB Statement No. 95, are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

- **GASB Statement No. 88, "Certain Disclosures Related to Debt, Including direct Borrowings and Direct Placements":** The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

15-ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 88, "Certain Disclosures Related to Debt, Including direct Borrowings and Direct Placements" (Continued)

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement, which were postponed one year by GASB Statement No. 95, are effective for reporting periods beginning after June 15, 2019. Earlier application is encouraged.

- **GASB Statement No. 90, "Majority Equity Interest – An Amendment of GASB Statements No. 14 and 61":** The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement, which were postponed one year by GASB Statement No. 95 are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

16-FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS

- **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, which were postponed 18 months by GASB Statement No. 95, are effective for reporting periods beginning after June 15, 2021 and all reporting periods thereafter.

- **GASB Statement No. 89, "Accounting for Interest Costs Incurred Before the End of a Construction Period":** The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement.

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, which were postponed one year by GASB Statement No. 95, are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

16-FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- **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, which were postponed one year by GASB Statement No. 95, are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.
- **GASB Statement No. 92, "Omnibus 2020"** - Effective Date: The requirements of this Statement, which were postponed one year by GASB Statement No. 95, are effective as follows:

The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.

The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by topic.

16-FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- **GASB Statement No. 93, "Replacement of Interbank Offered Rates"** - Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (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 objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

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

The requirements of this Statement were postponed by GASB Statement No. 95. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

16-FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- **GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements"** - The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, 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), which the Board defines in this Statement as a PPP in which (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). As defined in this Statement, 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.

16-FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- **GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" (Continued)**

- 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.

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

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

To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability.

A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term.

16-FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- **GASB Statement No. 96, "Subscription-Based Information Technology Arrangements" (Continued):**

Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable.

A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented.

Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

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

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.

16-FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- **GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" (Continued)**

This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances. 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. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

One of the principles guiding the Board's setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

16-FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- **GASB Statement No. 98, "The Annual Comprehensive Financial Report" (Continued)**

Little direct cost will be incurred as a result of instituting the new term. Moreover, there will be no direct benefits in the form of new or improved information for making decisions or assessing accountability. However, establishing a new name for the financial report in response to the concerns of stakeholders benefits all stakeholders. The Board believes that those benefits are qualitative and justify the costs that will result from implementing the new term.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities.

The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

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

17-SUBSEQUENT EVENTS

Subsequent events were evaluated through March 31, 2022, the date financial statements were available to be issued. No significant events that should have been recorded or disclosed in the financial statements were noted, except as noted in the following paragraphs.

Impact of the Certified Fiscal Plan of the Commonwealth of Puerto Rico on the Budget for Fiscal Year 2021-2022

The Financial Oversight and Management Board approved a fiscal plan which included the progressive reduction of the Commonwealth's General Fund's transfers of funds given to the Municipalities, mainly the ones that are paid through the monthly advances of property taxes made by the **Center**.

17-SUBSEQUENT EVENTS (CONTINUED)

Impact of the Certified Fiscal Plan of the Commonwealth of Puerto Rico on the Budget for Fiscal Year 2021-2022 (Continued)

Based on the approved budget of Commonwealth of Puerto Rico for fiscal year 2021-2022, the estimated reduction of revenues will be \$37,096,000. Accordingly, during fiscal year 2021-2022, the revenues will experience a reduction of 21.33% distributed as follows:

Revenue Source	2021-22 Budget	2020-21 Budget	Increase (Decrease)	Percentage
General Fund (Transfers)	\$ 87,892,000	\$ 131,838,000	\$ (43,946,000)	(33.33)%
35% of Puerto Rico Additional Lottery System	48,950,000	42,100,000	6,850,000	16.27%
Total	\$ 136,842,000	\$ 173,938,000	\$ (37,096,000)	(21.33)%

Special Regulation in Benefit of the Taxpayer for Payment of Debt

On September 24, 2021, the **Center's** Governing Board approved the Delinquent Debt Collection Program, through regulations under Article 7.070 of Act No. 107-2020, as amended, known as the Municipal Code of Puerto Rico.

On November 4, 2021, the regulation was approved and registered in the Department of State as Regulation No. 9323: "Special Regulation in Benefit of the Taxpayer for Payment of Debt" (hereinafter "the Regulation"). The purpose of the Regulation is to provide an opportunity to tax payers to update their records and pay debts on the delinquent real property tax, establishing a uniform procedures that has the prior consent of the **Center** Governing Board, the Secretary of Treasury and the Mayor where the property is located, since it grant discounts to the principal amount of debts, as established in the Article 7.070 of Act No. 107-2020.

