

**LOCAL REDEVELOPMENT AUTHORITY
OF THE LANDS AND FACILITIES OF
NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT AND AUDIT OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

| | | |
|-------|---|-------|
| I. | Independent Auditor's Report | 1-3 |
| II. | Management's Discussion and Analysis (Unaudited) | 4-10 |
| III. | Basic Financial Statements | |
| | Statement of Net Position | 11 |
| | Statement of Revenues, Expenses and Changes in Net Position | 12 |
| | Statement of Cash Flows | 13-14 |
| | Notes to the Financial Statements | 15-39 |
| IV. | Schedule of Expenditures of Federal Awards | 40 |
| V. | Notes to Schedule of Expenditures of Federal Awards | 41-42 |
| VI. | Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 43-44 |
| VII. | Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance | 45-48 |
| VIII. | Schedule of Findings and Questioned Costs | 49-64 |
| IX. | Summary Schedule of Prior Year Audit Findings | 65-68 |
| X. | Corrective Action Plan (Unaudited) | 69-81 |



Crowe PR PSC
100 Carr 165, Suite 410
Guaynabo, PR 00968-8051
+1 (787) 625-1800
www.crowe.pr

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors and Management of the
Local Redevelopment Authority of the Lands and
Facilities of Naval Station Roosevelt Roads
San Juan, Puerto Rico**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the **Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads** (the Authority) (a component unit of the Commonwealth of Puerto Rico) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Restatement of Prior Year Financial Statements

As part of our audit of the 2025 financial statements, we have audited the adjustments described in Note 11 that were applied to restate the Authority's 2024 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

One of the restatements resulted from a matter that gave rise to a qualified opinion on the Authority's 2024 financial statements. Specifically, in 2024, the Authority did not recognize certain tenant improvements made to properties under lease agreements that reverted to the Authority upon contract termination. These improvements meet the criteria for capitalization under the applicable financial reporting framework. The omission of these assets resulted in an understatement of capital assets and net position as of the reporting date.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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March 31, 2026

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DPSC16-1053

Local Redevelopment Authority of the Lands
and Facilities of Naval Station Roosevelt
Roads

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Our discussion and analysis of the **Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads'** (the "Authority") financial performance provides a narrative overview of the Authority's financial activities for the fiscal year ended June 30, 2025, and is intended to serve as an introduction to the basic financial statements. This Management's Discussion and Analysis (the MD&A) is designed to assist the reader in focusing on significant financial matters and provide an overview of the Authority's financial activities. We encourage readers to review this information together with the Authority's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's net position as of June 30, 2025, is \$1.30 million, a decrease of \$3.10 million, or 70%, from a net position of \$4.40 million as of June 30, 2024, as restated.
- Rental income, including common areas charges and other income, decreased by \$145 thousand, or 13%, when compared to the prior year.
- Operating expenses increased by \$1.32 million, or 20%, when compared to the prior year.
- Non-operating revenues, including contributions from the Commonwealth of Puerto Rico (the Commonwealth), federal grants and other sources, decreased by \$600 thousand, or 14%, when compared to the prior year.

MAJOR FINANCIAL ELEMENTS

Operating Revenues – Operating revenues are recorded from the following sources: (1) rental income, including common areas; and (2) utilities assessment fees that represent charges for water and sewer services, and (3) other operating revenues.

Non-operating Revenues – Non-operating revenues are recorded from the following sources: (1) contributions from the Commonwealth, (2) federal grants from various U.S. agencies, and (3) interest revenue – lease related, and (4) other non-operating revenues. These include operating support from the U.S. Department of Defense (DoD) through the Office of Local Defense Community Cooperation (OLDCC), disaster recovery funds from the Federal Emergency Management Agency (FEMA), administered through the Central Office of Recovery, Reconstruction, and Resiliency (COR3), and funding from the US Department of Treasury, administered by the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA), which support both operating expenses and capital projects.

Operating expenses – Operating expenses consist principally of payroll, professional services, security, water and sewer operation system, maintenance, insurance, materials, supplies, bad debt, and depreciation.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED) (CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS

Proprietary Fund Financial Statements

Under GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* (GASB Statement No. 34), the Authority presents its basic financial statements as proprietary fund financial statements.

The financial statements report on information about the Authority using the accrual basis of accounting as utilized by similar business activities in the private sector. The financial statements include the statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and notes to the financial statements.

- **Statement of Net Position** – This statement presents information on all the Authority's assets, liabilities, and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in the Authority's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.
- **Statement of Revenues, Expenses and Changes in Net Position** – The statement of revenues, expenses, and changes in net position presents the results of the Authority's activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.
- **Statement of Cash Flows** – This statement presents information related to cash flows of the Authority by the following categories: operating activities, noncapital financing activities, capital and related financing activities. This statement also portrays the health of the Authority in that cash flows are sufficient to pay for current liabilities.
- **Notes to the Financial Statements** – The notes to the financial statements provide required disclosures and other information that are essential for a full understanding of the numeric data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any. The reader is encouraged to review the notes in conjunction with the management's discussion and analysis and financial statements.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED) (CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Statement of Net Position

The table below is a condensed summary of assets, liabilities, and net position as of June 30, 2025, and 2024:

| | 2025 | (As Restated) 2024 | Change | % |
|--------------------------------------|---------------------|-------------------------------|-----------------------|-------------|
| Assets | | | | |
| Current assets | \$ 1,756,442 | \$ 1,910,208 | \$ (153,766) | -8% |
| Noncurrent assets | 34,592,956 | 42,311,579 | (7,718,623) | -18% |
| Total assets | <u>36,349,398</u> | <u>44,221,787</u> | <u>(7,872,389)</u> | <u>-18%</u> |
| Liabilities | | | | |
| Current liabilities | 993,870 | 14,267,939 | (13,274,069) | -93% |
| Noncurrent liabilities | 26,772,887 | 18,094,079 | 8,678,808 | 48% |
| Total liabilities | <u>27,766,757</u> | <u>32,362,018</u> | <u>(4,595,261)</u> | <u>-14%</u> |
| Deferred inflows of resources | <u>7,282,536</u> | <u>7,463,500</u> | <u>(180,964)</u> | <u>-2%</u> |
| Net Position | | | | |
| Net investment in capital assets | 1,196,577 | 711,822 | 484,755 | 68% |
| Restricted | 9,888,289 | 14,928,898 | (5,040,609) | -34% |
| Unrestricted | (9,784,761) | (11,244,451) | 1,459,690 | -13% |
| Total net position | <u>\$ 1,300,105</u> | <u>\$ 4,396,269</u> | <u>\$ (3,096,164)</u> | <u>-70%</u> |

Current assets – Current assets decreased by \$154 thousand, or 8%, from \$1.91 million as of June 30, 2024, to \$1.76 million as of June 30, 2025. This decrease primarily reflects a reduction in cash balances during the year, partially offset by normal fluctuations in receivables and prepaid expenses.

Noncurrent assets – Noncurrent assets are composed primarily of capital assets (mostly land and property held for future development), restricted cash and lease receivable. Noncurrent assets decreased by \$7.72 million, primarily due to: 1) a \$1.72 million decrease in capital assets; 2) a \$6.0 million decrease in restricted cash, including the return of \$4.47 million to COR3 related to Working Capital Advances (WCA) not used within the allowable period; and 3) an \$81 thousand decrease in lease receivables.

Current liabilities – Current liabilities decreased by \$13.27 million, or 93%, primarily due to: 1) the return of \$4.47 million to COR3 related to FEMA Working Capital Advances not used within the allowable period; and 2) the reclassification of approximately \$8.47 million of remaining advance balances to noncurrent liabilities pending repayment.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED) (CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Noncurrent liabilities – Noncurrent liabilities increased by \$8.68 million, or 48%, primarily due to the reclassification of approximately \$8.47 million from current liabilities related to FEMA Working Capital Advances. Noncurrent liabilities also include \$1.07 million due to the Commonwealth in accordance with Act 26-2017, representing unencumbered surplus from generated revenues and Commonwealth contributions that are not available for the Authority's discretionary use.

