GOVERNMENT OF PUERTO RICO

Puerto Rico Fiscal Agency and Financial Advisory Authority

Municipal Secondary Market Disclosure Information Cover Sheet
Municipal Securities Rulemaking Board (MSRB)
Electronic Municipal Market Access System (EMMA)

THIS FILING RELATES TO A SINGLE BOND ISSUE:

Name of bond issue exactly as it appears on the cover of the Official Statement:

____

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Nine-digit CUSIP* numbers if available, to which the information relates:

____

____

THIS FILING RELATES TO ALL OR SEVERAL SECURITIES ISSUED BY THE ISSUER, OR ALL OR SEVERAL SECURITIES OF A SPECIFIC CREDITOR:

Issuer's Name: **Puerto Rico Industrial Development Company (PRIDCO)**

Other Obligated Person's Name (if any): ____________________

Six-digit CUSIP* number(s): **745211 and 745215**

TYPE OF INFORMATION PROVIDED:

A. ☐ **Annual Financial Information and Operating Data pursuant to Rule 15c2-12**

Fiscal Period Covered: ____________________

B. ☒ **Audited Financial Statements or CAFR pursuant to Rule 15c2-12**

Fiscal Period Covered: 2016-17

C. ☐ **Notice of Failure to Provide Annual Financial Information as Required:** ____________________

I represent that I am authorized by the issuer, obligor or its agent to distribute this information publicly.

/s/ Manuel González del Toro

Manuel González del Toro

Puerto Rico Fiscal Agency and Financial Advisory Authority,

as Fiscal Agent for PRIDCO

Dated: February 3, 2020

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)

BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, OTHER SUPPLEMENTARY INFORMATION AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2017

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PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY
(A Component Unit of the Commonwealth of Puerto Rico)
BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2017

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VALDES, GARCIA, MARIN & MARTINEZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Puerto Rico Industrial Development Company
(A Component Unit of the Commonwealth of Puerto Rico)

Report on the Financial Statements

We have audited the accompanying basic financial statements of the *Puerto Rico Industrial Development Company* (PRIDCO) (a component unit of the Commonwealth of Puerto Rico), as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise PRIDCO'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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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. 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 controls. 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

1250 Ponce de Leon Ave. San José Bldg., Suite 702 San Juan, P.R. 00907 | P.O. Box 364831 San Juan, P.R. 00936-4831
Telephone: (787) 725-1600 | Fax: (787) 721-2795

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the *Puerto Rico Industrial Development Company* as of June 30, 2017 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Uncertainty about Ability to Continue as a Going Concern

The accompanying basic financial statements have been prepared assuming that PRIDCO will continue as a going concern. As discussed in Note 2 to the financial statements, PRIDCO has incurred recurring losses, has significant balances and transactions with the Commonwealth of Puerto Rico, the Governmental Development Bank and the Economic Development Bank and is currently negotiating a restructuring of its debt under Title VI of the U.S. Congress Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA). Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion on the basic financial statements is not modified with respect to this matter.

Adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date

As discussed in Note 1 to the basic financial statements, PRIDCO adopted the provisions of the Government Auditing Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68, effective July 1, 2016. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 9, the Schedule of PRIDCO's Proportionate Share of the Net Pension Liability on page 47 and the Schedule of PRIDCO's Contributions-Pension Plan on page 48 be presented to supplement the basic financial statements. Such 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. 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 inquires 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the *Puerto Rico Industrial Development Company's* basic financial statements. The Schedule of Changes in Cash and Sinking Fund per Trust Indenture for the year ended June 30, 2017, included on page 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Valdés, García, Marín & Martínez, LLP

San Juan, Puerto Rico
February 26, 2019

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Management Discussion and Analysis

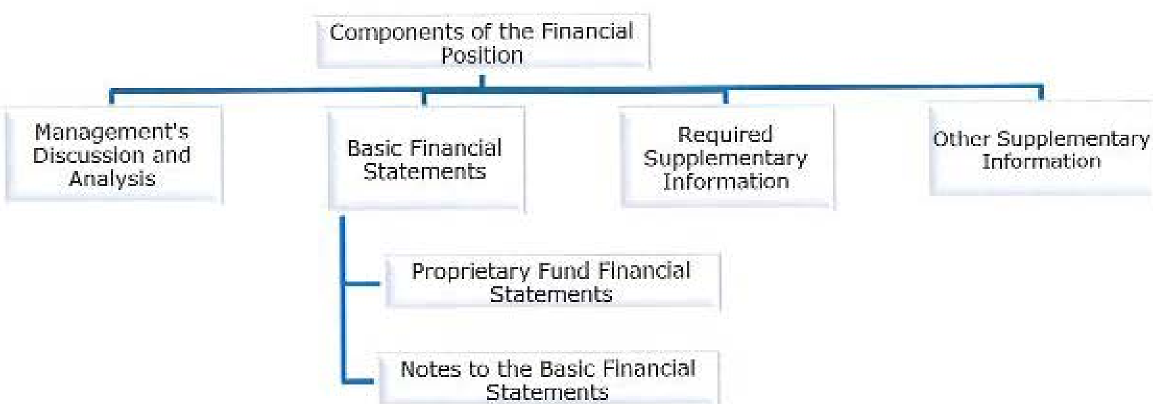
This management's discussion and analysis section (MD&A) provides a narrative overview and analysis of the financial activities of the Puerto Rico Industrial Development Company (PRIDCO) for the fiscal year ended June 30, 2017. The MD&A is intended to serve as an introduction to PRIDCO's basic financial statements, which have the following components: (1) proprietary fund financial statements, (2) notes to the basic financial statements (3) required supplementary information, and (4) other supplementary information. The MD&A is designed to (a) assist the reader in focusing on significant matters, and (b) provide an overview of PRIDCO's financial activities. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the PRIDCO's financial condition, the financial statements, and notes to the financial statements should be reviewed in their entirety.

Financial Highlights

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of PRIDCO at the close of the fiscal year 2017 by $195 million (net position). This amount includes $196 million of deficit.
- Total revenues decreased 13% and total expenses decreased 15%, when compared with fiscal year 2016. The change in net position decreased $2 million, with respect to prior year.
- The investment in capital assets as of June 30, 2017 was $642 million, net of depreciation.
- Long term debt activity (bonds, loans, notes payable and capital leases) decreased by $19 million when compared with fiscal year 2016.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to PRIDCO's basic financial statements. This report includes the management's discussion and analysis, the basic financial statements, the notes that explain in more detail the information contained in the financial statements, required supplementary information and other supplementary information.



Proprietary Fund Financial Statements

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. Proprietary fund statements of net position and revenues, expenses, and changes in net position are presented using the economic resources measurement focus and the accrual basis of accounting.

Notes to the Basic Financial Statements

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

Required Supplementary Information

The financial statements and notes are followed by the required supplementary information that includes the schedules related to pension plan as required by GASB No. 68.

Other Supplementary Information

The other supplementary information includes the schedule of changes in cash and sinking fund per trust indenture.

Financial Analysis

The following is an analysis of the financial position and changes in the financial position of PRIDCO's activities for fiscal year 2017:

Net Position

Condensed financial information from the statement of net position as of June 30, 2017 and 2016 is as follows (expressed in thousands):

	June 30,		Change	
	2017	2016 (as restated)	In Dollars	Percent
Assets				
Current assets	$ 59,273	$ 62,164	$ (2,891)	(5) %
Capital assets, net	642,034	655,904	(13,870)	(2) %
Other noncurrent assets	45,746	67,861	(22,115)	(33) %
Total assets	747,053	785,929	(38,876)	(5) %
Deferred outflows of resources				
Deferred loss on refunding	522	559	(37)	(7) %
Deferred outflows related to pension	40,815	30,084	10,731	36 %
Total assets and deferred outflows of resources	$ 788,390	$ 816,572	$ (28,182)	(3) %
Liabilities				
Current liabilities	$ 61,269	$ 63,732	$ (2,463)	(4) %
Noncurrent liabilities	528,283	528,685	(402)	(0) %
Total liabilities	589,552	592,417	(2,865)	(0) %
Deferred inflows of resources				
Deferred inflows related to pension	3,461	2,808	653	23 %
Net Position				
Net investment in capital assets	389,129	400,196	(11,067)	(3) %
Net restricted assets	2,343	20,558	(18,215)	(89) %
Deficit	(196,095)	(199,407)	3,312	(2) %
Total net position	195,377	221,347	(25,970)	(12) %
Total liabilities, deferred inflows of resources and net position	$ 788,390	$ 816,572	$ (28,182)	(3) %

As of June 30, 2017, net position of $195 million is composed of $389 million of net investment in capital assets, $2 million restricted and a deficit of $196 million. Total net position changed from $221 million to $195 million, a decrease of approximately $26 million or 12%. This decrease is primarily due to the implementation of GASB No. 68.

Total assets decreased, compared with prior year, by $38.9 million or 5%. The net decrease is mostly due to a decrease of capital assets of $13.9 million and a decrease of $18.3 of the sinking fund reserve accounts. Current assets decreased, compared with prior year, approximately $2.9 million. The net decrease in current asset is related to a decrease in accounts receivable of $7.2 million offset by an increase in cash of $1.4 million and an increase in the current portion of the sinking fund reserve accounts of $3.7 million. However, the increase in cash and cash equivalents was offset by a custodial credit risk loss of approximately $2 million on PRIDCO's deposit with EDB. A deferred outflow of resources was recognized during the year 2016 in relation to the implementation of GASB No. 68 and has a balance of $40.8 million as of June 30, 2017.

Total liabilities decreased for the amount of $3 million, primarily due to the net effect of the payments of principal balance made during the year and the recognition of liabilities related to the implementation of the GASB No. 68 and a new plan of voluntary termination benefits. Current liabilities decreased $2.5 million. The decrease was primarily due to a decrease of accounts payable of $8.8 million and a decrease in the amount due to the Commonwealth of $10.4 million, offset by an increase in the current portion of loans and payable to commercial banks of $10.3 million and an increase in accrued interest of $4.2 million.

Restricted net position is mainly composed of amounts deposited in the sinking fund reserve for payments of bonds payable and related interest. Restricted net position decreased approximately $18.2 million or 89%.