The Delinquent Debt Collection Program (the program) created by virtue of the provisions of the Regulation, will be as follows:

a) Debts for Tax on Real property for fiscal years 2019-2020, 2018-2019, 2017-2018 and 2016-2017:

- If the taxpayer pays between November 5, 2021, and January 31, 2022, will pay only the principal, without interest, surcharges, or penalties.
- If the taxpayer pays between February 1, 2022, and May 2, 2022, will pay the principal and interest, without surcharges or penalties.

17-SUBSEQUENT EVENTS (CONTINUED)

Special Regulation in Benefit of the Taxpayer for Payment of Debt (Continued)

b) Debts for Tax on Real Property prior to fiscal year 2016-2017

- If the taxpayer pays between November 5, 2021, and January 31, 2022, will be entitled to a discount of fifty-five percent (55%) on the principal owed, without interest, surcharges, or penalties.
- If the taxpayer pays between February 1, 2022, and May 2, 2022, will be entitled to a forty percent (40%) discount on the principal owed; without interest, surcharges or penalties.
- If the taxpayer pays between May 3, 2022, and June 30, 2022, will entitled to a twenty-five percent (25%) discount on the principal owed, without interest, surcharges, or penalties.

In order to qualify for the program, the tax payer must pay or have paid the taxes on real property for the years 2020-2021 and 2021-2022 in a single payment or made a payment plan with the **Center** in accordance of Article 7.060 of Act No. 107-2020. Other terms and conditions are provided in the Regulation.

The amounts collected for payments received as part of the Delinquent Debt Collection Program established by this Regulation will be deposited on an special account designated by the **Center**. The funds that make up the portion of the Basic Tax Contribution that enter in the special account will be distributed by the **Center** accordingly with the following order of priority:

- a) To the **Center**, 5% of the Basic Tax collected for operational and management expenses.
- b) To satisfy the debts of those municipalities who still own balance product of the declaration of nullity of Act No. 29-2019, consisting of the obligation to prepay municipal pensions ("PayGo") and payments to the Health Insurance Administration ("ASES").
- c) To pay debts incurred by the **Center** for the benefit of the municipalities, in accordance with Act No. 42-2000 and Act No. 146-2001, in the event that the **Center** reaches a payment agreement with its creditor and obtains the necessary approvals, as established by Act.
- d) For municipalities.

The funds that make up the portion of the Special Additional Tax that are entered into the special account will be distributed to the Municipal Debt Redemption Fund. The funds that known as 1.03% that are entered into the special account will be distributed to the State Redemption Fund.

On January 24, 2022, the Center issued the administrative order No. 2022-001, to amend the Article 8 of the Regulation to extend the 55% discount period for delinquent debts prior to fiscal year 2016-2017 until February 28, 2022. Also, the benefit for delinquent debts from fiscal years 2016-2017 to 2019-2020 is extended, until February 28, 2022.

The **Center** will establish all internal guides and procedures necessary to standardized, implement and execute all the provisions as established by the Regulation.

17-SUBSEQUENT EVENTS (CONTINUED)

Commonwealth Plan of Adjustment

On January 18, 2022, the Federal Court confirmed the Commonwealth Plan of Adjustment, restructuring approximately \$35 billion of debt and other claims against the Commonwealth of Puerto Rico, the Public Buildings Authority (PVA), and the Employee Retirement System ERS), as well as more than \$50 billion of unfunded pension liabilities. The Plan of Adjustment saves Puerto Rico more than \$50 billion in debt service and reduces outstanding obligations to just over \$7 billion.

The confirmed Plan of Adjustment ends the long-term uncertainty of the resources needed for future debt service and other liabilities. With a more affordable and certain level of debt service, the Commonwealth can now use all other available resources to provide effective service for the people and business community of Puerto Rico.

On January 27, 2022, a revised version of the fiscal year 2022 Fiscal Plan was certified by the Board, following the approval of the Commonwealth Plan of Adjustment. The 2022 Fiscal Plan considered the new debt service costs as included in the Plan of Adjustment and other critical actions necessary to restore fiscal responsibility in Government and financial stability.