The Financial Oversight and Management Board for Puerto Rico (the Oversight Board), established under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), retains authority over the release of such funds and may authorize transfers between governmental entities to ensure compliance with the Fiscal Plan and liquidity management objectives.

Net position – The Authority's net position decreased by \$3.10 million, or 70%, from \$4.40 million as of June 30, 2024 (as restated) to \$1.30 million as of June 30, 2025. The decrease is primarily attributable to the current-year operating loss of \$6.78 million, driven by increased pre-construction costs expensed during the year and higher repairs and maintenance expenditures. These factors were partially offset by non-operating revenues from Commonwealth contributions and federal grants totaling \$3.68 million.

Capital assets – Capital assets decreased by \$1.72 million or 9%, mostly due to change in estimate in previously recorded pre-construction costs and current depreciation.

Long-term debts – The Authority's obligation to commence payment of the initial consideration and subsequent installment payments under the Economic Development Conveyance Memorandum Agreement (EDC) with the Navy is contingent upon the Navy's completion of certain environmental remediation and the formal conveyance of the parcels identified as Solid Waste Management Units No. 3 and No. 70. At the time of issuance of these financial statements, the Navy had not conveyed the parcels to the Authority. Consequently, the Authority has not commenced principal payments on the long-term debt related to this agreement. The Navy is currently conducting environmental remediation on the identified parcels.

Statements of Revenues, Expenses and Changes in Net Position

The table below is a condensed summary of the revenues, expenses and changes in net position for the years ended June 30, 2025 and 2024:

| Functions / Programs | 2025 | (As Restated) 2024 | Change | % |
|---|-----------------------|-------------------------------|-----------------------|-------------|
| Operating revenues | | | | |
| Rental income, including common areas, utilities assessments and others | \$ 999,256 | \$ 1,143,905 | \$ (144,649) | -13% |
| Operating expenses | 7,780,383 | 6,461,605 | 1,318,778 | 20% |
| Operating loss | (6,781,127) | (5,317,700) | (1,463,427) | 28% |
| Non-operating revenues | | | | |
| Contributions from Commonwealth of Puerto Rico, federal grants, and others | 3,532,638 | 4,051,774 | (519,136) | -13% |
| Interest revenue - leases related | 152,325 | 233,254 | (80,929) | -35% |
| | 3,684,963 | 4,285,028 | (600,065) | -14% |
| Change in net position | <u>\$ (3,096,164)</u> | <u>\$ (1,032,672)</u> | <u>\$ (2,063,492)</u> | <u>200%</u> |

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED) (CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Statements of Revenues, Expenses and Changes in Net Position (Continued)

Operating revenues – The Authority's rental income, utility assessments, and other operating revenues decreased by \$145 thousand, or 13%, compared to the prior fiscal year. The decline was primarily attributable to reduced tenant occupancy levels during the year. Although utility assessments increased modestly, the increase was not sufficient to offset the reduction in rental income. Management continues its leasing efforts to improve occupancy levels and enhance recurring operating revenues.

Operating expenses – The Authority's operating expenses increased by \$1.32 million, or 20%, during the year. This net increase reflects the combined effect of the following factors:

- Salaries, fringe benefits, and related costs decreased by \$684 thousand, or 35%, primarily due to an ongoing reorganization. This reorganization is expected to result in the hiring of new staff in the ensuing fiscal year.
- Security services costs increased by \$34 thousand, or 7%, reflecting adjustments in contracted services compared to the prior year.
- Repairs and maintenance increased by \$1.35 million, or 3199%, primarily related to landscaping, luminaries, and general maintenance of the Authority's property funded through the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF).
- Pre-construction costs charged to expenditures increased by \$3.03 million, mostly due to the planning and development of new projects that the Authority envisions in its current development plans.

Non-operating revenues - The Authority's non-operating revenues decreased by \$600 thousand, or 14%, compared to the prior fiscal year. The decline was primarily attributable to a reduction in federal grant revenue, which decreased from \$2.71 million in fiscal year 2024 to \$1.23 million in fiscal year 2025. This decrease was partially offset by an increase in contributions from the Commonwealth. Interest revenue related to leases also declined modestly compared to the prior year.

Certain capital and operating initiatives remain dependent on federal and Commonwealth funding allocations that are subject to defined periods of performance and budgetary approvals. The timing and availability of such funding may affect the execution of related projects. Management continues to monitor funding sources and procurement timelines in accordance with applicable grant and budget requirements.

Currently Known Facts

Refund of FEMA Working Capital Advances

During fiscal year 2025, the Authority was required to refund approximately \$12.77 million to COR3 related to FEMA Working Capital Advances that remained unused beyond the allowable expenditure period. Of this amount, approximately \$4.47 million was returned during fiscal year 2025, and approximately \$8.47 million was recorded as a liability to the grantor as of June 30, 2025, and was subsequently returned after year-end.

The return of these funds reduced available liquidity and reflects the Authority's ongoing efforts to reconcile advance balances with federal grant compliance requirements.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED) (CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Currently Known Facts (Continued)

Federal Grant Performance Periods and Funding Outlook

Certain federal grants supporting the Authority's capital and operating activities have defined periods of performance that expire at various dates throughout 2026. Management is currently evaluating the status of these awards and the feasibility of completing eligible projects within the remaining performance periods. To the extent federal funding is not extended or additional advances are not approved, the Authority intends to seek Commonwealth capital allocations to support priority infrastructure initiatives, primarily potable water and sanitary system improvements. Discussions regarding these allocations had commenced with the Oversight Board as of the date these financial statements were issued.

Going Concern, Liquidity Risk and Fiscal Plan

Management evaluated the Authority's ability to continue as a going concern for twelve months beyond the financial statement date. In performing this evaluation, management considered the Authority's recurring operating losses, limited and inconsistent revenue streams, infrastructure constraints, environmental matters affecting property development, and liquidity challenges.

As of June 30, 2025, the Authority had experienced seven consecutive years of operating losses, and operating profits are not expected in the foreseeable future. Development of major real estate projects remains subject to Oversight Board approval and significant infrastructure investment. In addition, certain federal operating and capital grants are scheduled to expire during fiscal years 2026 and 2027. In addition, FEMA Working Capital Advances were required to be returned in accordance with applicable federal cash management requirements. Future replacement funding is subject to Commonwealth budget approval and Oversight Board certification. Collectively, these conditions raised substantial doubt about the Authority's ability to continue as a going concern within twelve-month period following the financial statements date.

Mitigating Actions and Conclusion

Subsequent events and management actions improved the Authority's near-term liquidity position. As of February 28, 2026, the Authority had approximately \$1.07 million in unencumbered cash. On September 4, 2025, OLDCC formally extended its operating grant through August 31, 2026, providing continued federal support for administrative and operating costs.

In December 2025, the Authority received approximately \$2.0 million from a Commonwealth reallocation of prior-year construction funds to support ongoing design and infrastructure-related projects. Additionally, \$517 thousand were provided to address operating cash shortfalls. These Commonwealth funds are available to support fiscal year 2026 operations and project activities.

Based on the receipt of these funds and the extension of the OLDCC operating grant through fiscal year 2027, management concluded that sufficient liquidity exists to meet obligations as they become due for the twelve-month period following the financial statement date. Accordingly, management determined that the substantial doubt previously raised has been alleviated, and the accompanying financial statements have been prepared on a going concern basis.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED) (CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Going Concern, Liquidity Risk and Fiscal Plan (Continued)

Ongoing Dependence on Governmental Support

Although the immediate risk has been mitigated, the Authority remains dependent on continued governmental support beyond the twelve-month evaluation period to sustain operations and advance infrastructure development. Operating federal grants are currently authorized through August 2026 and are not expected to continue into fiscal year 2028. Management anticipates annual Commonwealth contributions to help replace expiring federal funding; however, such support remains subject to approval through the Commonwealth's budget process and certification by the Oversight Board.