Revenues, expenses, and changes in net position

Condensed financial information of the statement of revenues, expenses and changes in net position for the years ended on June 30, 2017 and 2016 is as follows (expressed in thousands):

	June 30,		Change	
	2017	2016, (as restated)	In Dollars	Percent
Operating Revenues				
Rental income, net	$ 57,880	$ 65,602	$ (7,722)	(12) %
Total non-operating revenues	6,251	8,411	(2,160)	(26) %
Total revenues	64,131	74,013	(9,882)	(13) %
Operating expenses:				
Salaries and wages	27,844	24,667	3,177	13 %
Administrative, general and other expenses	22,692	37,403	(14,711)	(39) %
Depreciation and amortization	19,626	20,177	(551)	(3) %
Total operating expenses	70,162	82,247	(12,085)	(15) %
Total non-operating expenses	22,119	25,996	(3,877)	(15) %
Total expenses	92,281	108,243	(15,962)	(15) %
Loss before capital contributions	(28,150)	(34,230)	6,080	(18) %
Capital contributions	2,180	6,657	(4,477)	(67) %
Change in net position	(25,970)	(27,573)	1,603	(6) %
Net position, beginning of year	355,950	375,029	(19,079)	(5) %
Restatement	(134,603)	(126,109)	(8,494)	100 %
Net position, beginning of year, as restated	221,347	248,920	(27,573)	(11) %
Net position, end of year	$ 195,377	$ 221,347	$ (25,970)	(12) %

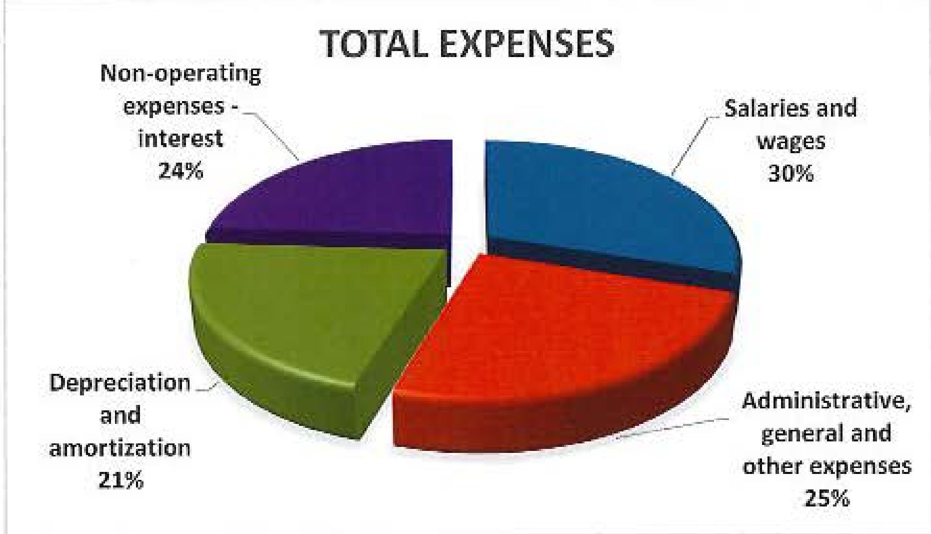
PRIDCO reported a negative change in net position of approximately $26 million, a decrease of $2 million or 6%, with respect to prior year's change in net position. This decrease is the result of a decrease of total revenues of 13% and a decrease of total expenses of 15%, when compared with fiscal year 2016.

Total revenues consist mostly of rental revenue of approximately $58 million. Rental revenues decreased $7.7 million or 12% when compared with 2016. Non-operating revenues decreased $2.2 million or 26%.

Operating expenses decreased by approximately $12.1 million or 15%, as a result of a net increase in salaries and wages of $3.2 million due to a new retirement incentive plan, offset by a decrease in administrative and general expenses of approximately $14.7 million.

Non-operating expenses decreased by approximately $3.9 million or 15%, mostly due to the overall decrease of the interest portions of notes and loans payable made during the year ended June 30, 2017.

PRIDCO's expense distribution for the year ended on June 30, 2017 is as follows:



Capital Assets

At the end of the fiscal year, PRIDCO has invested $642 million, net of accumulated depreciation, in a broad range of capital assets, including land held for improvements, land on leased projects, building and improvements, machinery and equipment, among others.

Long-Term Debt

At the end of the fiscal year, PRIDCO reported $331 million in bonds, loans and notes payable and obligations under capital leases. This represented a reduction of $19 million, with respect to the prior year. During the year PRIDCO did not obtain new long-term debt.

Current Known Facts

Hurricanes Irma and María

On September 2017 Puerto Rico was impacted by Hurricanes Irma and María, major category 4 hurricanes, causing a level of widespread destruction in many areas including infrastructure, housing, environment, public and private property, and disrupting the Commonwealth and PRIDCO's operations. PRIDCO estimated all damages suffered in about $187 million. The insurance company advanced the amount of $1.8 million for damage mitigation purposes but total amount of insurance recovery has not been determined.

Capital lease agreement converted into a master operating lease agreement

Effective December 18, 2017, assets held under capital lease agreement were refinanced under a new master lease agreement due on December 18, 2022. The new agreement provides for the substitution of 60-month old equipment for new equipment without altering the total monthly minimum lease payment from previous lease agreement. On March 27, 2018, the contract was amended to limit maximum charge for copies made in excess of contracted number for the term of the new agreement to $21,300. A second amendment was signed on May 25, 2018 to: (a) substitute all the 60-month equipment old for new equipment, (b) reduce monthly minimum lease payment from $7,350 to $7,294 and, (c) expressly eliminate the "financing agreement" terminology from the contract. It is management's intention to classify this new master lease agreement as an operating lease.

Commonwealth's Fiscal Plan

The Oversight Board certified the Commonwealth's fiscal plan in March 2017. On October 30, 2017, the Oversight Board required the Commonwealth to revise it because the damage inflicted on Puerto Rico by Hurricane Maria. A revised fiscal plan was certified on April 20, 2018 after intense negotiations. Due to further discussions between the Oversight Board and the Commonwealth, the Oversight Board updated and certified the fiscal plan in June 2018, which served as the basis for the 2019 fiscal year budget. On October 23, 2018 a New Fiscal Plan certified by the Oversight Board, incorporated refined healthcare projections based on actuarial estimates, new federal fund estimates, updated revenue and expenditure figures and changes in Government policy to impact overall growth based in two main areas as follows:

a) Structural Reforms – measures to improve the economy such as (1) Human Capital and Welfare Reforms, (2) Ease of Doing Business Reforms, (3) Power Sector Reforms and (4) Infrastructure Reform and Capital Investment.

b) Fiscal Reforms – fiscal measures to create a sustainable fiscal future for Puerto Rico by reducing costs while maintaining and improving the quality of important services. The measures include the following: (1) Tax compliance and fees enhancement, (2) Agency efficiencies, (3) Pension reform, (4) Healthcare reform, (5) Office of the CFO, and (6) Reduction of appropriations. The ultimate outcome of the reforms is undeterminable.

Among the several measures to be taken, the following fiscal reforms may have a significant impact on PRIDCO's operations:

- <u>Tax compliance and fees enhancement</u> - The Plan includes a comprehensive tax reform that intends to reduce corporate, individual and sales and use tax rates, eliminates non-revenue generating incentives and subsidies while maintaining revenue neutrality. Measures may have a significant impact on PRIDCO's rental revenues.

- <u>Agency efficiencies</u> – Act. 141 of July 11, 2018 enabled the first reorganization plan that regulates the consolidation of ten agencies under the new Economic Development and Commerce Department (DDEC by its Spanish acronym). The organizational chart of the new DDEC integrates the Tax Exemption Office, the State Office of Energy Policy, the Regional Center Corp., and the Permits & Endorsements Management Office, as programs or offices within DDEC. Likewise, the Trade & Export Co. and the

Tourism Co. are integrated into DDEC once the paperwork required for their merger is completed. The Puerto Rico Industrial Development Co. and the Roosevelt Roads Redevelopment Authority remain attached to the DDEC, with the Planning Board now also ascribed to the new DDEC.

The new DDEC is going to carry out functions previously discharged by PRIDCO. The promotion and industrial incentives functions are fully transferred to the new DDEC. Also, the new DDEC is entitled to manage, operate, rent, sell, lease, assign or otherwise dispose of PRIDCO's real estate inventory, when previously endorsed by PRIDCO.

- Pension reform - The Plan includes the following measures: (1) freeze the Teachers (TRS) and Judiciary Retirement Systems (JRS) and transition them to a segregated defined contribution plan; (2) institute a 10% average pension reduction applicable to all actual retirees with combined retirement plan and Social Security benefits in excess of the poverty level of $1,000 per month starting in FY 2020; (3) enroll teachers, police officers and judges under the age of 40 in the Social Security.

GDB's Fiscal Plan

GDB's Fiscal Plan establishes financial restructuring and closing of GDB operations that will allow for a smooth transition of GDB's current operations. Consequently, a Restructuring Support Agreement, dated May 15, 2017 (RSA) provides for the restructuring of a significant portion of GDB's liabilities. On June 2017, GDB submitted to the Oversight Board a proposed amended Fiscal Plan that incorporated the structure agreed, which was certified and approved by the Oversight Board on July 12, 2017. GDB's substantial operations ceased in March 2018, after AAFAF announced certain amendments to the RSA which became effective pursuant to its terms on April 6, 2018, after obtaining the signature of the number of holders of GDB's Participating Bond Claims required.

Contacting PRIDCO's Financial Management:

This financial report is designed to provide our customers and creditors with a general overview of the PRIDCO's finances and to demonstrate PRIDCO's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Puerto Rico Industrial Development Company, P.O. Box 362530, San Juan, Puerto Rico, 00936-2530.

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF NET POSITION (IN THOUSANDS)
AS OF JUNE 30, 2017

ASSETS	
Current assets:	
Cash and cash equivalents, net	$ 32,926
Sinking fund reserve accounts, at accreted cost, restricted	13,723
Rent, loans and accounts receivable, net	11,372
Prepaid expenses and other assets	1,252
Total current assets	59,273
Non-current assets:	
Investment in equity securities, at cost	4,093
Due from the Commonwealth of Puerto Rico	41,653
Capital assets, net:	
Land and construction in progress	236,789
Building, improvements and machinery	405,245
Total non-current assets	687,780
Total assets	747,053
Deferred outflows of resources -	
Deferred loss on refundings	522
Deferred outflows related to pension	40,815
Total deferred outflows of resources	41,337
Total assets and deferred outflows of resources	$ 788,390
LIABILITIES	
Current liabilities:	
Current portion of:	
Loans and notes payable to commercial banks	$ 19,957
Bonds payable	10,250
Obligations under capital leases	117
Accounts payable and other accrued liabilities	7,729
Due to the Commonwealth of Puerto Rico	9,868
Compensated absences	1,539
Environmental liabilities	141
Accrued interest	10,138
Termination benefits accrual, current portion	1,530
Total current liabilities	61,269

(Continues)

See the accompanying notes to the basic financial statements

STATEMENT OF NET POSITION (IN THOUSANDS)

Non-current liabilities:		
Bonds payable	$	147,804
Notes payable to Government Development Bank		77,772
Loans and notes payable to commercial banks		74,603
Due to the Commonwealth of Puerto Rico		4,719
Net pension liability		180,808
Termination benefits accrual, net of current portion		9,420
Compensated absences		2,204
Rent and other deposits		7,531
Legal liabilities		6,781
Contract retention		1,940
Environmental liabilities		14,259
Undistributed proceeds from sale		268
Obligations under capital leases		174
Total non-current liabilities		528,283
Total liabilities		589,552
Deferred inflows of resources -		
Deferred inflows related to pension		3,461
Total liabilities and deferred inflows of resources		593,013
Net position (deficit):		
Net investment in capital assets		389,129
Net restricted assets		2,343
Deficit		(196,095)
Total net position	$	195,377

See the accompanying notes to the basic financial statements

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (IN THOUSANDS)
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES:	
Rental income, substantially from industrial properties, net	$ 57,880
OPERATING EXPENSES:	
Salaries and wages (including voluntary termination benefits)	27,844
Administrative and general	17,270
Depreciation and amortization	19,626
Maintenance and repairs, net	5,422
Total operating expenses	70,162
OPERATING LOSS	(12,282)
NON-OPERATING REVENUES (EXPENSES):	
Net gain on sale of properties	5,944
Net investment income	98
Interest income on loans	209
Custodial credit risk loss on deposits with governmental bank	(2,047)
Impairment loss in capital assets	(363)
Interest expense	(19,709)
Total non-operating revenues (expenses), net	(15,868)
Loss before capital contributions	(28,150)
CAPITAL CONTRIBUTIONS:	
Special Fund for Economic Development	2,180
CHANGE IN NET POSITION	(25,970)
NET POSITION - beginning of year as restated	221,347
NET POSITION - end of year	$ 195,377