The Fiscal Plan includes prioritizes resource allocations across a few major themes:

- Investing in the operational capacity of government to deliver service with Civil Service Reform (CSR), including increasing salaries.
- Prioritizing obligations to current and future retirees.
- Creating a fiscally responsible post-bankruptcy Government.
- Continuing investments in sustained priorities from prior fiscal plans.
- Increased resources available to the Commonwealth.
- Changes to expenditures post-bankruptcy.
- Long-term challenges for Puerto Rico.
- Importance of structural reforms.

The Board certified the fiscal year 2022 Fiscal Plan, as the Commonwealth emerges from bankruptcy with sustainable and stable debt service. Confirmation of the Plan of Adjustment and the unprecedented level of federal support provide an opportunity to transform this newfound predictability into stability, and economic prosperity.

COMMONWEALTH OF PUERTO RICO
Municipal Revenue Collection Center

Budgetary Comparison Schedule
(Non-GAAP)-General Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Property taxes administrative fees	\$ 28,252,522	\$ 29,238,698	\$ 30,272,517	\$ 1,033,819
Service charges to banks	1,099,901	1,099,901	1,122,242	22,341
Sales of certifications and maps	685,275	685,275	996,044	310,769
Interest income	65,000	65,000	5,323	(59,677)
Other income	197,750	197,750	209,094	11,344
Total revenues	30,300,448	31,286,624	32,605,220	1,318,596
OPERATING EXPENDITURES:				
Current:				
Salaries and fringe benefits	22,743,183	22,449,474	21,926,068	523,406
Professional and consulting services	1,817,874	1,966,219	1,849,618	116,601
Travel and representation	586,996	595,315	465,553	129,762
Capital outlays and supplies	218,000	736,373	726,926	9,447
Rent	1,507,041	1,676,372	1,661,374	14,998
Repairs and maintenance	1,168,779	1,847,757	1,797,538	50,219
Utilities	888,425	1,074,424	1,064,910	9,514
Printed forms	45,000	54,311	51,584	2,727
Postage	329,000	564,239	537,730	26,509
Interest and bank charges	51,600	104,014	102,796	1,218
Training	37,000	11,810	7,211	4,599
Insurance and premiums	185,000	202,445	202,440	5
Other	722,550	3,871	1,631	2,240
Total expenditures and encumbrances	30,300,448	31,286,624	30,395,379	891,245
EXCESS OF REVENUES OVER EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING SOURCES	\$ -	\$ -	\$ 2,209,841	\$ 2,209,841
Explanation of Differences:				
Sources/inflows of resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule				\$ 32,605,220
Differences-budget to GAAP:				
Non-budgeted transfer in				1,572,533
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances				<u>\$ 34,177,753</u>
Uses/outflows of resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule				\$ 30,395,379
Differences-budget to GAAP:				
Prior year encumbrances recorded as current year expenditures for GAAP basis				1,635,239
Current year encumbrances recorded as expenditures for budgetary purposes				(3,419,651)
Expenditures considered for GAAP not for budget				4,440,625
Total expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balances				<u>\$ 33,051,592</u>

1. BUDGET PROCESS AND BUDGETARY BASIS OF ACCOUNTING

The **Center's** budget is prepared for the General Fund following the requirements of the Act No. 107, as amended. It is developed utilizing elements of performance-based program budgeting and zero-based budgeting and includes estimates of revenues and other sources for ensuring fiscal year under laws existing at the time the budget is prepared.

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

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

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



López-Vega, CPA, PSC

Certified Public Accountant / Management Advisors

Member of:

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the **Municipal Revenue Collection Center ("the Center")** as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the **Center's** basic financial statements and have issued our report thereon dated March 31, 2022. The report on governmental activities was qualified because we were unable to obtain sufficient appropriate audit evidence about the deferred outflows/inflows, pension plan liability, pension expense, and related note disclosures required for the implementation of GASB Statement No. 73. Also, we were unable to obtain sufficient appropriate audit evidence about the amounts to be reported as deferred outflows/inflows of resources related to OPEB, the net OPEB liability, and related note disclosure required for the implementation of GASB Statement No. 75.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item **2021-001** that we consider to be a significant deficiency.