The Authority's long-term financial sustainability depends on the successful execution of infrastructure improvements and the advancement of awarded development projects. While management believes these initiatives are aligned with the Commonwealth's broader economic development strategy and expects continued governmental collaboration, no assurance can be provided that long-term financial self-sufficiency will be achieved.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the resources it receives. If you have any questions about this report or need additional financial information, contact the Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads, Finance Department, 355 F.D. Roosevelt Ave. Office 106, San Juan, PR 00918.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

STATEMENT OF NET POSITION

JUNE 30, 2025

CURRENT ASSETS

| | | |
|---|----|-----------|
| Cash | \$ | 1,051,816 |
| Federal grant receivable, net | | 147,919 |
| Tenants and other receivables, net of allowance for doubtful accounts of \$1,941,500 | | 120,582 |
| Lease receivable | | 324,235 |
| Prepaid expenses | | 111,890 |
| Total current assets | | 1,756,442 |

NONCURRENT ASSETS

| | | |
|-------------------------|--|------------|
| Capital assets, net | | 17,536,577 |
| Restricted cash | | 9,888,289 |
| Lease receivable | | 7,168,090 |
| Total noncurrent assets | | 34,592,956 |
| Total assets | | 36,349,398 |

CURRENT LIABILITIES

| | | |
|---------------------------------------|--|---------|
| Accounts payable and accrued expenses | | 957,870 |
| Current portion loans payable | | 36,000 |
| Total current liabilities | | 993,870 |

NONCURRENT LIABILITIES

| | | |
|--|--|------------|
| Loans payable | | 16,646,500 |
| Due to grantor | | 8,469,073 |
| Due to the Commonwealth of Puerto Rico | | 1,065,000 |
| Lease security deposits | | 366,927 |
| Compensated absences | | 225,387 |
| Total noncurrent liabilities | | 26,772,887 |
| Total liabilities | | 27,766,757 |

DEFERRED INFLOWS OF RESOURCES

| | | |
|---|--|------------|
| Leases related | | 7,282,536 |
| Total deferred inflows of resources | | 7,282,536 |
| Total liabilities and deferred inflows of resources | | 35,049,293 |

NET POSITION

| | | |
|----------------------------------|----|-------------|
| Net investment in capital assets | | 1,196,577 |
| Restricted | | 9,888,289 |
| Unrestricted | | (9,784,761) |
| Total net position | \$ | 1,300,105 |

See accompanying notes to the basic financial statements.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

OPERATING REVENUES

| | | |
|--------------------------|----|---------|
| Utilities assessments | \$ | 454,427 |
| Rental income | | 476,222 |
| Other | | 68,607 |
| | | 999,256 |
| Total operating revenues | | 999,256 |

OPERATING EXPENSES

| | | |
|-------------------------------|--|-------------|
| Salaries, taxes, and benefits | | 1,267,757 |
| Security and related | | 440,676 |
| Professional services | | 844,562 |
| Insurance | | 177,937 |
| Water plant system | | 190,000 |
| Utilities | | 195,544 |
| Depreciation expense | | 297,065 |
| Bad debt | | 22,140 |
| Repairs and maintenance | | 1,199,358 |
| Occupancy | | 110,054 |
| Pre-construction costs | | 3,032,007 |
| Other expenses | | 3,283 |
| | | 7,780,383 |
| Total operating expenses | | 7,780,383 |
| Operating loss | | (6,781,127) |

NON-OPERATING REVENUES

| | | |
|--|--|-----------|
| Federal grants | | 1,227,044 |
| Contributions from Commonwealth of Puerto Rico, net of statutory transfer provisions of Act 26-2017 | | 2,305,594 |
| Interest revenue - leases related | | 152,325 |
| | | 3,684,963 |
| Total nonoperating revenues | | 3,684,963 |

NET CHANGE

(3,096,164)

NET POSITION, beginning of year, as previously reported

2,977,242

Restatement adjustment

1,419,027

NET POSITION, beginning of year, as restated

4,396,269

NET POSITION, end of year

\$ 1,300,105

See accompanying notes to the basic financial statements.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|----|-------------|
| Receipts from tenants and customers | \$ | 1,230,471 |
| Payments to employees for services | | (1,346,283) |
| Payments to other suppliers of goods and services | | (3,131,638) |
| Other payments | | 58,277 |
| | | (3,189,173) |
| Net cash used in operating activities | | (3,189,173) |

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

| | | |
|--|--|-------------|
| Receipts from contributions from Commonwealth of Puerto Rico | | 2,511,594 |
| Receipts from the Federal Government | | 1,360,528 |
| Due to grantor | | (4,851,864) |
| Interest revenue - leases related | | 152,325 |
| | | (827,417) |
| Net cash used in non-capital financing activities | | (827,417) |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | | |
|--|--|-------------|
| Construction and acquisition of capital assets | | (1,600,887) |
| Payments of loans payable | | (36,000) |
| | | (1,636,887) |
| Net cash used in capital financing activities | | (1,636,887) |

NET CHANGE IN CASH (5,653,477)

CASH AND RESTRICTED CASH, beginning of year 16,593,582

CASH AND RESTRICTED CASH, end of year \$ 10,940,105

CASH AND RESTRICTED CASH

| | | |
|-----------------|----|------------|
| Cash | \$ | 1,051,816 |
| Restricted cash | | 9,888,289 |
| | | 10,940,105 |
| | \$ | 10,940,105 |

Continues.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES**

| | |
|--|----------------|
| Operating loss | \$ (6,781,127) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation | 297,065 |
| Bad debt | 22,140 |
| Pre-construction costs | 3,032,007 |
| Net change in operating assets and liabilities: | |
| Lease receivable | 107,227 |
| Tenants and other receivables | 233,381 |
| Prepaid expenses | (5,505) |
| Compensated absences | (78,526) |
| Deferred inflows - leases related | (180,964) |
| Accounts payable and accrued expenses | 165,129 |
| Total adjustments | 3,591,954 |
| Net cash used in operating activities | \$ (3,189,173) |

See accompanying notes to the basic financial statements.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

1. ORGANIZATION

The Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads (the Authority) is a public corporation and government instrumentality of the Commonwealth of Puerto Rico (the Commonwealth), which was created as an independent corporate and political body, by Act No. 508 of September 29, 2004. The Authority is responsible for the implementation of the reuse and redevelopment plan for the former Navy Station of Roosevelt Roads located in Ceiba, Puerto Rico. Some of the activities involved in these redevelopment plans include the direction, supervision, regulation, and maintenance of the economic development on the lands and facilities formerly occupied by the U.S. Department of the Navy (the Navy). The Commonwealth generally provides financial support to the Authority through legislative appropriations.

On January 26, 2012, the U.S. Navy transferred 1,370 acres (Parcel III) of lands and facilities formerly used by the Naval Station Roosevelt Roads (NSPRR) to the Authority. Another 2,039 acres (Parcels I and II) were transferred to the Authority on May 7, 2013, bringing the total acreage for redevelopment to 3,409. As of May 7, 2013, the Authority has control of these lands and facilities and is able to execute redevelopment projects. However, certain real property and associated improvements, known as carveouts within Sale Parcel III and Science Park, are environmentally suitable for lease subject to the conditions, notifications, and restrictions set forth in the Finding of Suitability to Lease, Revision 1, Carveouts Within Sale Parcel III and Science Park (FOSL).

The carveout properties comprise approximately 345 acres of noncontiguous areas of Parcel III and the Science Park parcels located primarily along the ridge overlooking the northeastern side of Ensenada Honda and also on the southern peninsula of Bahía de Puerta. Facilities located on the property include a marina, a gasoline filling station, hazardous waste and materials storage facilities, maintenance shops, storage buildings and recreational facilities. The carveout areas were removed from Sale Parcel III and Science Park because they are Resource Conservation and Recovery Act (RCRA) Solid Waste Management Units (SWMUs) and Areas of Concern (AOCs) with work remaining to be completed under the Administrative Order on Consent (Consent Order: US Environmental Protection Agency (EPA Docket No. RCRA0220077301; EPA 2007) that sets out the Navy's corrective action obligations under RCRA.

As more fully explained in Note 7, the Navy is still in the process of transferring SWMU 3 and 70.