See the accompanying notes to the basic financial statements

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF CASH FLOWS (IN THOUSANDS)
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash collected from rental income	$ 65,051
Cash paid for salaries and benefits	(26,299)
Cash paid for supplies and services	(15,669)
Net cash provided by operating activities	23,083
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from sale of properties	6,469
Collections of capital contributions	2,180
Payments for capital assets	(8,196)
Payments of obligations under capital leases	(215)
Payments of bonds payable	(10,065)
Payments of notes and loans payable	(9,613)
Interest paid	(14,945)
Net cash used in capital and related financing activities	(34,385)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Net payments to Commonwealth of Puerto Rico	(5,951)
Net cash used in non-capital and related financing activities	(5,951)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net change in sinking fund-redemption and bond service accounts	18,321
Interest collected on investments, loans and other non-operating revenue	308
Net cash provided by investing activities	18,629
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,376
CASH AND CASH EQUIVALENTS - beginning of year	31,550
CASH AND CASH EQUIVALENTS - end of year	$ 32,926

(Continues)

See the accompanying notes to the basic financial statements

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF CASH FLOWS (IN THOUSANDS)
FOR THE YEAR ENDED JUNE 30, 2017

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	$ (12,282)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization expense	19,626
Provision for doubtful accounts	10,986
Increase in accounts receivable and deposits	(3,815)
Decrease in prepaid expenses and other assets	793
Increase in termination benefits accrual	3,438
Decrease in compensated absences	(1,335)
Increase in accounts payable and accrued liabilities	5,672
Total adjustments	35,365
Net cash provided by operating activities	$ 23,083

SUPPLEMENTAL INFORMATION ON NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Accretion of bonds payable	$ 561
Amortization of bond discount	$ 15
Capital additions through obligations under capital leases	$ 195
Capital asset received as a contribution	$ 2,251

See the accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Puerto Rico Industrial Development Company (PRIDCO) is a component unit of the Commonwealth of Puerto Rico (the Commonwealth), created in 1942 by Act No. 188, as amended. PRIDCO is engaged in promoting the development of new local enterprises and encouraging U.S. and foreign investors to establish and expand their business operations in Puerto Rico. To accomplish its mission, PRIDCO, among its many programs, constructs industrial facilities for lease or sale to qualified enterprises.

a. Reporting Entity – The basic financial statements include PRIDCO as well as all the operations of the component units, if any.

A component unit is a legally separate entity for which PRIDCO is financially accountable, or the nature or significance of their relationship with PRIDCO is such, that their exclusion would cause PRIDCO's basic financial statements to be misleading or incomplete. Financial accountability exists if the primary government appoints a voting majority of the entity's governing body, and if either one of the following conditions exist: the primary government can impose its will on the other entity or the potential exists for the other entity to (1) provide specific financial benefit to or (2) impose specific financial burdens on the primary government. A second criterion used in evaluating potential component units is if the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the financial statements to be misleading or incomplete. U.S. GAAP details two methods of presentation: blending the financial data of the component unit's balances and transactions in a manner similar to the presentation of PRIDCO's balances and transactions or discrete presentation of the component unit's financial data in columns separate from PRIDCO's balances and transactions.

Based on the above criteria the following component units are presented blended in the financial statements:

i. Puerto Rico Industrial Investment Corp. (PRIICO) owns a building in San Juan, where PRIDCO offices are located. These premises are leased to PRIDCO and other entities.

ii. Puerto Rico Industrial Incentives Fund, Inc. (PRIIF) was created in March 1997 to provide financial assistance to business enterprises, facilitate the promotion of new employment, and the retention of employment in the industrial and service sectors of Puerto Rico economy. Since 2014 it has no operational activities.

The financial statements of PRIICO and PRIIF, even though they are legally separate, are reported as it they are part of PRIDCO because its governing body is in substance the same of the component units and PRIDCO's management has operational responsibility for them.

Condensed financial information as of June 30, 2017 and for the fiscal year then ended of the component units is as follows:

	PRIICO	PRIIF
Statements of Net Position as of June 30, 2017 (In thousands):		
Current assets	$ 1,525	$ 172
Due from PRIDCO	145,659	-
Capital assets, net	12,068	-
Total assets	159,252	172
Deferred outflows of resources	522	-
Total assets and deferred outflows of resources	$ 159,774	$ 172
Current liabilities	$ 20,372	$ -
Due to PRIDCO	147,984	-
Non-current liabilities	74,717	-
Total liabilities	243,073	-
Net position (deficit):		
Net investment in capital assets	12,068	-
Net position (deficit)	(95,367)	172
Total net position (deficit)	(83,299)	172
Total liabilities and net position	$ 159,774	$ 172
Statements of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2017 (In thousands):		
Operating revenues	$ 1,216	$ -
Operating expenses	4,048	-
Operating loss	(2,832)	-
Non-operating expense:		
Interest expense	6,063	-
Change in net position	(8,895)	-
Net positon (deficit)-beginning of year	(74,404)	172
Net positon (deficit)-end of year	$ (83,299)	$ 172
Statements of Cash Flows for the year ended June 30, 2017 (In thousands):		
Net cash used in operating activities	$ (1,089)	$ -
Net cash used in capital and related financing activities	(15,400)	-
Net cash provided by non-capital and related financing activities	16,797	-
Net change in cash	308	-
Cash-beginning of year	875	172
Cash-end of year	$ 1,183	$ 172

b. Measurement Focus, Basis of Accounting and Financial Statement Presentation- The accompanying basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when incurred, regardless of when cash is received or paid.

c. Concentration of Credit Risk - PRIDCO maintains cash on deposits with high rated financial institutions, the Economic Development Bank for Puerto Rico (EDB) and the Government Development Bank for Puerto Rico (GDB), both components unit of the Commonwealth. The laws of the Commonwealth require from commercial banks to fully collateralize all public funds deposited with them in excess of the amount insured by the Federal Government. The securities pledged by the banks as collateral for those deposits are under the custody of the Secretary of the Treasury in the name of the Commonwealth. Deposits with GDB and EDB, are exempt from the collateralization requirement and represent a custodial credit risk, since in case of bankruptcy of the banks, PRIDCO would not recover its deposits. (Refer to Note 3).

d. Cash Equivalents - PRIDCO considers all highly liquid investments with original maturity of three months or less to be cash equivalents.

e. Investments - PRIDCO is authorized to invest in Puerto Rico and U.S. government obligations or in obligations guaranteed by the Puerto Rico or U.S. governments, its agencies or instrumentalities, including mortgage loans secured or guaranteed under federal housing laws. Investments in equity securities are stated at amortized cost and are mostly composed of common and preferred stock shares in private entities.

f. Rent, Loans and Notes Receivable and Allowance for Doubtful Accounts - PRIDCO's rent receivable arises from the leasing of industrial facilities to its customers. Rent is calculated based on agreed rates on executed contracts. The allowance for doubtful accounts is established through provisions recorded as an offset of rental income. PRIDCO provides for an allowance for doubtful accounts on notes receivable and loans receivable upon an evaluation of the risks characteristics of those accounts, loss experience, economic conditions and other pertinent factors. Write-offs are recorded against the allowance when management believes that the collectability of the principal is unlikely. Recoveries of amounts previously written-off are credited to the allowance. Notwithstanding, the allowance is subject to and may be adjusted in the future because of changes in the economic or market conditions.

Notes and loans receivable are presented at the outstanding unpaid principal balance reduced by the allowances for losses. These are measured for impairment when it is probable that all amounts, including principal and interest, will not be collected in accordance with the contractual terms of the loan agreement. No impairment was recorded for the year ended June 30, 2017.

g. Restricted Assets - Restricted assets as of June 30, 2017, consist of the following (in thousands):

Sinking fund required by trustee	$ $18,140
Unfunded balance	(4,417)
Sinking fund balance as of June 30, 2017	13,723
Liabilities payable from restricted assets consists of the following:	
Bonds and discount payable within one year	10,250
Accrued bond interest payable as of June 30,2017	1,130
Total liabilities payable from restricted assets	11,380
Net restricted assets	$ 2,343

h. Capital Assets - Capital assets are stated at cost, net of accumulated depreciation and amortization. Cost of construction includes, among other things, interest costs, and indirect costs consisting of payroll taxes and other fringe benefits. Depreciation and amortization is computed on the straight-line method at rates considered adequate to allocate the cost of the various types of property over their estimated useful lives. Expenditures for maintenance and repair costs that do not improve or extend the life of the respective assets are charged to operations as incurred. Additions, renewals, and betterments, unless of relatively minor amounts, are capitalized. Estimated useful lives and capitalization thresholds are as follows:

	Useful Life (Years)	Capitalization Threshold (In thousands)
Buildings and buildings improvements	50	$1
Machinery and equipment	15	$1
Furniture and vehicles	5-15	$1

An asset is considered impaired when its service utility has declined significantly and unexpectedly, and the event or change in circumstances is outside the normal life cycle of the asset. Impaired capital assets that will no longer be used by PRIDCO should be reported at the lower of their carrying value or fair value. Impairment losses on capital assets that will continue to be used by PRIDCO should be measured using the method that best reflects the diminished service utility of the capital asset. Impairment of capital assets with physical damage generally should be measured using a restoration cost approach, an approach that uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off.

i. Operating Revenue and Expenses - PRIDCO distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

j. Revenue Recognition - Revenue from rental activities related to industrial properties is reported as revenue on the accrual basis over the term of the lease based on the monthly rental fees established by each lease agreement. Most of the leases in effect are cancelable, subject to penalty in case of early termination. Revenue from non-exchange transactions consists of intergovernmental grants, including contributions in aid for construction, mainly from two funds of the Commonwealth. These are recorded as revenue as soon as all eligibility requirements are met. Contributions received by PRIDCO for construction and improvements of capital assets during the year ended June 30, 2017, amounted to $2.18 million received from the Special Fund for Economic Development.

k. Compensated Absences - Vacation and sick leave may be accumulated at a maximum of 60 days and 90 days, respectively. Employees earned 30 days of vacations and 18 days of sick leave, annually, until April 28, 2017. Effective April 29, 2017, when Act No. 26 became effective, all employees in each calendar year, will earn up a maximum of 15 and 12 days of vacations and sick leave, respectively.

l. Voluntary Termination Benefits - PRIDCO recognizes a liability and expense for voluntary termination benefits when the offer is accepted, and the amount can be estimated.

m. Accounting for Pension Costs - PRIDCO accounts for pension costs under the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68,* which was adopted by PRIDCO effective July 1, 2016. GASB Statement No. 68 replaced the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and requires that employers report a net pension liability and related pension accounts, such as pension expense and deferred outflows/inflows of resources as determined by the Retirement System, as applicable, under the requirements contained in GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25.*

n. Use of 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 revenues and expenses during the reporting periods. Actual results could differ from those estimates.

o. Deferred Outflows/Inflows - 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 statement of net position deferred outflows/inflows of resources arise as result of the transactions recorded as part of the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27 and* GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.*

p. New Accounting Standards Adopted - Effective July 1, 2016, PRIDCO adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB Statement No. 68 requires that employers and nonemployer contributing entities report a net pension liability and related pension expense as determined by the plans under the requirements contained in GASB Statement No. 67. During the year ended June 30, 2017, PRIDCO also implemented GASB Statement No. 71, requiring that upon implementation of GASB No. 68, a government recognizes a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability.