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

Compliance and other matters

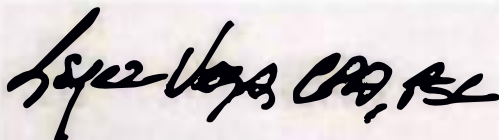
As part of obtaining reasonable assurance about whether the **Center's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

Center's Response to Findings

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

Purpose of this Report

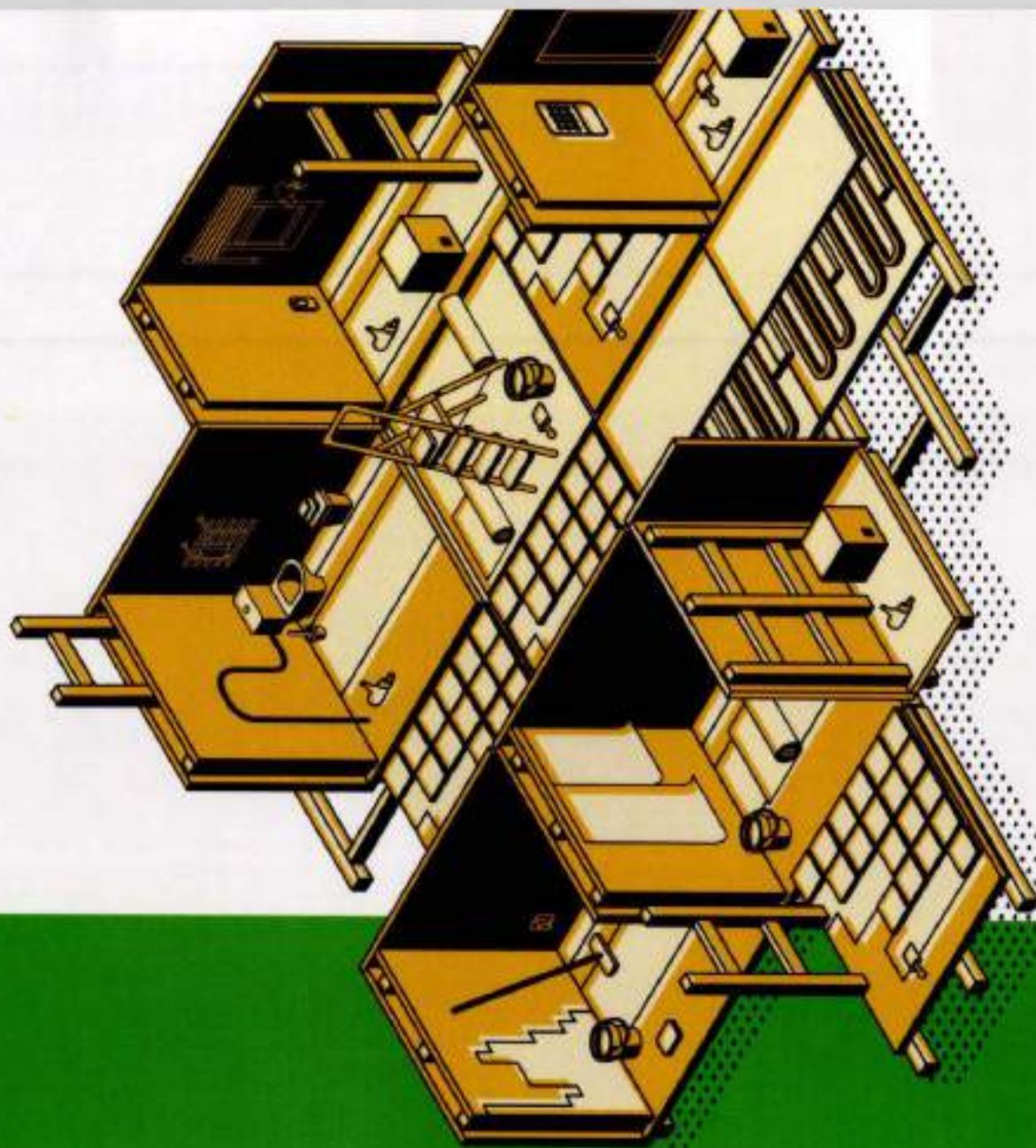
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the **Center's** internal control or on compliance. This report is an integral part of an audit performed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



LOPEZ VEGA, CPA, PSC

San Juan, Puerto Rico
March 31, 2022

Stamp No. E486826 of the
Puerto Rico Society of Certified
Public Accountants was affixed to
the record copy of this report.



Trabaja para ti