Board of Directors and Management – The Economic Development and Commerce (DDEC) of the Commonwealth oversees eight governmental instrumentalities, including the Authority, focused on different economic sectors and initiatives to achieve its public policy goals. However, the Authority has its own government body consisting of a nine-member Board of Directors comprised of the DDEC, who is the Chairman, two members appointed by the Mayor of the Municipality of Ceiba, one member appointed by the Mayor of the Municipality of Naguabo, one member appointed by the President of the Senate, one member appointed by the Speaker of the House of Representatives and three members appointed by the Governor. The members of the Board of Directors are appointed as to have a wide range of interests and expertise in the areas of planning; commercial, tourism, residential, and institutional development; real estate; tourism and recreational facilities administration; infrastructure projects' management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to the generally accepted accounting principles in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies:

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Measurement Focus and Basis of Accounting

The Authority's operations are accounted for using the flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the statement of net position; and revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from charges to tenants for the lease or license of property and providing goods and services in connection with the Authority's principal ongoing operations in connection with the implementation of the *2014 Development Zones Master Plan for the former Naval Station of Roosevelt Roads* and charges to customers for water and sewer related services. Revenue and expenses not meeting the operating definition are reported as non-operating revenue and expenses.

In addition, the Authority receives contributions from the Commonwealth and federal grants from various U.S. agencies. These include operating support from the U.S. Department of Defense (DoD) through the Office of Local Defense Community Cooperation (OLDCC), disaster recovery funds from the Federal Emergency Management Agency (FEMA) administered through the Central Office of Recovery, Reconstruction, and Resiliency (COR3), and funding from the US Department of Treasury, provided through the Commonwealth, which support both operating expenses and capital projects. All such contributions and grants are classified as non-operating revenues.

Net position is classified as the following three components in the accompanying statement of net position:

Net investment in capital assets — This component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of bonds, notes, and other debt that is attributed to the acquisition, construction, or improvement of those assets.

Restricted net position — This component results when constraints placed on those assets use are either, externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position — This component consists of net positions that do not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate that Management does not consider them to be available for general operations; therefore, it often has constraints on resources that are imposed by Management but can be removed or modified. When both restricted and unrestricted resources are available for use, generally, it is the Authority's policy to use restricted resources first, then the unrestricted resources as they are needed.

Use of Estimates in the Preparation of Financial Statements

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

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Leases

The Authority is a lessor for noncancelable lease agreements for facilities within the former Naval Station Roosevelt Roads. These leases are accounted for in accordance with GASB 87, *Leases*, which requires the recognition of a lease receivable and deferred inflows of resources at the commencement of the lease term.

At lease commencement, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the amounts of the lease receivable, adjusted for lease payments received at or before the lease commencement dates. This deferred inflow of resources is recognized as revenue over the lease term in a systematic and rational manner.

As a practical expedient, the Authority has elected to exclude non-lease components, such as common area maintenance charges, from the calculation of lease payments when such amounts are not explicitly stated or separately identifiable in the lease agreement. This expedient is applied consistently across applicable leases.

Key estimates and judgments include how the Authority determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The discount rate, which is based on the Authority's estimated incremental borrowing rate for comparable periods;
- The lease terms, which include the noncancelable period of the lease.
- The lease receipts, which consist of fixed payments specified in the lease agreements.

The Authority monitors changes in circumstances that may require a remeasurement of its leases. If changes occur that are expected to significantly affect the lease receivable, the Authority will remeasure both the lease receivable and the related deferred inflows of resources. Lease details are included in Note 5.

Rent Revenue, Accounts Receivable, and Allowance for Doubtful Accounts

Rent revenue is recorded following the straight-line basis or a method that approaches such a basis consistent with the tenant use of rental space or unit. Revenue from utility services and common area maintenance is recognized monthly as earned, based on incurred costs.

This note includes rent revenue from both short-term lease agreements (less than 12 months). Lease agreements that meet the definition under GASB 87 are disclosed separately in Note 5.

Accounts receivable are reported net of an allowance for doubtful accounts, which is established when collectability becomes uncertain and when balances are over one year past due. The allowance is based on management's evaluation of historical collection experience, aging of receivables, current economic conditions, and other relevant factors. These receivables primarily arise from rent, common area charges—including water and sewer services—and other tenant-related fees. The allowance for doubtful accounts is a contra asset account that reflects management's best estimate of potential credit losses, in

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

accordance with GASB standards. Due to inherent uncertainties in the estimation process, the allowance may be adjusted as conditions evolve or new information becomes available.

Grants and Revenue Recognition of Voluntary Non-exchange Transactions

Federal and state grant revenues are recognized when all applicable eligibility requirements are met (including time restrictions) and the resources are available.

Operating grants, including those to finance operating deficits, and contributions that are not restricted for capital purposes are excluded from an operating category since these are the result of non-exchange transactions; therefore, they are reported as non-operating revenues.

Revenue from non-exchange transactions consists of contributions from the Commonwealth and federal grants from the DoD, FEMA, and the U.S. Department of Treasury.

Cash and Restricted Cash

Cash

Cash consists of demand deposits held in financial institutions authorized by the Puerto Rico Treasury Department. Cash balances are maintained in accounts in the name of the Authority

Restricted Cash

Restricted cash represents amounts subject to external restrictions imposed by federal grant agreements, debt covenants, enabling legislation, or other contractual provisions. As of June 30, 2025, restricted cash consists of the following:

U.S. Government Operating and Capital Grants – Due to Grantor

As of June 30, 2025, the Authority held \$8,613,051 in restricted cash subject to federal compliance requirements, primarily related to FEMA disaster recovery programs administered through the Central Office for Recovery, Reconstruction, and Resiliency (COR3). Of this amount, \$8,301,812 represents unexpended Working Capital Advance funds that were required to be returned to COR3 in accordance with federal cash management requirements. Accordingly, a corresponding liability for refund to grantor has been recognized in the accompanying statement of net position. These funds were subsequently returned after year-end. The remaining balance is restricted for eligible reconstruction and capital projects in accordance with applicable federal regulations and grant agreements.

Unencumbered Contributions (Contributed) – Due to the Commonwealth of Puerto Rico

As of June 30, 2025, the Authority held \$1,065,000 in restricted cash consisting of surplus funds derived from generated revenues and Commonwealth contributions. These funds are subject to release and oversight by the Financial Oversight and Management Board for Puerto Rico under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) and are not available for general discretionary use.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

U.S. Department of Agriculture (USDA) Rural Development Debt Service Reserve Fund

As of June 30, 2025, the Authority held \$50,520 in restricted cash representing the debt service reserve required under the USDA Rural Development loan agreement. Refer to Note 7.

Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)

As of June 30, 2025, the Authority held \$159,718 of restricted cash from the Coronavirus State and Local Fiscal Recovery Fund, which is restricted for use in performing necessary repairs and maintenance to the Authority's property.

Total restricted cash as of June 30, 2025, amounted to \$9,888,289.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Authority has deferred inflows of resources related to leases. The Authority has one item which is related to its activities as lessor. The deferred inflows of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources is amortized on a straight-line basis over the term of the lease.

Capital Assets

Capital assets include land, buildings, equipment, vehicles, infrastructure assets, and construction in progress. Capital assets purchased or constructed by the Authority are stated at cost or acquisition value/entry price when donated. Acquisition value or entry price is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction on the acquisition date. Capital assets acquired from the U.S. Department of the Navy (the Navy) under an Economic Development Conveyance Memorandum Agreement (the EDC) are reported at acquisition value at the date of transfer.

The Authority capitalizes assets with an individual cost of \$1,000 or more and an estimated useful life exceeding one year. Routine repairs and maintenance that do not materially increase the value of an asset, enhance its service capacity, or extend its useful life are expensed as incurred. Costs that result in significant improvements, betterments, or extensions of useful life are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, as follows:

| <u>Assets</u> | <u>Years</u> |
|--|--------------|
| Land improvements | 20-30 |
| Building and building improvements | 20-30 |
| Piers | 20-30 |
| Infrastructure | 25-30 |
| Equipment, furniture, fixtures, and vehicles | 2-5 |

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

As of June 30, 2025, CIP includes pre-construction costs, mostly professional fees such as engineering, architectural, and design services. Pre-construction costs are capitalized only when it is probable, as defined by GAAP, that the related capital asset will be constructed and placed into service. If management determines that completion of a project is no longer probable, previously capitalized costs are written off and recognized as expense in the period such determination is made.