The implementation of these statements has a significant impact on PRIDCO's basic financial statement by restating the net position at beginning of year, recognition of deferred outflows and inflows of resources, and adding new disclosure requirements and required supplementary information.

2. GOING CONCERN AND UNCERTAINTIES

Management believes that there is substantial doubt about PRIDCO's ability to continue as a going concern because of the following factors:

- PRIDCO has experienced recurring losses from operations.
- As part of its normal operating activities, and as disclosed in Notes 3, 10, and 11 to the basic financial statements, PRIDCO has significant balances and transactions with the Commonwealth of Puerto Rico (the Commonwealth), with the Economic Development Bank for Puerto Rico (EDB) and with the Government Development Bank for Puerto Rico (GDB). As of June 30, 2017, the Commonwealth and GDB face significant uncertainties, including liquidity risk, which is the risk of not having enough liquid financial resources to meet their obligations when they come due. Because of these uncertainties, the amounts due from Commonwealth, disclosed in Note 10, may not be collected in the near future, and PRIDCO's management is unable to determine when such amounts will be appropriated by the Legislature of the Commonwealth. Concurrently, the amounts due from the Commonwealth are the sole source for the payment of the line of credit and notes payable to GDB, as disclosed in Note 11 to the basic financial statements.

- PRIDCO has been unable to fund all of its outstanding obligations from operating cash flows and is negotiating a restructuring of the debt under Title VI of PROMESA.

In response to the financial difficulties and the economic and liquidity crisis the Commonwealth is facing PRIDCO's management is working in a ten-year business plan. This plan will include a series of initiatives for increasing revenues through the renewal of existing leases contracts and sale of properties, and reducing administrative costs, including payroll costs, by the transfer of employees to the Department of Economic Development and Commerce, as considered in the reorganization plan. In addition, PRIDCO is currently negotiating a restructuring of its debt under Title VI of PROMESA. This title establishes an out-of-court process for modifying the debt.

3. CASH AND CASH EQUIVALENTS

PRIDCO's cash and cash equivalents as of June 30, 2017 consist of the following (in thousands):

	Book balance	Custodial credit risk loss	Book balance after loss	Depository bank balance	Amount uninsured and uncollateralized
Cash deposited in commercial banks	$ 32,926	$ -	$ 32,926	$ 33,869	$ -
Cash equivalents:					
Deposit accounts with:					
Government Development Bank for Puerto Rico	2,017	2,017	-	2,017	2,017
Economic Development Bank for Puerto Rico	2,047	2,047	-	2,047	2,047
Total cash equivalents	4,064	4,064	-	4,064	4,064
	$ 36,990	$ 4,064	$ 32,926	$ 37,933	$ 4,064

Custodial Credit Risk Loss on Deposits with Government Development Bank for Puerto Rico and Economic Development Bank for Puerto Rico

As explained in more detail in Note 20, the Commonwealth's credit rating downgrade in 2014 led private entities to retire their businesses from EDB and prevented GDB from receiving capital. GDB crisis made many public agencies and corporations move their deposits from EDB to GDB, leading EDB to the point of liquidating its entire investment portfolio.

Loans to the Commonwealth and its instrumentalities constitute a significant portion of GDB's assets. Thus, the rating downgrade severely affected those entities which resulted in operational deficits, lack of access to capital markets and consequently, delays in the repayment of loans outstanding with GDB, which left GDB with significant non-performing assets, limited liquidity and the inability to repay its debts when they come due. Although, a Restructuring Support Agreement, dated May 15, 2017 (RSA) was certified and approved by the Oversight Board on July 12, 2017, to provide for the restructuring of a significant portion of GDB's liabilities, GDB's substantial operations ceased in March 2018.

Even though EDB took several measures to control the decline in its operations, they were not enough. On October 23, 2018, the Financial Oversight and Management Board (the Oversight Board), a seven-member board established under PROMESA, approved the Commonwealth Fiscal Plan which included the closure of the EDB.

As a result of the above-mentioned matters, PRIDCO recognized a custodial credit risk loss on deposits held in EDB of approximately $2 million for the year ended June 30, 2017 and a risk loss of $2 million in GDB for the year ended June 30, 2016.

4. SINKING FUND RESERVE

As of June 30, 2017, PRIDCO holds a $ 13.7 money market deposited in a sinking fund reserve account with U.S. Bank Trust National Association (the Trustee), that will be used for the payment of bonds debt service and sinking fund requirements. At June 30, 2017, investments hold in the sinking fund reserve are all due within one year.

PRIDCO was included in the debt restructuring petition filed by the Oversight Board in the U.S. District Court in Puerto Rico under Title VI of PROMESA. The Title VI provision allows for an out-of-court debt restructuring process akin to Chapter 9 of the U.S. Code bankruptcy protection. Since then, PRIDCO suspended their deposits in the sinking fund accounts. Consequently, repayments of bonds debt have not been honored from the required sinking fund reserve account. As of June 30, 2017, total sinking fund reserve account is $4.4 million under the required amount.

Expected maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

5. INVESTMENT IN AND ADVANCES TO PUERTO RICO SOUTHERN INDUSTRIAL DEVELOPMENT COMPANY

Puerto Rico Southern Industrial Development Company (SIDCO) is a related organization engaged in promoting the development of the economy of Puerto Rico, with its sole facility in Guayama, Puerto Rico that is currently leased to a pharmaceutical company. The rental agreement calls for the payment of an annual rent equal to the amounts due and payable by SIDCO under various notes payable and any other expenses incurred by SIDCO related to the facility's construction. During the term of the lease, the pharmaceutical company may exercise, at any time, an option to purchase the plant at a price equal to the outstanding amount of the notes and other plant-related obligations plus $750 thousand. Pursuant to the terms of the agreement, the pharmaceutical company exercised the right to extend the initial term of the lease for two successive renewal periods; the first renewal for a period of 20 year after the date of commencement of operations or the pharmaceutical company's tax-exemption grant, whichever date is later, and the second renewal for an additional period of 7 years commencing upon the expiration of the first renewal period. The first renewal period of the leased expired in 2017.

At June 30, 2017, summarized information regarding SIDCO's assets follows (in thousands):

Current assets	$ 661
Land and plant	90,118
Total assets	90,779
Contribution by pharmaceutical company	(90,248)
Other liabilities	(89)
Investment in SIDCO, net	$ 442

SIDCO's only activity is the leasing of this facility. During 2001, SIDCO acquired a land facility by entering into a promissory note in the amount of $1.6 million. Pursuant to the terms of the promissory note, the parties agreed upon as follows:

- SIDCO shall not be obligated to pay the unpaid balance of principal hereunder, and this obligation shall become null and void, in the event the pharmaceutical company terminates early the lease and option agreement entered within.

- In the event the pharmaceutical company or the successor lessor under the lease exercises the option to purchase the plant pursuant to the lease, then the unpaid principal balance due on the promissory note shall be automatically accelerated and become due and payable in accordance with the lease agreement.

It is management's opinion that the pharmaceutical company will exercise its purchase option in the future. Accordingly, the assets of SIDCO have not been blended within PRIDCO's financial statements.

6. RENT, LOANS AND ACCOUNTS RECEIVABLE

Rent, loans and accounts receivable as of June 30, 2017 consist of the following (in thousands):

Rent receivable	$ 20,753
Loans receivable	10,343
Other	7,589
Total	38,685
Less: Allowance for doubtful accounts	(27,313)
Rent, loans and accounts receivable, net	$ 11,372

Changes in the allowance for doubtful accounts during the year ended June 30, 2017 are as follows (in thousands):

Allowance for doubtful accounts, beginning of year	$ 23,719
Plus: Provision for doubtful accounts	10,986
Less: Accounts written-off	(7,392)
Allowance for doubtful accounts, end of year	$ 27,313

7. NOTES RECEIVABLE

Notes receivable mostly represent the principal amount of various non-revolving promissory notes issued by PRIDCO to qualified exempt businesses for the purpose of partially financing the acquisition of machinery and land premises and working capital needs. The notes agreements provide that the outstanding principal may be prepaid without penalty. Notes receivable as of June 30, 2017 consist of the following (in thousands):

Non-revolving note receivable to qualified exempt business for the purpose of partially financing the acquisition of machinery and working capital needs, bearing annual interest at 4.25% during the term of the loan. This note is due in monthly installments of $5 thousand commencing on March 1, 2010 to September 1, 2023 and a final monthly payment of $4 thousand due on October 1, 2023 and is collateralized by a lien on machinery and equipment, and insurance policies covering the replacement value of equipment and machinery.	$ 439
Non-revolving note receivable to qualified exempt business for the purpose of partially financing the acquisition of machinery and working capital needs, bearing annual interest at 8% during the term of the loan. The note is due in monthly installments of $2 thousand commencing on December 1, 2004 over a 20-year period, and is collateralized by a lien on machinery and equipment and insurance policies covering the replacement value of equipment and machinery.	452
	891
Less: Allowance for doubtful accounts	(891)
Notes receivable, net	$ -

8. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 consists of the following (in thousands):

	Beginning balance	Additions /Reclass	Retirements /Reclass	Ending balance
Capital assets not being depreciated:				
Land held for improvement	$160,849	$ -	$ (117)	$160,732
Land on leased projects	72,000	2,485	(564)	73,921
Construction in progress	50,452	6,178	(54,494)	2,136
Total capital assets not being depreciated	283,301	8,663	(55,175)	236,789
Capital assets being depreciated:				
Buidings and improvements	774,975	50,275	(1,598)	823,652
Machinery and equipment	72,795	103	(101)	72,797
Furniture and vehicles	13,710	35	(27)	13,718
Total capital assets being depreciated	861,480	50,413	(1,726)	910,167
Less: Accumulated depreciation of:				
Buidings and improvements	(413,620)	(17,298)	3,566	(427,352)
Machinery and equipment	(62,567)	(1,732)	-	(64,299)
Furniture and vehicles	(12,690)	(581)	-	(13,271)
Total accumulated depreciation	(488,877)	(19,611)	3,566	(504,922)
Total capital assets being depreciated, net	372,603	30,802	1,840	405,245
Total capital assets, net	$655,904	$ 39,465	$ (53,335)	$642,034

PRIDCO evaluated its capital assets for impairment and recorded a charge of $362,918 during the year ended June 30, 2017 because of a building lost on a fire.

On December 5, 2014, the Puerto Rico Ports Authority (Ports), another component unit of the Commonwealth, entered into an $8 million financing agreement with GDB and used the proceeds for the development of certain repair, maintenance and overhaul aerospace facilities, at Rafael Hernandez Airport, in Aguadilla, Puerto Rico, a property of Ports. Also, the Special Development Economic Fund agreed to provide a $6.4 million incentive for the creation of new employment at that project, and the Special Incentives Fund, both fiduciary funds of the Commonwealth, agreed to provide $40 million to supplement the construction of the facilities at the Airport.

To secure the $8 million financing provided by GDB to Ports, on that same date, PRIDCO entered into a voluntary mortgage agreement with GDB, and mortgaged certain non-bonded properties, with a carrying value of $4.2 million, as collateral for this financing, for an amount not to exceed $10 million. The agreement established that PRIDCO is not a debtor or co-debtor for the Ports financing, and does not have any other responsibility, other than to provide these properties as collateral in case of default or non-compliance by Ports, up to $10 million. The mortgage note is due and payable on December 5, 2044.

9. ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities as of June 30, 2017 consist of the following (in thousands):

Accounts payable	$2,683
Accrued payroll related expenses	24
Other accrued liabilities	5,022
	$7,729

10. DUE TO AND FROM THE COMMONWEALTH OF PUERTO RICO

Amounts due from the Commonwealth as of June 30, 2017 consist of funds provided for granting industrial incentives to the Special Incentives Fund, a fiduciary fund of the Commonwealth (the Fund), of $41.7 million with maturity date on June 30, 2040. Prior to June 30, 2004, the Fund received advances from a line of credit established with the GDB through an agreement between the bank and PRIDCO, the Fund's administrator. Therefore, the outstanding balance of the line of credit was recorded in PRIDCO's financial statements and amounted to $41.7 million as of June 30, 2017. Repayments of these notes shall be provided by COFINA through legislative appropriations.

Rums of Puerto Rico Fund, Special Incentives Fund, and Special Fund for Economic Development are administered by PRIDCO on behalf of the Commonwealth. Management has concluded that they do not constitute funds of PRIDCO. Accordingly, they are not presented in the accompanying basic financial statements.

Amounts due to the Commonwealth as of June 30, 2017 consist of the following (in thousands):

Payable to	Purpose	Amount
Rums of Puerto Rico Fund	Operating advances	$ 7,428
Puerto Rico Department of Economic Development	Management fees	7,159
		$14,587

During fiscal year 2016-2017 PRIDCO and the Puerto Rico Department of Economic Development (the Department) reached an agreement for restructuring the amount due for management fees from previous years. The Department agreed to forgive one-third (1/3) of the amount due of approximately $3 million. Also, PRIDCO applied to the debt the amount of $3 million of certain administrative expenses paid on behalf of the Department. The remaining balance at the agreement date of $10 million is payable in 23 installments of $272 thousand beginning on August 19, 2016 and a final payment of $4 million due not later than October 19, 2018.

11. LONG-TERM DEBT ACTIVITY

Long-term debt activity for the year ended June 30, 2017 is as follows (in thousands):

	Beginning balance	Additions	Accretions	Reductions	Ending balance	Due within one year
Bonds payable	$ 162,625	$ -	$ -	$ (10,065)	$152,560	$ 7,333
Plus: Accreted discount	5,172		562	-	5,734	2,932
Less: Bonds discount	(255)	-	-	15	(240)	(15)
Bonds payable, net	167,542	-	562	(10,050)	158,054	10,250
Line of credit and notes payable to GDB	77,772	-	-	-	77,772	-
Loans and notes payable	104,173	-	-	(9,613)	94,560	19,957
Obligations under capital leases	311	196	-	(216)	291	117
Total	$ 349,798	$ 196	$ 562	$ (19,879)	$330,677	$30,324

Bonds Payable

As required by the Trust Indenture dated July 1, 1964, as amended, PRIDCO has pledged and assigned to the Trustee the gross revenue from certain properties (known as trusteed properties) for the payment of the Revenue Refunding Bonds and General-Purpose Revenue Bonds, Series 1991 to 1997. In case the gross revenue from trusteed properties and the amounts deposited with the Trustee are insufficient, PRIDCO shall deposit with the Trustee the amount necessary to meet the debt service requirements.

During fiscal year 1998, PRIDCO issued approximately $150 million in revenue refunding and general-purpose revenue bonds. The proceeds of the fiscal year 1998 bond issuance destined to refund the previous outstanding bonds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, all the Series prior to 1997, except for the Series 1991 serial and capital appreciation bonds, were considered defeated and the liability for those bonds was considered extinguished and has been removed from the accompanying basic financial statements.

Revenue Refunding Bonds and General-Purpose Revenue Bonds outstanding as of June 30, 2017 are as follows (in thousands):

Series A 1997, term bonds, 6.70%, due on July 1, 2021	$ 16,795
Series 2003 General-Purpose Revenue Bonds:	
Series bonds, 5.10% due on July 1, 2017	1,170
Series bonds, 5.15% due on July 1, 2018	1,225
Capital appreciation bonds, implicit annual interest rates of 5.15% to 5.20%, due on July 1, 2017 and 2018	11,029
Term bonds, 5.20%, due on July 1, 2023	48,925
Term bonds, 5.25%, due on July 1, 2028	78,910
	158,054
Less: Current maturities	(10,250)
Bonds payable, noncurrent	$147,804

Series 2003 of the capital appreciation bonds will accrete to a maximum of $11.6 million, through their corresponding maturity dates. The annual debt service requirements to maturity, including principal and interest, for bonds payable as of June 30, 2017 are as follows (in thousands):

Year ending June 30,	Principal	Interest	Total
2018	$ 10,250	$10,729	$ 20,979
2019	11,007	10,657	21,664
2020	11,135	7,012	18,147
2021	11,785	6,367	18,152
2022	12,465	5,684	18,149
2023-2026	56,875	15,727	72,602
2027-2029	41,961	3,362	45,323
	155,478	$59,538	$215,016
Plus: Accreted discount	2,801		
Less: Unamortized bond discount	(225)		
Bonds payable, net	$158,054		

Line of Credit and Notes Payable to Government Development Bank for Puerto Rico (GDB)

Line of credit and notes payable to GDB as of June 30, 2017 are comprised as follows (in thousands):

Non-revolving line of credit up to $75 million with GDB (restructured as of November 24, 2014) to provide for the payment of expenses related to the voluntary separation and early retirement plans, bearing interest at prime plus 1.5% with a floor of 6%, due November 1, 2024 (6% as of June 30, 2017). PRIDCO identified several non-trusted properties to be disposed of for the repayment of this debt and placed them as collateral.	$ 36,119
Notes payable that were used to grant industrial incentives under the Special Incentives Fund, a fund of the Commonwealth, which is administered by PRIDCO. Repayments of these notes are provided by the Puerto Rico Sales Tax Financing Corporation (COFINA) and the Commonwealth under legislative appropriation. The notes are due on June 30, 2040 and bear interest at 7%. Since these lines of credit are payable only from resources to be provided by COFINA and Commonwealth appropriations, PRIDCO has recorded an amount due from Commonwealth for the same amount. (See Notes 2 and 10)	41,653
Line of credit, and notes payable to GDB	$ 77,772

For the year ended June 30, 2017, PRIDCO only received appropriations from the Commonwealth for the partial payment of interest accrued under line of credit and did not receive appropriations for the payment of the notes principal. Due to this situation, as of June 30, 2017 PRIDCO recognized an interest payable of $8.76 million.

Loans and notes payable to commercial banks

Loans, and notes payable to commercial banks consist of the following (in thousands):

Term-loan payable in 180 monthly installments of $268 thousands including interest with a balloon payment for the remainder balance plus interest due in June 2022. The loan bears annual interest at 6.0585%.	$ 14,178
Term-loan payable in 138 monthly installments of $208 thousands including interest with a balloon payment for the remainder balance plus interest due in June 2022. The loan bears annual interest at 5.375%.	11,059
Term-loan payable in 180 monthly installments of $137 thousands including interest and due in March 2018. The loan bears annual interest at 6.4785%.	10,731
Term-loan payable in 179 monthly installments of $118 thousands including interest, bearing annual interest at 5.46% and a final balloon payment due in October 2019. The loan is jointly and severally guaranteed by PRIICO.	3,322
Non-revolving line of credit with 24 interest only payments then converted into a term-loan payable in 216 monthly installments of $110 thousands including interest, and due in December 2024. The loan bears annual interest at 6.061%.	8,079
Non-revolving line of credit with 24 interest only payments then converted into a term-loan payable in 216 monthly installments of $72 thousands including interest and due in December 2024. The loan bears annual interest at 6.25%.	5,181
Promissory note payable in 180 monthly payments of $229 thousands including interests and due in December 2030. The note bears annual interest at 6.25%.	25,009
Note payable in monthly installments of $139 thousands including interest with due date of December 16, 2030. The note bears annual interest at 4.65%.	16,859
Note payable in monthly payments of $6 thousands including interest with due date of August 18, 2019. The note bears annual interest at 5.99%.	142
	94,560
Less: Current maturities	(19,957)
Loans and notes payable to commercial banks, noncurrent portion	$74,603

Debt service requirements for the loans and notes payable to commercial banks are as follows (in thousands):

Fiscal Year Ending June 30,	Due to Commercial Banks Principal	Interest	Total
2018	$ 19,957	$ 5,116	$ 25,073
2019	9,771	4,039	13,810
2020	9,606	3,463	13,069
2021	9,402	2,922	12,324
2022	10,590	2,357	12,947
2023-2031	35,234	8,075	43,309
Total	$ 94,560	$ 25,972	$ 120,532

PRIDCO is subject to compliance with certain covenants on its loans and notes payable with three commercial banks. During the year ended June 30, 2017, PRIDCO did not comply with some of those covenants.

On June 30, 2016, PROMESA was enacted to bring stability to Puerto Rico's economy and establish a framework for Puerto Rico to restructure its debt. PROMESA created a new and unique remedy specifically designed to allow the Commonwealth and other territories to restructure their debts, using procedures that combine elements of traditional Chapter 9 and Chapter 11 Bankrupt Act of the United States of America. PROMESA provided an automatic stay of all litigations against the Commonwealth and its instrumentalities and any other judicial, administrative or other action or proceeding to enforce or collect claims until February 15, 2017. PROMESA provides two mechanisms to restructure the Commonwealth's debt, Title III, a bankruptcy like procedure and Title VI, a mechanism to formalize agreements negotiated between the Commonwealth and its creditors out-of-court. Moreover, the way PROMESA is written, Title VI negotiations are indispensable for eligibility to Title III. Title VI of PROMESA provides some of the framework for negotiation and Sections 206(a) and 405(n) establish that the Commonwealth will conduct these negotiations. On September 30, 2016, the Oversight Board designated the Commonwealth and certain other territorial instrumentalities as covered entities under PROMESA. PRIDCO was included under the Commonwealth through the Department of Commerce and Economic Development and is currently negotiating its obligations under Title VI.

Net Pension Liability

This amount represents the proportionate share of the collective pension liability of all employers for benefits provided through the Commonwealth's pension plan. The liability balance recorded by PRIDCO as of June 30, 2017 amounted to $181 million. (Refer to Note 14).

Obligations under capital lease

PRIDCO finances the acquisition of certain office equipment through capital leases from various financial institutions. Capital leases outstanding as of June 30, 2017, are payable in monthly installments of principal and interest ranging from $2 hundred to $2 thousand through the year 2021. The obligations under capital leases are secured by the corresponding office equipment and bear annual interest rates ranging from 4.00% to 5.22% in 2017.

Debt service requirements of future minimum payments under capital lease obligations are as follows (in thousands):

Fiscal Year Ending June 30,	
2018	$123
2019	107
2020	52
2021	21
2022	4
Total minimum lease payments	307
Less: Amount representing interest	(16)
Present value of minimum lease payments	291
Less: current maturities	(117)
Obligations under capital lease, non current	$174

12. COMPENSATED ABSENCES

Compensated absences as of June 30, 2017 are as follows:

	Beginning balance	Net change	Ending balance	Due within one year
Vacation accrual	$ 1,558	$ (370)	$ 1,188	$ 904
Sick leave benefits	3,520	(965)	2,555	635
	$ 5,078	$ (1,335)	$ 3,743	$ 1,539

13. VOLUNTARY TERMINATION BENEFITS

The Legislature of the Commonwealth of Puerto Rico approved two retirement incentive plans for all regular employees of the central government agencies and certain public corporations under Act No. 70 of July 2, 2010 and Act No. 211 of December 8, 2015, as amended by Act No. 170 of August 9, 2016. Act No. 70 included early retirement incentives for employees not eligible for retirement and retirement incentives for employees who are eligible. Under this plan, employees could select one of three options as follows:

Article 4(a) provides economic incentives based on the following parameters:

Years of Service in Public Sector	Incentive Gross Amount
Up to 1 year	1 month of salary
From 1 year and 1 day up to 3 years	3 months of salary
From 3 years and 1 day and up	6 months of salary

Article 4(b) provides early retirement, for employees meeting certain number of years of service criteria (between 15 and 29 years) and will receive a higher pension benefit rate than they would otherwise be entitled to receive based on their current years of service, but lower than what they would have been entitled to under full vesting requirements. Annuity pension payment is based on the following parameters:

Credited Years of Service	Pension Payment (As a % of salary)
15	37.50%
16	40.00%
17	42.50%
18	45.00%
19	47.50%
20 to 29	50.00%

PRIDCO will be responsible for making the applicable employer contributions to the Employees Retirement System, as well as making the payments to cover the annuity payments to the employees opting for the early retirement, until both the years of service and age requirements for full vesting would have occurred, at which time the applicable Retirement System will continue making the annuity payments.