Impairment of Capital Assets

The Authority periodically evaluates long-term assets for impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (GASB Statement No. 42). A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage among others. For capitalized pre-construction costs, impairment is evaluated based on changes in circumstances related to the progress of the project.

The Authority evaluated its capital assets, and no impairment was identified during the year ended June 30, 2025.

Pollution Remediation Obligation (PRO)

The Authority follows the guidance of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB No. 49), which requires the recognition of a liability when a site is known or reasonably believed is polluted and one or more obligating events have occurred, for an estimated amount in excess of the environmental insurance policy in force at the time of the event. These events include:

- a. The government is compelled to take remediation action because pollution creates an imminent endangerment to public health or welfare or the environment, leaving it little or no discretion to avoid remediation action.
- b. The government is in violation of a pollution prevention–related permit or license, such as a Resource Conservation and Recovery Act (RCRA) permit or similar permits under state law;
- c. The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party (PRP) for remediation, or as a government responsible for sharing costs.
- d. The government is named, or evidence indicates that it will be named, in a lawsuit to compel the government to participate in remediation.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

- e. The government commences, or legally obligates itself to commence, cleanup activities or monitoring or operation and maintenance of the remediation effort. If these activities are voluntarily commenced and none of the other obligating events have occurred relative to the entire site, the amount recognized should be based on the portion of the remediation project that the government has initiated and is legally required to complete.

The Authority has evaluated environmental exposure and has determined that no significant pollution remediation obligation exists as of June 30, 2025, nor as of the date of these financial statements were issued. However, the Authority acknowledges that ongoing operations at certain sites may result in future obligations under GASB No. 49, particularly if it becomes directly responsible for implementing corrective measures required by environmental regulations. At present, the Authority is unable to determine the likelihood or reasonably estimate potential losses related to these matters.

Compensated Absences

The vacation policy of the Authority generally provides for the accumulation of 1.25 days per month up to a maximum annual amount of 15 days. Vacation time accumulated is fully vested by the employees from the first day of work up to a maximum of 60 days. Employees generally accumulate sick leave at a rate of 1 day per month up to a maximum annual amount of 12 days and a maximum accrual of 90 days. Upon retirement or employment separation an employee receives compensation for all accumulated unpaid vacation leave at the current rates regardless of years of service.

In accordance with GASB Statement No. 101, *Compensated Absences*, the Authority recognizes liabilities for leave attributable to past service that is vested and expected to be paid upon separation from service. Vacation leave meets these criteria and is accrued as earned.

Under GASB Statement No. 101, sick leave is accrued to the extent it is attributable to past service and expected to be used to settle obligations of the Authority. Although sick leave is generally not paid upon separation, management has elected to accrue 100% of accumulated sick leave.

Defined Contribution Retirement Plan

The Authority sponsors a defined contribution retirement plan (the Plan) covering eligible employees. Under the Plan, employees may contribute a portion of their compensation, and the Authority provides a matching contribution of \$0.50 for each dollar contributed by the participant, up to a maximum of 5% of the employee's annual compensation. Employees are immediately vested in both employee and employer contributions in accordance with the Plan's provisions.

Total employer contributions to the Plan for the year ended June 30, 2025, amounted to \$55,858.

Risk Management

The Authority carries commercial insurance to cover casualty, theft, claims, and other losses. The current insurance policies have not been cancelled or terminated. The Authority has not settled any claims in excess of its insurance coverage during the past three years. The Authority also pays premiums for workers' compensation insurance to another component unit of the Commonwealth.

To mitigate potential financial exposure related to environmental risks, the Authority maintains a pollution liability insurance policy. This coverage is intended to provide protection against certain costs associated with pollution conditions, subject to the terms, conditions, and limits of the policy.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Newly Issued Accounting Standards

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for U.S. state and local governments that follow generally accepted accounting principles (U.S. GAAP). Any recently issued accounting standards or pronouncements have been excluded as they either are not relevant to the Authority, or they are not expected to have a material impact on the financial statements of the Authority. The following new accounting standards were adopted by the Authority effective July 1, 2024:

New Adopted Standards

- GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of this Statement did not have a significant impact on the Authority's financial statements.
- GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The implementation of this Statement did not have a material impact on the Authority's financial statements.

New Accounting Standards Issued but Not Yet Adopted

- GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements. This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

- GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying assets in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Management is evaluating the impact that these statements may have on the Authority's basic financial statements upon adoption.

3. CUSTODIAL CREDIT RISK ON DEPOSITS

The Authority is authorized to deposit cash only in depository institutions approved by the Puerto Rico Treasury Department (PRTD), and such deposits should be kept in separate accounts in the name of the Authority. Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority's deposits might not be recovered. However, because of the collateral provided by the bank, credit risk is not significant.

The carrying amount of deposits as of June 30, 2025, as shown in the statement of net position follows:

| | <u>Unrestricted</u> | <u>Carrying Amount Restricted</u> | <u>Total</u> | <u>Depository Bank Balance</u> |
|-----------------|---------------------|---------------------------------------|---------------|------------------------------------|
| Commercial bank | \$ 1,051,816 | \$ 9,888,289 | \$ 10,940,105 | \$ 11,089,306 |

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

4. CAPITAL ASSETS

The following schedule summarizes the capital assets held by the Authority as of June 30, 2025:

| <u>Capital Assets</u> | <u>Beginning Balance (As Restated)</u> | <u>Increase</u> | <u>Write-off</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|---|--|---------------------|-----------------------|-----------------|---------------------------|
| <i>Non-depreciable assets:</i> | | | | | |
| Land and property for future development | \$ 12,098,307 | \$ - | \$ - | \$ - | \$ 12,098,307 |
| Construction in-progress | 1,173,814 | 1,350,103 | (2,452,720) | - | 71,197 |
| | <u>13,272,121</u> | <u>1,350,103</u> | <u>(2,452,720)</u> | <u>-</u> | <u>12,169,504</u> |
| <i>Depreciable assets:</i> | | | | | |
| Buildings, piers and infrastructure | 7,364,094 | 84,700 | (579,287) | - | 6,869,507 |
| Furniture and equipment | 109,279 | - | - | - | 109,279 |
| Vehicle | 38,641 | 166,084 | - | - | 204,725 |
| | <u>7,512,014</u> | <u>250,784</u> | <u>(579,287)</u> | <u>-</u> | <u>7,183,511</u> |
| <i>Less accumulated depreciation:</i> | | | | | |
| Buildings, piers and infrastructure | (1,424,994) | (233,219) | - | - | (1,658,213) |
| Furniture and equipment | (59,280) | (40,000) | - | - | (99,280) |
| Vehicle | (35,099) | (23,846) | - | - | (58,945) |
| | <u>(1,519,373)</u> | <u>(297,065)</u> | <u>-</u> | <u>-</u> | <u>(1,816,438)</u> |
| Net depreciable assets | <u>5,992,641</u> | <u>(46,281)</u> | <u>(579,287)</u> | <u>-</u> | <u>5,367,073</u> |
| Capital assets, net | <u>\$ 19,264,762</u> | <u>\$ 1,303,822</u> | <u>\$ (3,032,007)</u> | <u>\$ -</u> | <u>\$ 17,536,577</u> |

Construction in Progress

In 2025, pre-construction costs of \$3,032,007 were expensed after management determined that, due to funding uncertainty, it was no longer probable that the related projects would be constructed and placed into service. The amount expensed includes both current-year design and planning expenditures and previously capitalized pre-construction costs associated with projects whose development timelines or funding sources became uncertain. This reassessment reflects changes in facts and circumstances affecting the likelihood of project completion and resulted in a reduction of capital assets and an increase in operating expenses for the year.

Reversion of Leasehold Improvements (See Note 11)

Upon termination of a building lease during the fiscal year ended June 30, 2024, leasehold improvements constructed by the lessee reverted to the Authority in accordance with the lease terms. Under governmental accounting standards, such improvements are recognized at acquisition value at the date control is obtained.