Employees selecting options 4(a) or 4(b) will be entitled to receive full payment of healthcare plan benefits for a period of up to 12 months or the date that the employee is eligible for a healthcare plan benefit offered by another employer, whichever occurs first.

Article 4(c) provides eligible employees that have 30 years of credited services contributing to the Commonwealth of Puerto Rico Retirement System and request to start receiving their pension benefits, will be entitled to receive the economic incentive awarded on article 4(a) but not entitled to the incentives awarded on article 4(b). Employees who have the required retirement age but have not achieved the years of credited services contributing to the Commonwealth of Puerto Rico Retirement System will be entitled to an economic incentive of up to 6 months of salary to cover for the years of service not credited. At June 30, 2017 voluntary termination benefits granted under Act Num. 70 were discounted at present value.

Act No. 211, as amended, and commonly known as Voluntary Pre-Retirement Program, aims to provide incentives for employees of the Commonwealth of Puerto Rico, who have begun to quote for the Puerto Rico Retirement System before April 1, 1990 or who having begun to quote after that date have paid services accrued prior to April 1, 1990 without having received a refund of their contributions and have a minimum of twenty years of service quoted under the structure of benefits of the Act No. 447, supra.

Incentives under Act No. 211, as amended, include employee's compensation equivalent to sixty percent of their average remuneration as of December 31, 2015 while participating in the program; the settlement of payment of licenses of vacation and sick leave, exempt of contributions and limited to a maximum established by Law. It also provides for the payment of the employer contribution to Social Security and Medicare, to either maintain the coverage of the health plan or to keep on receiving the employer contribution to health plans under same terms and conditions as if employed for up to a term of two years. Even more, PRIDCO should continue making both employee and employer contributions to the Retirement System, which will ensure an increase in employee's future retirement annuity to at least fifty percent of its average remuneration at June 30, 2015.

Voluntary termination benefits, as detailed below, are discounted at a rate of 1.013%, which is the average of the prevailing annual interest rate over outstanding certificates of deposits as of June 30, 2017:

	Beginning balance	Net change	Ending balance	Due within one year
Act No. 70	$ 7,512	$ (3,546)	$ 3,966	$ 427
Act No. 211	-	6,984	6,984	1,103
	$ 7,512	$ 3,438	$ 10,950	$ 1,530

14. RETIREMENT PLAN

Plan description

PRIDCO 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 covers employees of certain public corporations not having their own retirement systems, employees of the Fire and Police Departments of Puerto Rico, all regular full-time public employees working for the executive and legislative branches of the Commonwealth, and the municipalities of Puerto Rico. Prior to July 1, 2013 the system operated under the following benefits structures:

- *Act No. 447 of May 15, 1951* (Act No. 447) effective on January 1, 1952 for members hired up to March 31, 1990,
- *Act No. 1 of February 16, 1990* (Act No. 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*, (Act No. 305), which amended Act No. 447 and Act No. 1, for members hired from January 1, 2000 up to June 3, 2013.

Employees under Act No. 447 and Act No. 1 are participants of a cost-sharing multiple employer defined benefit plan. Act No. 305 members are participants under a pension program known as System 2000, a hybrid defined contribution plan. Under System 2000 there was a pool of pension assets invested by the ERS, together with those of the current defined benefit plan. Benefits at retirement age were not guaranteed by the Commonwealth and were subjected to the total accumulated balance of the savings account. Effective July 1, 2013, Act No. 3 of 2013 (Act No. 3) amends the provisions of the different benefits structures under the ERS. Act No. 3 moves all participants (employees) under the defined benefit pension plans (Act No. 447 and Act No. 1) and the defined contribution plan (System 2000) to a new defined contribution hybrid plan. Contributions are maintained by each participant in individual accounts. Credits to the individual accounts include (1) contributions by all members of ERS Act No. 447 and Act No. 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.

Benefits provided

Eligibility for retirement. Members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time under the provisions of the applicable law. In addition, Act No. 447 members who attained 30 years of credited service by December 31, 2013 are eligible to retire at any time.

Under Act No. 447 and Act No. 1 public officers in high risk positions (state and municipal police, firefighters and custody officials) who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire from active service upon attainment of age 55 with 30 years of credited service, System 2000 employees upon attainment of age 55, and Act No. 3 employees upon reaching 58 years.

After the approval of Act No. 3, members who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013, are eligible to retire upon attainment the following new retirement eligibility requirements: (1) Act No. 447 regular employees upon attaining a range between 59 to 61 years (depending of date of birth) and 10 years of creditable service, (2) Act No. 1 employees upon attaining 65 years with 10 years of creditable service, (3) System 2000 regular employees upon attaining a range between 61 to 65 years (depending of date of birth) and, (4) Act No. 3 employees hired after June 30, 2017 upon reaching 67 years.

Accrued benefits. All members are entitled to a lifetime annuity based on the annuitized value of the balance in the hybrid individual contribution account at the time of the retirement calculated based on a factor that will incorporate the individual's life expectancy and a rate of return. For Act No. 447 and Act No. 1 participants will receive a pension at retirement age equivalent to what they have accrued under Act No. 447 and Act No. 1 up to June 30, 2013, plus the lifetime annuity corresponding to contributions made to the individual account on July 1, 2013 and forward. Act No. 447 participants, except police and mayors, may elect to coordinate coverage with Social Security benefits (Coordinated Plan). Under this option, participants are subject to a benefit recalculation upon attainment of the Social Security retirement age. For all members, if the balance of the defined contribution individual account is less than $10,000, the amount shall be paid as a lump-sum instead of an annuity.

Compulsory retirement. All Act No. 447 and Act No. 1 public officers in high risk positions must retire upon attainment of age 58 and 30 years of credited service. A two-year extension may be requested by the member from the Superintendent of the Puerto Rico Police, the Chief of the Fire Department or supervising authority, as applicable.

Contributions

Effective July 1, 2013, Act No. 3 is the authority under which obligations to contribute to the Plan by the Plan members, employers, and other contributing entities are established.

Members. All participants are required to contribute 10% of gross salary. However, Act No. 447 participants who selected the Coordination Plan (only with benefits coordinated with social security benefits, as described above) are required to contribute 10% of gross salary effective July 1, 2015. Members may voluntarily make additional contributions to their defined contribution individual account.

Payroll-based employer contribution. PRIDCO contributed 2.4 million (15.525% of gross salary) for fiscal year 2016-2017. This amount represented the 100% of the required contribution for the corresponding year.

Supplemental contribution. In accordance with Act No. 3 of 2013, effective July 1, 2013 the ERS will receive a supplemental contribution of $2,000 ($800 for the pension plan and $1,200 to the post-employment healthcare benefits plan) each fiscal year for each pensioner who was previously benefitting as an Act No. 447 or Act No. 1 member while an active employee. This supplemental contribution will be paid by certain public corporations with own treasuries (including PRIDCO), the Commonwealth's General Fund for central government and certain public corporations without own treasuries or municipalities for their former employees.

Additional uniform contribution. Act No. 32 of 2013, provide for an Additional Uniform Contribution (AUC) which will be financed by all participating employers (including PRIDCO) of the ERS. Beginning with the 2014-2015 until 2032-2033 fiscal year, the AUC will be the uniform contribution certified by the external actuary of the ERS at least 120 days prior to the start of each fiscal year, as necessary to avoid having the projected gross assets of the ERS, during any subsequent fiscal year, to fall below $1 billion. The ERS will determine the amount of AUC to be billed and paid by each employer during each fiscal year. Commonwealth laws provide for a subsidy of the AUC obligation, applicable to all participating employers (including PRIDCO) of the ERS that the Puerto Rico Office of Management and Budget (OMB) determine do not have financial capability to pay the AUC obligation. For fiscal year 2016-2017 the Company's AUC obligation amounted to $2.4 million. The AUC was eliminated effective July 1, 2017.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

On November 2, 2018, the ERS issued an audited report for the year ended June 30, 2016, in accordance with GASB Statement No. 68, providing information about pension amounts by employer and the corresponding employer allocation percentage. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, the balances have been determined on the same basis as they are reported by the ERS. PRIDCO disclosed the below mentioned information based on the audited data reported by ERS and the ERS June 30, 2016 Actuarial Valuation Report.

At June 30, 2017, PRIDCO reported a liability of $181 million for its proportionate share of the net pension liability. The collective net pension liability which amounts to $38 billion was determined by an actuarial valuation as of July 1, 2015 that was rolled forward to June 30, 2016 and assuming no gains or losses. PRIDCO'S proportion of the net pension liability was based on a projection of PRIDCO share of contributions to the pension plan relative to the projected contributions of all ERS participants, actuarially determined. At June 30, 2016, PRIDCO's proportion was 0.47961%.

For the year ended June 30, 2017, PRIDCO recognized pension expense of $9 million. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2017, PRIDCO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Amortization Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	5 years	$ 148	$ -
Changes in assumptions	5 years	27,579	-
Difference between expected and actual experience	6 years	-	2,482
Difference between projected and actual earnings on pension plan investments	5 years	-	979
Total to be amortized		27,727	3,461
Changes in proportion - employer specific amounts		7,077	-
Audited amounts as reported by ERS		34,804	3,461
PRIDCO's contributions subsequent to measurement date		6,011	-
		$ 40,815	$ 3,461

The $6 million reported as deferred outflows of resources related to PRIDCO's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense in future fiscal years based on the average expected remaining service lives of all plan participants, in the case of projected and actual investment earnings in a 5-year period and for differences between expected and actual experience in a 6-year period.

Actuarial methods and assumptions

The actuarial valuation was determined using the following actuarial methods and assumptions:

Actuarial methods:

Valuation date	July 1, 2015, projected forward to June 30, 2016.
Measurement date	June 30, 2016
Actuarial cost method	Entry age normal

Asset-valuation method	Market value of assets
Actuarial assumptions:	
Compensation increases	3.0% per year, no compensation increases are assumed until July 1, 2021 as a result of Act No. 66 and the current general economy
Inflation rate	2.50%
Investment rate of return	6.55%, net of investment expenses
Discount rate	2.85%
Municipal bond rate	2.85%, based on Bond Buyer General Obligation 20-Bond Municipal Bond Index
Mortality	Pre-retirement mortality:

Pre-retirement mortality:

For general employees not covered under Act No. 127, RP-2014 Employee Mortality rates for males and females adjusted to reflect Mortality Improvement Scale, MP-2016 from the 2006 base year and projected forward using MP-2016 on generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2016 from the 2006 base year and projected forward using MP-2016 on generational basis.

As generational tables, they reflect mortality improvements both before and after the measurement date.

For employees covered by Act No. 127 while in active service a 100% of death was assumed to be occupational.

Post-retirement healthy mortality:

Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2016 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Post-retirement disabled mortality:

Rates which vary by gender are assumed for disabled retirees based on a study of plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2016 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Long-term Rate of Return on Investments

The long-term expected rate of return on pension benefits investments was determined in accordance with the asset allocation of the portfolio that was adopted by the ERS Board during December 2013 and the actuary's capital market assumptions as of June 30, 2016. In addition, the assumption reflects that loans to members comprise approximately 50% of the portfolio and have an approximate return of 9.1% with no volatility. The long-term expected rate of return on pension benefit investments of 6.55% as of June 30, 2016 is equal to the highest debt service of the senior pension funding bonds payable which range from 5.85% per annum to 6.55% per year.

The pension plan's policy regarding allocation of invested assets is established and may be amended by the ERS Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a positive impact on the ERS financial condition for the benefits provided through the pension programs. The following was the asset allocation policy adopted by the ERS Board as of June 30, 2016:

Asset Class	Target Allocation	Long-term expected rate of return
Domestic Equity	25%	6.4%
International Equity	10%	6.7%
Fixed Income	64%	6.3%
Cash	1%	3.0%

The long-term expected rate of return on pension benefits was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate

The asset basis for the date of depletion is the ERS's fiduciary net position (the gross assets plus deferred outflows of resources less the gross liabilities, including the senior pension funding bonds payable, less deferred inflows of resources). On this basis, the fiduciary net position became negative in the fiscal year 2015 and accordingly no projection of date of depletion is needed. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the tax-free municipal bond index (Bond Buyer General Obligation 20-Bond Municipal Bond Index) was applied to all periods of projected benefits payments to determine the total pension liability. The discount rate was 2.85% and 3.80% as of June 30, 2016 and July 1, 2015, respectively. The date of depletion projection of the actuarial report does not include any amounts from the additional uniform contribution required by Act No. 32 because of actual fiscal and budgetary financial difficulties, continued budget deficits and liquidity risks of the Commonwealth and the municipalities, and in the event that their financial condition does not improve in the near term.

Sensitivity of PRIDCO's proportionate share of the net pension liability to changes in the discount rate

The following presents PRIDCO's net pension liability (in thousands) as of June 30, 2017, calculated using the discount rate of 2.85%, as well as what the net pension liability would be if it is calculated using a discount rate that is 1-percentage-point lower (1.85%) or 1-percentage-point higher (3.85%) than the current rate:

	At 1% decrease (1.85%)	At current discount rate (2.85%)	At 1% increase (3.85%)
Net pension liability	$207,378	$180,808	$159,172

Pension Plan fiduciary net position

Detailed information about the pension plan's fiduciary net position as of June 30, 2016 is available in the separately issued ERS's financial report.

15. COMMITMENTS

Construction Program

As of June 30, 2017, PRIDCO estimates to invest approximately $2 million for construction, land acquisition, and development of building facilities.

Other Commitments

PRIDCO has only administrative responsibilities with regards to the Special Incentives Fund, Special Fund Economic Development, and Rums of Puerto Rico Fund.

PRIDCO maintains a joint agreement with the University of Puerto Rico for the administration of the Bioprocess Development and Training Complex (BDTC) in Mayagüez, Puerto Rico. Under this agreement, PRIDCO constructed a modern building with state-of-the-art facilities for rental to pharmaceutical and high-end technological industries with research and development projects. PRIDCO is therefore renting the building to BDTC.

PRIDCO maintains a joint interagency agreement along with the Puerto Rico Tourism Company (PRTC). Both entities agreed to provide $1 million each for the Office of Land Use Planning. PRIDCO is responsible for the purchase of office equipment as well as professional services necessary for the operations of said office. In prior year, PRIDCO received $1 million from PRTC and total expenditures amounted to $672 thousand. PRTC did not make any contribution during the year ended June 30, 2017.

PRIDCO leases office facilities in New York City under an operating lease with a third party expiring in the year 2022. Rent expense including common area maintenance, taxes and other charges amounted to approximately $412 thousand for the year ended June 30, 2017. This office space is shared with GDB and Rums of Puerto Rico aiming towards the presence of the Commonwealth in one of the most important cities of the world. PRIDCO charges rent to the previously mentioned governmental agencies based on space occupancy allocation. This contract was subsequently cancelled on August 24, 2017.

16. CONTINGENCIES

PRIDCO is a defendant in a number of legal proceedings arising in the normal course of business, including but not limited to labor, torts, and breach of contract. Management believes that it has a reasonable possibility of prevailing in these cases. Contingency reserves as of June 30, 2017 amounted to $6.8 million separately disclosed as legal liabilities.

17. POLLUTION REMEDIATION OBLIGATIONS

The nature of PRIDCO tenants' manufacturing operations are highly susceptible to pollution obligations. PRIDCO, as owner, has the financial responsibility for cleanup costs and pollution remediation process in case of tenants' default. Pollution remediation obligations, which includes contamination, are obligations incurred to address the current or potential detrimental effects of existing pollution by participating in remediation activities such as site assessments and cleanups but excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset. At June 30, 2017, PRIDCO's liability for pollution remediation amounted to $14.4 million.

Pollution remediation is a process that can last several years and involves different stages. PRIDCO has called former or current tenants to make them accountable for cleanup or pollution remediation costs; otherwise PRIDCO has assumed the responsibility. Notwithstanding, PRIDCO has been considered a responsible party in a lawsuit, at initial stage, and in several claims, at the regulating agencies level, related to pollution remediation obligations. Federal Environmental Protection Agency (EPA), the Puerto Rico Department of Environment and Natural Resources (DENR) and the Puerto Rico Environmental Quality Board (EQB) have the oversight and the enforcement responsibility in cases of pollution. Federal claims are covered pursuant the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA, or commonly known as Superfund), which provides broad Federal authority to respond directly to releases or threatened releases of hazardous substances that may endanger public health or the environment, and the Resource Conservation Recovery Act (RCRA) of 1976, which provides for proper disposal of solid waste and hazardous waste. Agencies are authorized by law to identify parties responsible for the pollution of sites and compel the parties to remediate it.

Experience has shown that uncertainties associated with environmental remediation contingencies are pervasive and often result in wide ranges of outcomes. Estimates developed in the early stages of remediation can vary significantly. A finite estimate of costs does not normally become fixed and determinable at a specific time. Rather, the costs associated with environmental remediation become estimable over a series of events and activities that help to frame and define a liability.

Estimates of the amount and timing of future costs of environmental remediation requirements are by their nature imprecise because of the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the identification of presently unknown remediation sites, and the allocation of costs among the potentially responsible parties. Based upon information presently available, such future costs are not expected to have a material effect on PRIDCO's financial position. However, such costs could be material to the results of operations in a future year.

18. RISK MANAGEMENT

The Treasury Department of PRIDCO is responsible of assuring that PRIDCO's property is properly insured. Annually, the Treasury Department in conjunction with other departments of PRIDCO compiles the information of all property owned and its respective market value. After evaluating this information, it is submitted to the Area of Public Insurance at the Department of the Treasury of the Commonwealth, which is responsible for purchasing all property and casualty insurance policies of all governmental instrumentalities. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

19. RESTATEMENT OF NET POSITION

The following table disclosed the net change in the net position at beginning of year as previously reported in the financial statements. The beginning balance has been restated as follows:

Description	Net Position
Net position at July 1, 2016, as previously reported	$355,950
Impact of implementation of GASB Statements No.68 and No. 71:	
Recognition of beginning net pension liability	(161,881)
Recognition of deferred outflows of resources for pension contributions made after measurement date	30,085
Recognition of deferred inflows of resources	(2,807)
Net position at July 1, 2016, as restated	$221,347

20. SUBSEQUENT EVENTS

PRIDCO has evaluated subsequent events through February 26, 2019, the date on which the financial statements were available to be issued. Management believes that the following events should be disclosed:

a. Hurricanes Irma and María

On September 2017 Puerto Rico was impacted by Hurricanes Irma and María, major category 4 hurricanes, causing a level of widespread destruction in many areas including infrastructure, housing, environment, public and private property, and disrupting the Commonwealth and PRIDCO's operations. Hurricanes Irma and María severely damaged 9% and 74% of PRIDCO's property, respectively. PRIDCO performed significant mitigation and recovery efforts financed by operating funds.

PRIDCO estimated all damages suffered in about $187 million. At present, management has submitted claims to PRIDCO's and tenants' insurance companies, and evidence of recovery related costs to the Federal Emergency Management Agency (FEMA) for reimbursement through public assistance grants. The insurance company advanced the amount of $1.8 million for damage mitigation purposes but total amount of insurance recovery has not been determined.

Since the U.S. President approved a disaster declaration for Puerto Rico, federal disaster assistance has been made available to supplement the local recovery efforts in the affected areas. Therefore, management is working on the application for funds awarded under the U.S. Department of Housing and Urban Development (HUD) to help Puerto Rico in recovering from Hurricanes Irma and María. These recovery funds awarded will be provided through HUD's Community Development Block Grant – Disaster Recovery (CDBG-DR) Program and will support long-term recovery of seriously damaged infrastructure, housing, and local businesses in Puerto Rico. CDBG-DR grants support a variety of disaster recovery activities including business assistance, economic revitalization, and infrastructure repair.

b. Capital lease agreement converted into a master operating lease agreement

Effective December 18, 2017, assets held under capital lease agreement were refinanced under a new master lease agreement due on December 18, 2022. The new agreement provides for the substitution of 60-month old equipment for new equipment without altering the total monthly minimum lease payment from previous lease agreement. On March 27, 2018, the contract was amended to limit maximum charge for copies made in excess of contracted number for the term of the new agreement to $21,300. A second amendment was signed on May 25, 2018 to: (a) substitute all the 60-month equipment old for new equipment, (b) reduce monthly minimum lease payment from $7,350 to $7,294 and, (c) expressly eliminate the "financing agreement" terminology from the contract. It is management's intention to classify this new master lease agreement as an operating lease.

c. Impact of Commonwealth and GDB Fiscal Plans

The Oversight Board required the covered instrumentalities under PROMESA to revise and submit their already certified and approved fiscal plans because of the effect of Hurricanes Irma and María. Fiscal plans from the Commonwealth and GDB have the most significant impact over PRIDCO's operations and finances, as follows:

Commonwealth's Fiscal Plan

The Oversight Board certified the Commonwealth's fiscal plan in March 2017. On October 30, 2017, the Oversight Board required the Commonwealth to revise it because the damage inflicted on Puerto Rico by Hurricane Maria. A revised fiscal plan was certified on April 20, 2018 after intense negotiations. Due to further discussions between the Oversight Board and the Commonwealth, the Oversight Board updated and certified the fiscal plan in June 2018, which served as the basis for the 2019 fiscal year budget. On October 23, 2018 a New Fiscal Plan certified by the Oversight Board, incorporated refined healthcare projections based on actuarial estimates, new federal fund estimates, updated revenue and expenditure figures and changes in Government policy to impact overall growth based in two main areas as follows:

a) *Structural Reforms* – measures to improve the economy such as (1) Human Capital and Welfare Reforms, (2) Ease of Doing Business Reforms, (3) Power Sector Reforms and (4) Infrastructure Reform and Capital Investment.

b) *Fiscal Reforms* – fiscal measures to create a sustainable fiscal future for Puerto Rico by reducing costs while maintaining and improving the quality of important services. The measures include the following: (1) Tax compliance and fees enhancement, (2) Agency efficiencies, (3) Pension reform, (4) Healthcare reform, (5) Office of the CFO, and (6) Reduction of appropriations. The ultimate outcome of the reforms is undeterminable.