During fiscal year 2025, the Authority recorded a prior-period adjustment of \$2,278,027 to recognize these leasehold improvements, resulting in an increase to capital assets and beginning net position. The recognition of these assets did not involve any cash inflow.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

5. LEASE AGREEMENTS AS LESSOR

The Authority has entered into various long-term rental agreements for certain land and properties available. The leases' expiration dates fluctuate from June 2025 through January 24, 2049. As of June 30, 2025, lease receivable and deferred inflows of resources are as follows.

| <u>Description</u> | <u>Lease receivable</u> | <u>Deferred inflows of resources</u> |
|--|-------------------------|--|
| Para la Naturaleza - Ending date 12/23/2035. Discount rate of 1.95%. Monthly payments of \$1,300. | \$ 186,309 | \$ 172,858 |
| Equinoterapia - Ending date 2/6/2043. Discount rate of 1.95%. Monthly payments of \$500. | 137,897 | 124,864 |
| ATM - Ending date 1/24/2049. Discount rate of 1.95%. Monthly payments of \$17,800. | 3,956,331 | 3,823,340 |
| Smart Parking - Ending date 10/19/2043. Discount rate of 1.15%. Monthly payments of \$15,000. | 2,974,057 | 2,946,741 |
| Pure Adventure - Ending date 12/31/2034; Discount rate of 1.15%; monthly payments of \$1,550 | 233,407 | 210,738 |
| Marling Sailing - Ending date 11/23/2026. Discount rate of 1.15%. Monthly payments of \$208 first year and \$258 in last year. | 4,324 | 3,995 |
| | <u>7,492,325</u> | <u>\$ 7,282,536</u> |
| Less: Current portion | (324,235) | |
| Long-term portion | <u>\$ 7,168,090</u> | |

For the fiscal year ended June 30, 2025, lease revenue on such lease agreements amounted to \$404,852, which is reported as part of rental income.

Future lease payments under these contracts for the years subsequent to June 30, 2025, are as follows:

| <u>Year ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------|---------------------|
| 2026 | \$ 324,235 | \$ 121,183 | \$ 445,418 |
| 2027 | 329,517 | 115,898 | 445,415 |
| 2028 | 334,501 | 110,525 | 445,026 |
| 2029 | 340,987 | 105,037 | 446,024 |
| 2030 | 347,734 | 99,426 | 447,160 |
| 2031 - 2035 | 1,841,673 | 407,738 | 2,249,411 |
| 2036 - 2040 | 1,775,322 | 261,892 | 2,037,214 |
| 2041 - 2045 | 1,576,410 | 121,330 | 1,697,740 |
| 2046 - 2049 | 621,946 | 18,875 | 640,821 |
| | <u>\$ 7,492,325</u> | <u>\$ 1,361,904</u> | <u>\$ 8,854,229</u> |

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

6. LEASE SECURITY DEPOSITS

The Authority collects a security deposit from tenants that intend to occupy the rental space for more than one year. The deposit will be used as a tangible security in the event of damage or lost property or will be considered as rent income if tenant defaults on their contractual rent payment.

As of June 30, 2025, the Authority maintained lease security deposits as follows:

| Tenant | Amount |
|--|---------------------------|
| MidAtlantic Shipyards LLC | \$ 100,000 ⁽¹⁾ |
| Puerto Rico and Municipal Islands Maritime Transport Authority | 57,400 |
| Loop Land Development LLC | 55,000 ⁽¹⁾ |
| United Real State | 41,576 ⁽¹⁾ |
| Smart Parking | 30,000 |
| Other tenants miscellaneous deposits | 82,951 |
| Total | \$ 366,927 |

⁽¹⁾ *Tenant security deposits arising from cancelled lease agreements are currently pending approval by the Board of Directors for application against outstanding accounts receivable.*

7. LONG-TERM LIABILITIES

U.S. Department of the Navy

Navy Parcel III - Loan payable due in fifteen annual equal principal installments plus interest beginning three years after the initial closing, subject to completion of environmental remediation of SWMU 3 and 70 by the Navy. Interest shall be calculated at 150 basis points over the US Treasury 10-Year Composite Note using the established rate on the first day of the month preceding the first installment due date. The first annual principal installment has not been made as of June 30, 2025. Annual interest to be accrued by the Authority begins once the latter of the following events occur: 1) an issuance of a new due date for the first annual principal installment or 2) thirty days following the conveyance of both SWMU 3 and SWMU 70 to the Authority. As of the date these financial statements were issued, none of these events had occurred.

Navy Parcel I and II - Loan payable due in fifteen annual equal principal installments plus interest commencing one year after the Authority's current payment obligations for Parcel III are settled. Interest on the guaranteed consideration will begin accruing seven years after the Parcels I and II closing and shall be calculated at 150 basis points over the U.S. Treasury 10-year Composite Note as of the date of the Parcels I and II closing. As of June 30, 2025, the loan payable bears interest of 3.3% (1.80% as the US Treasury 10-Year Composite Note as of May 6, 2013, plus 150 basis points).

On December 14, 2015, the Authority received a letter from the Navy conditioning the extension of the initial consideration and installment payments due from the EDC as a result of certain environmental remediation not completed by the Navy, as planned, for parcels SWMU 3 and SWMU 70. Originally, the Navy projected SWMU's 3 and 70 to be cleaned and conveyed to the Authority during fall of year 2017, at which time the Authority would start paying annual installments on the loan, as stipulated in the EDC.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

However, on September 20, 2017, Hurricane María hit Puerto Rico delaying the conveyance of the SWMU 3 and SWMU 70 to the Authority. As of the reporting date, the Navy has not provided a specific date for the conveyance of SWMU 3 and SWMU 70 to the Authority. Once the clean title of both properties is transferred to the Authority, the Authority will have to meet the payment obligations under the EDC.

U.S.D.A Rural Development - Rural Utilities Service

On August 12, 2016, the Authority was granted a loan and grant program by the Rural Utilities Service (RUS) administered by the USDA Rural Development. Funds were to be used to rehabilitate/improve the potable water infrastructure at NSRR. Under the agreement, the Authority will receive a \$4,936,000 loan, a grant of \$666,200, and a second grant of \$1,615,980. On December 23, 2016, the Authority closed the loan with a repayment schedule over a period of over forty years, including interest of 2.375%, only during the first three years. The Authority shall pay the principal and interest beginning December 23, 2020. The loan is evidenced with a promissory note and secured with real estate owned by the Authority. The Authority is required to establish a debt service reserve fund that has to be funded by monthly payments of \$1,684 until \$214,272 has been accrued. In 2025, the Authority did not receive or expense funds from RUS. As of June 30, 2025, the Authority had received \$610,084 under the loan agreement and fully repaid that amount by that date, with no outstanding balance due to RUS. This loan expired on February 28, 2026.

Puerto Rico Land Administration

On January 24, 2014, the Authority signed a real property option for a purchase agreement with the Puerto Rico Land Administration ("Land Administration"). Under the purchase agreement, the Authority intended to sell the Land Administration a parcel of land that comprehends 43.63 acres for the amount of \$2,500,000 and paid the Authority an option deposit of \$600,000.

During 2016, the Land Administration determined not to exercise the land purchase option and requested the Authority to return the deposit payment of \$600,000 in accordance with the terms of the purchase option. As a result, the Authority agreed with the Land Administration and subscribed to a non-interest-bearing payment plan on October 18, 2016.

Under the original terms of the payment plan, the Authority was to pay to the Land Administration monthly installments of \$12,500 commencing in November 2016 through November 2020.

On October 23, 2018, a new payment plan was reached with the Land Administration to liquidate the outstanding balance of \$537,500. The Authority will pay installments of \$2,000 for twelve months, commencing August 2019. Then, the payments will increase to \$3,000 monthly until the debt is paid in full. Also, the agreement provides to liquidate the debt at any time, through a lump-sum payment.