   Among the several measures to be taken, the following fiscal reforms may have a significant impact on PRIDCO's operations:

   - Tax compliance and fees enhancement - The Plan includes a comprehensive tax reform that intends to reduce corporate, individual and sales and use tax rates, eliminates non-revenue generating incentives and subsidies while maintaining revenue neutrality. Measures may have a significant impact on PRIDCO's rental revenues.

   - Agency efficiencies – The plan includes the government restructuring measures to achieve fiscal savings and to create a more agile and efficient government, by reducing the number of agencies from 118 to 35. Act. 141 of July 11, 2018 enabled the first reorganization plan that regulates the consolidation of ten agencies under the new Economic Development and Commerce Department (DDEC by its Spanish acronym). The organizational chart of the new DDEC integrates the Tax Exemption Office, the State Office of Energy Policy, the Regional Center Corp., and the Permits & Endorsements Management Office, as programs or offices within DDEC. Likewise, the Trade & Export Co. and the Tourism Co. are integrated into DDEC once the paperwork required for their merger is completed. The Puerto Rico Industrial Development Co. and the Roosevelt Roads

Redevelopment Authority remain attached to the DDEC, with the Planning Board now also ascribed to the new DDEC.

The new DDEC is going to carry out functions previously discharged by PRIDCO. The promotion and industrial incentives functions are fully transferred to the new DDEC. Also, the new DDEC is entitled to manage, operate, rent, sell, lease, assign or otherwise dispose of PRIDCO's real estate inventory, when previously endorsed by PRIDCO.

- Pension reform - The Plan includes the following measures: (1) freeze the Teachers (TRS) and Judiciary Retirement Systems (JRS) and transition them to a segregated defined contribution plan; (2) institute a 10% average pension reduction applicable to all actual retirees with combined retirement plan and Social Security benefits in excess of the poverty level of $1,000 per month starting in FY 2020; (3) enroll teachers, police officers and judges under the age of 40 in the Social Security.

Even though, the Commonwealth has already taken critical steps towards a comprehensive reform of the ERS, 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, as a result of the ERS's severe fiscal and liquidity crisis. Those critical steps taken by the Commonwealth and applicable to ERS include: (1) switch to a pay-as-you-go model to cover remaining defined benefit obligations, (2) segregate prospective employee contributions into new and separated defined contribution plans, (3) facilitate enrollment in social security for qualifying participants and (4) improve investment alternatives offered to participants. The Commonwealth, and other participants of the ERS, including PRIDCO, were converted to a pay-as-you-go model and carryforward to the new defined contribution plan starting July 1, 2017. Act No. 106 of August 23, 2017 was enacted to finally provide the necessary legal and operational structure for the pay-as-you-go model and the new defined contribution plan:

Pay-as-you-go model - Effective July 1, 2017, the ERS changed to a pay-as-you go funding, under which the participant employers directly pay 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 pay-as-you-go funding, employers' contributions related to special laws and additional uniform contributions were eliminated.

The ERS will create and maintain, for each participant or actual beneficiary, an individual record including the accrued pension benefits as of June 30, 2017, benefits payments, employment history and accumulated contributions made. After that date participants will cease to accrue new benefits. The accrued pension benefits will be funded through: (a) the net proceeds of the sale of ERS's assets, (b) Commonwealth's legislative expenditure appropriations, (c) donations by any public or private entity, (d) 25% of first or periodic payments on public-private partnership contracts, (e) other funds determined by the Commonwealth's Legislature, and (f) a PayGo charge to the participant employers, including PRIDCO.

This PayGo charge, determined by ERS and billed by the Puerto Rico Department of Treasury (PRDT), represents the amounts necessary for the monthly pension payments for each of their retirees and beneficiaries. Payments will be made by the employers through a government treasury single account (TSA) maintained on a separate trust under the custody of the 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. Participants are no longer able to make direct credit payments to the TSA account or to make additional contributions to the ERS.

New defined contribution plan - Effective July 1, 2017, a new defined contribution plan (DCP) was created covering all active participants of the ERS as of that date and participants enrolled in the public service after that date. It is governed by a Retirement Board composed of thirteen (13) members (government officials, representatives of teachers, judicial system, public corporations and mayors).

Funds are maintained in individual accounts for each participant which are credited with participant's pre-tax contributions and investment earnings. Participants are required to contribute at least 8.5% of thier 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). Upon enrollment in the Plan, participants may direct the investment of their contributions into various investment options offered by the Plan.

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 DCP, 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.

The transition to the new DCP has not yet been completed. The new DCP will be maintained in a separate trust under the custody of the Secretary of the PRDT until the Retirement Board has entered into a contract with an Administrative Entity. After that, all funds and participants accounts will be transferred to the separate trust created by the Administrative Entity for the maintenance and administration of the funds.

Closure of EDB

The New Fiscal Plan also includes a proposal for the closure of the EDB. The EDB is the main institution for financing new businesses in Puerto Rico but has been seriously affected by the financial crisis. Its operational deterioration began with the downgrade of the Commonwealth's credit rating in 2014. This action led private entities to retire their businesses from the EDB. That same downgrade prevented the Government Development Bank (GDB) from receiving capital, due to the refinancing of the debt owed by the Highways and Transportation Authority (PRHTA). The GDB crisis made many public agencies and corporations move their deposits from the EDB to the GDB, limiting the institution's capacity to issue commercial loans. This diversion of deposits from EDB to GDB led the EDB to the point of liquidating its entire investment portfolio. Those investments had produced an additional income to keep successfully the operations of the EDB. Losing that income and liquidity affected the bank's operations. Currently, EDB is dependent on the interest generated by the loans granted which the default rate on those loans is of around 20%, due to the level of its inherent risk.

Even though EDB took several measures to control the decline, like keeping actively loaning, creating a system to better identify the risk of loans and a scale of prices or interest adjusted to the applicant business efforts they were not enough. (Refer to Note 3)

GDB's Fiscal Plan

GDB served as a lender to the Commonwealth of Puerto Rico, its instrumentalities and municipalities in anticipation of the issuance of long-term bonds and notes by those entities in the municipal bond market. Loans to the Commonwealth and its instrumentalities constitute a significant portion of GDB's assets. A severe fiscal and liquidity crisis of those entities resulted in operational deficits, lack of access to capital markets and delays in the repayment of loans outstanding with GDB. This in turn left GDB with significant non-performing assets, limited liquidity, and inability to repay its debts as they come due.

Consequently, the Commonwealth issued moratorium Acts and executive orders to establish a regulatory framework governing GDB's operations and liquidity, prohibit loan disbursements and establish procedures on withdrawals, payments and transfer requests with respect of funds held on deposits by the Commonwealth and its instrumentalities. Later, the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF) was created pursuant Act No. 21 of 2016 and Act No. 2 of 2017, as an independent public corporation and governmental instrumentality to assume all fiscal agency, financial advisory, and reporting functions of GDB.

GDB's Fiscal Plan establishes financial restructuring and closing of GDB operations that will allow for a smooth transition of GDB's current operations. Consequently, a Restructuring Support Agreement, dated May 15, 2017 (RSA) provides for the restructuring of a significant portion of GDB's liabilities. On June 2017, GDB submitted to the Oversight Board a proposed amended Fiscal Plan that incorporated the structure agreed, which was certified and approved by the Oversight Board on July 12, 2017. GDB's substantial operations ceased in March 2018, after AAFAF announced certain amendments to the RSA which became effective pursuant to its terms on April 6, 2018, after obtaining the signature of the number of holders of GDB's Participating Bond Claims required. The amended RSA contemplates dividing GDB's assets into two separate entities: a New Issuer (GDB Debt Recovery Authority) for the benefit of its financial creditors consisting of bondholders, municipal depositors, and non-government entity depositors and a Public Entity Trust (PET) for the benefit of (a) those non-municipal governmental entities having claims in respect to funds deposited at GDB and (b) those municipalities with federal funds deposited at GDB. GDB's updated Fiscal Plan was approved by the Oversight Board on April 20, 2018. The RSA was finally executed on November 29, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF PRIDCO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(IN THOUSANDS) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015	2014
Proportion of the net pension liability	0.4796%	0.4856%	0.4881%	0.4356%
Proportionate share of the net pension liability (c)	$180,808	$161,881	$147,100	$122,944
Covered-Payroll (d)	$ 13,499	$ 14,530	$ 14,760	$ 15,847
Proportionate share of the net pension liability as a percentage of its covered - payroll (c)/(d)	1339.42%	1114.12%	996.61%	775.82%
Plan's fiduciary net position as a percentage of the total pension liability	(3.47)%	(2.05)%	(.27)%	2.47%

The accompanying notes are an integral part of this required supplementary information.

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF PRIDCO'S CONTRIBUTIONS - PENSION PLAN (IN THOUSANDS) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015	2014
Statutory required contribution	$ 2,096	$ 1,890	$ 1,803	$ 1,701
Contributions in relation to the statutory required contribution (e)	2,096	1,890	1,803	1,701
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
PRIDCO'S covered - payroll (f)	$ 13,499	$14,530	$ 14,760	$ 15,847
Contributions as a percentage of covered-payroll (e)/(f)	15.53%	13.01%	12.22%	10.73%

The accompanying notes are an integral part of this required supplementary information.

1. The schedules are intended to show information for ten years. Additional years will be displayed as they become available. The information presented relates solely to PRIDCO and not the Employee's Retirement System of the Government of the Commonwealth of Puerto Rico.

2. The Schedule of PRIDCO's Contributions provides information about the annual required contributions (ARC) and the extent to which contributions were made to cover the ARC. The ARC is the annual required contribution for the year. It is established by law and calculated in accordance with certain parameters, which include, actuarial methods and assumptions.

3. The data provided in the schedules is based as of the measurement date of the net pension liability, which is as of the prior fiscal year ended June 30th.

OTHER SUPPLEMENTARY INFORMATION

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CHANGES IN CASH AND SINKING FUND PER TRUST INDENTURE (IN THOUSANDS)
FOR THE YEAR ENDED JUNE 30, 2017

			US Bank Trust Indenture	
	Total	General Fund	Principal and Interest	Reserve Account
Balance at June 30, 2016	$ 63,594	$ 31,550	$ 10,026	$ 22,018
Cash provided by operating activities	23,083	23,083	-	-
Collections of capital contributions	2,180	2,180	-	-
Payments for capital assets	(8,196)	(8,196)	-	-
Payment of bonds	(10,065)	-	(8,460)	(1,605)
Proceeds from sale of properties	6,469	6,469	-	-
Payment of notes and loans	(9,613)	(9,613)	-	-
Payment of interest	(14,945)	(6,665)	(1,567)	(6,713)
Payment of obligations under capital leases	(215)	(215)	-	-
Interest collected on investments, loans and other non-operating revenue	308	284	1	23
Net payments to Commonwealth of Puerto Rico	(5,951)	(5,951)	-	-
Balance at June 30, 2017	$ 46,649	$ 32,926	$ -	$ 13,723
Balance at June 30, 2017 represented by:				
Cash and cash equivalent available for operations	$ 32,926	$ 32,926	$ -	$ -
Sinking fund reserve accounts, restricted	13,723	-	-	13,723
	$ 46,649	$ 32,926	$ -	$ 13,723