The following is a roll-forward of long-term debt maintained by the Authority for the year ended June 30, 2025.

| | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|---------------------------------------|----------------------|------------------|---------------------|----------------------|------------------------|
| US Department of Navy - Parcel III | \$ 7,840,000 | \$ - | \$ - | \$ 7,840,000 | \$ - |
| US Department of Navy - Parcel I & II | 8,500,000 | - | - | 8,500,000 | - |
| Land Administration payment plan | 378,500 | - | (36,000) | 342,500 | 36,000 |
| Compensated absences | 303,913 | 75,735 | (154,261) | 225,387 | - |
| | <u>\$ 17,022,413</u> | <u>\$ 75,735</u> | <u>\$ (190,261)</u> | <u>\$ 16,907,887</u> | <u>\$ 36,000</u> |

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Summary of Long-term Liabilities ⁽²⁾

The outstanding Land Administration payment plan balance as of June 30, 2025, requires future minimum principal payments as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---------------------------------|-------------------|-----------------|-------------------|
| 2026 | \$ 36,000 | \$ - | \$ 36,000 |
| 2027 | 36,000 | - | 36,000 |
| 2028 | 36,000 | - | 36,000 |
| 2029 | 36,000 | - | 36,000 |
| 2030 | 36,000 | - | 36,000 |
| 2031-2035 | 162,500 | - | 162,500 |
| | <u>\$ 342,500</u> | <u>\$ -</u> | <u>\$ 342,500</u> |

(2) The summary of long-term liabilities excludes the loan payable to the U.S. Department of the Navy related to Parcel III. This exclusion is due to the impracticality of determining, as of the reporting date, the specific date on which SWMU 3 and SWMU 70 will be conveyed to the Authority and the corresponding commencement of payment obligations. The Navy is currently performing environmental remediation on both parcels.

8. SIGNIFICANT CONCENTRATION AND CONSTRAINT RISKS

In accordance with GASB Statement No. 102, *Certain Risk Disclosures*, the Authority has evaluated concentrations and constraints that could make it vulnerable to substantial impact. The following summarizes the most significant conditions as of June 30, 2025.

Concentration of Revenue Sources

Since its inception in 2004, the Authority has generated limited operating revenues and has incurred recurring operating losses. As a result, the Authority is substantially dependent on non-operating funding sources, primarily federal grants and Commonwealth contributions, to finance both operations and capital improvements. For the year ended June 30, 2025, non-operating revenues exceeded operating revenues by approximately \$2.7 million.

Certain federal grants that support capital and operational activities are subject to defined periods of performance that expire through fiscal year 2027. If such funding is not extended or replaced by alternative appropriations, the Authority could experience liquidity constraints and delays in project execution.

The Authority is also dependent on Commonwealth appropriations, which are subject to certification and oversight by the Oversight Board under PROMESA. Reductions or delays in Commonwealth funding could adversely affect the Authority's ability to sustain operations and complete capital projects.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Liquidity and Cash Management Constraints

During fiscal year 2025, the Authority returned approximately \$4.5 million in FEMA Working Capital Advances to COR3 due to federal cash management requirements. As a result, future capital projects must be financed through reimbursement-based grant structures or alternative funding sources. The Authority's ability to advance large-scale infrastructure projects may therefore be dependent on timely reimbursements or substitute funding.

Infrastructure and Development Constraints

The Authority's property requires significant infrastructure improvements, including potable water, sanitary, and electrical system upgrades, before substantial private development can occur. Project execution is subject to funding availability, regulatory approvals, contractor capacity, and construction cost volatility. Delays in securing capital funding or completing infrastructure upgrades could postpone revenue-generating private development initiatives.

Oversight and Contractual Approval Constraints

Certain major contracts, leases, and development agreements require review and approval by the Oversight Board. These oversight requirements may affect the timing and structure of future agreements and development projects.

Environmental Remediation Uncertainty

Approximately 345 acres of the Authority's property remain subject to environmental remediation obligations under the responsibility of the U.S. Navy. Although the Navy retains corrective action obligations, the timing of remediation and formal conveyance of certain parcels remains uncertain. Delays in remediation could adversely affect the marketability and development potential of the property.

Limited Access to External Financing

The Authority's financial position and recurring operating losses limit its ability to obtain conventional external financing. Existing long-term obligations to the U.S. Department of the Navy under the Economic Development Conveyance agreement are contingent upon environmental remediation milestones. The Authority primarily relies on governmental funding mechanisms and special loan programs to finance capital improvements.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

9. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

U.S. Department of the Navy

Under the EDC agreement with the U.S. Department of the Navy, the Authority is required to pay the Navy "Additional Consideration" under certain conditions. Specifically, the Authority must remit to the Navy an amount equal to 40% of cumulative gross proceeds received from the lease, sale, assignment, or licensing of real property within Parcels I, II, and III, to the extent such cumulative proceeds exceed \$80 million through September 30, 2035.

Proceeds received from public entities to reimburse operating expenses (such as utilities and maintenance) and amounts related to the provision or sale of utility services are excluded from this calculation.

If applicable, such payments would be due annually on or before September 30 for the preceding July 1 through June 30 period.

As of June 30, 2025, cumulative proceeds have not exceeded the \$80 million threshold, and therefore no additional consideration is payable.

Current Developments

As part of its long-term redevelopment strategy, the Authority continues to advance the planning and design of a portfolio of capital, infrastructure, and private-sector partnership projects across the Authority's property. These initiatives are at various stages of planning, design, procurement, and pre-construction. The Authority's approach is centered on leveraging a combination of federal program funding, Commonwealth capital contributions, and private investment to activate underutilized land, modernize critical infrastructure and foster sustainable economic development within the region. However, as more fully discussed in Note 8, *Significant Concentration and Constraint Risks*, the development of the Authority's property is subject to significant risks beyond the control of the management of the Authority. Therefore, based on current facts and circumstances, it is impracticable to determine the final funding sources for these projects. The following sections provide an overview of the Authority's current key projects.

Authority's Projects in Design Stage

Electrical Power Grid Improvements

On July 14, 2022, the Authority initiated a procurement process for improvements and partial replacement of the internal electrical power grid system. The project was awarded FEMA funding; however, the current period of performance expires in September 2026. As of the date of these financial statements, the Authority has not received confirmation of an extension or additional funding.

Accordingly, management is evaluating alternative financing sources, including potential Commonwealth capital contributions, which remain subject to approval through the Commonwealth's budget process. The scope of work for the design-build procurement is currently under development and is expected to establish updated construction cost estimates. The project's execution is also subject to environmental

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

compliance requirements, which may affect the timing of implementation.

Due to its system-wide impact on the Authority's infrastructure, including power reliability, distribution capacity, and regulatory compliance, the electrical grid improvement project is considered foundational to the successful execution and operational viability of several other capital and private development projects described below. Delays in completing this project could adversely affect the timing and feasibility of related redevelopment initiatives.

Other Projects

As of June 30, 2025, the Authority had entered into contracts for the design and engineering of several capital improvement projects. These projects remain in the design phase, and construction activities have not yet commenced. The total contractual commitments associated with these design services are expected to be financed primarily through Commonwealth allocations. The principal projects currently under design include:

- Marine Business Research and Innovation Center (MBRIC) – RFP 2022-004

The center is designed to serve as a five-story facility that will support the development of ocean-dependent industries and agricultural innovation.

- Total investment: Subject to final determination. Originally, to be funded by a Economic Development Administration (EDA) grant expired in January 2025. Therefore, design expenditures incurred during the year ended June 30, 2025, were funded through Commonwealth funding.
- Scope: The scope of the MBRIC project includes the design and construction of a multi-tenant, mixed-use marine innovation facility to be developed on an approximately 2.93-acre site at the former Coast Guard Pier within the Authority's property. The project foresees a 45,000 square foot sustainable facility that will function as a regional hub for the Blue Economy, integrating marine-related business development, applied research, education, workforce training, and innovation.
- Current status: In the process of advancing and managing civil engineering design phase. However, because of the loss of federal funding the construction of this project is being reevaluated.
- Estimated design completion date: Fiscal year 2025-2026
- Pier 3 & Bulkhead Rehabilitation – RFP 2023-003
Its primary purpose is to restore and modernize maritime infrastructure that was significantly damaged by Hurricane María in 2017.
 - Total investment: Subject to final determination.
 - Scope: Restoration and modernization of maritime infrastructure, including replacement of damaged infrastructure, utility lines, and mooring components, as well as improvements aimed at risk mitigations.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

- Funding source: FEMA public assistance funds supplemented by capital improvement funding. However, this grant expires in September 2026, and the Authority is unable to determine if a new grant will be awarded. Therefore, the Authority will seek to fund the project through capital contributions from the Commonwealth, which matter is uncertain at the present time. During the year ended June 30, 2025, the Authority recognized expenditures of \$385,147, related to the design of this project, which expenditures were funded with FEMA awards.
- Finger Pier & Dry Dock Restoration – RFP 2023-003
 - Total investment: Subject to final determination.
 - Scope: Structural repair and rehabilitation of piers to promote the development of industrial and maritime operations, including potential future use as a shipyard or naval maintenance facility
 - Funding source: Partially funded through FEMA, along with Commonwealth capital improvement funds. However, this grant expires in September 2026, and the Authority is unable to determine if a new grant will be awarded. Therefore, the Authority will seek to fund the project through capital contributions from the Commonwealth, which matter is uncertain at the present time.

Authority's Projects in Bidding Stage

The principal projects currently undergoing procurement pertains to enhancements to the potable water and sanitary systems, as detailed below:

- Potable Water: The existing potable water infrastructure is subject to significant operational limitations. Previous efforts to upgrade the filtration plant and distribution network have undergone two separate public bidding processes; however, both solicitations concluded without the receipt of any proposals. Accordingly, the Authority is pursuing an alternative implementation strategy through an exceptional procurement mechanism, in coordination with the United States Department of Agriculture (USDA) and the Puerto Rico General Services Administration (ASG). As of the date the financial statements were issued the Authority was seeking financing through capital contributions from the Commonwealth.

The project involves the modernization of the raw water treatment plant sourced from the Río Blanco in Naguabo, with the capacity to treat 2 million gallons per day, replacement of filtration system valves and mechanical components, structural repairs to the 43.6-million-gallon raw water reservoir, and architectural, electrical, and structural upgrades to the administration building. It also includes installation of a backup emergency generator to ensure system resilience and regulatory compliance.

- Sanitary: The sanitary system improvement project remains in the project development pipeline. The Authority has completed the design phase and continues preparations to initiate procurement, subject to obtaining financing commitments.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Private Projects in the Request for Proposal (RFP) Stage and Request for Proposal Awarded

- Vertical Space Launch Facility – RFP 2024-004 (RFP Stage)
 - Total investment: Private
 - Transaction price: To be determined by independent appraisal.
 - Scope: The scope of the Vertical Space Launch Facility includes the sustainable design, financing, construction, operation, and maintenance of a vertical launch facility on an approximately 66.17-acre parcel of land at the former Naval Station Roosevelt Roads in Ceiba, Puerto Rico, or on an alternative site within Roosevelt Roads deemed suitable and approved by the Authority. The selected respondent shall be responsible for developing a vertical launch platform that complies with all applicable technical, operational, safety, and environmental requirements, including the establishment and management of temporary safety and exclusion zones, while ensuring the continuity of regular activities and minimizing impacts on surrounding communities and adjacent projects.

The scope also includes the design and construction of specialized infrastructure, most notably a flame trench capable of managing exhaust gases, extreme heat and pressure, noise attenuation, and combustion byproduct as well as the development and maintenance of all required utilities up to the authorized connection points.
- Mixed-Income Residential, Hospitality, and Golf Course Development – RFP 2024-003 (Award Stage)
 - Total investment: Private
 - Transaction price: To be determined by independent appraisal.
 - Scope: The project consists of the sustainable design, financing, construction, operation, and maintenance of a large-scale mixed-use development at Roosevelt Roads, Ceiba, Puerto Rico, encompassing approximately 800 acres located within Subzones A1, A2, C1, and C2 of the Roosevelt Roads Master Plan. The development includes mixed-use components such as housing, tourism accommodations, and recreational amenities, including mixed-income residential units, hospitality uses, golf course facilities, and complementary commercial and leisure uses.
- Marina Development and Operation – RFP 2024-002 (Award Stage)
 - Total investment: Private
 - Transaction price: To be determined by independent appraisal.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

- Scope: The project consists of the development of a world-class commercial marina at Roosevelt Roads in the Ceiba District, integrating restaurants, short-term rental villas, and complementary retail and commercial uses. The development will include modern infrastructure, contemporary facilities, and full-service marina operations, and is intended to establish a premier destination and catalyst for regional economic growth.
- Funding source: Private operator capital.
- Capehart Coastal Resort & Golf Club – RFP 2024-001 (Award Stage)
 - Total investment: Private
 - Transaction price: To be determined by independent appraisal.
 - Scope: The project consists of developing a luxury coastal resort and residential community including a boutique hotel, residential units, low-income housing units, a full 18-hole golf course, clubhouse, restaurants, retail, spa, pools, and a beach club. It spans multiple sites and is designed as an integrated lifestyle destination combining hospitality, recreation, and residential components
- Coast Guard Pier, Marina & All Hands Beach — RFP 2025-001 (RFP Stage)
 - Total investment: Private
 - Transaction price: To be determined by independent appraisal.
 - Scope: This project involves the redevelopment of the Coast Guard Pier, marina infrastructure, and All Hands Beach. Scope includes rehabilitation of maritime facilities, creation of berths and upland marina services, activation of beachfront amenities, and upgrades to utilities, circulation, parking, and coastal systems. The redevelopment aims to enhance public access, support tourism, and expand maritime activity.
- Fuel Tank Farm Development & Operation — RFP 2022-002 (RFP Stage)
 - Total investment: Private
 - Transaction price: To be determined by independent appraisal.
 - Scope: The project consists of the long-term operation and improvement of the existing fuel storage and distribution terminal, including eight above-ground tanks, a fueling pier, laboratory facilities, containment systems, pipelines, pumps, and support utilities. Scope includes modernization, compliance with environmental restrictions, maintenance of critical fuel-handling systems, and exclusive operational management under a long-term agreement.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

All private projects are subject to the review and approval of the Oversight Board. In addition, as agreed with the developers, the Authority has significant obligations for the improvement of the property's utilities, roads, and the construction of certain essential betterments. Therefore, as of the date the financial statements were issued, it was impracticable to determine if these agreements will be signed and in the event that any of these agreements is signed how long in the future they will be signed.

Contingent Liabilities

Litigation and Claims

The Authority is involved in litigation arising in the normal course of business. The Management of the Authority believes that the ultimate liability, if any, in connection with current litigation will not have a material effect on the Authority's financial position and results of operations.

Contingent Income

United Real Estate, Inc. Case

On April 8, 2024, the Authority filed a summary eviction action against United Real Estate, Inc. (URE) in the Puerto Rico Court of First Instance, Fajardo Superior Court, related to URE's occupancy of certain property located at the former Roosevelt Roads Naval Base. On March 14, 2025, URE filed a counterclaim against the Authority alleging bad faith and seeking damages and other relief, including alleged economic damages in the approximate amount of \$14,000,000. The matter is currently in the discovery stage and remains pending before the Court.

The Authority, based on consultation with external legal counsel and management's evaluation of the matter through the date of issuance of these financial statements, believes the counterclaim is without merit and intends to defend the action vigorously. Management has determined that, as of June 30, 2025, and through the date these financial statements were issued, an adverse outcome is not probable. Accordingly, no liability has been recorded in the accompanying financial statements.

The Authority's claims in the eviction action remain unresolved. Any potential recovery associated with the Authority's claims is contingent upon the final resolution of the litigation and, therefore, no contingent income has been recognized in the accompanying financial statements.

Federal Assistance Programs

The Authority participates in federal financial assistance programs. These programs are subject to audits by grantor agencies. However, the Authority acknowledges that audits may identify additional areas requiring corrective action.

Federal Emergency Management Agency (FEMA) Working Capital Advance (WCA) Funds Returned

During the year ended June 30, 2025, the Authority returned approximately \$4.5 million in FEMA Working Capital Advance (WCA) funds related to Disaster Recovery Grant DR-4339-PR. Subsequent to year-end, on December 15, 2025, the Authority returned an additional \$8.3 million in unexpended WCA funds to the Central Office for Recovery, Reconstruction, and Resiliency (COR3), in accordance with federal cash management requirements governing the timely use of advance funding.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

As of June 30, 2025, the \$8.3 million balance subject to return was recorded as a refund to grantor liability in the statement of net position. The return of these funds does not preclude the Authority from requesting future reimbursements for eligible expenditures, subject to federal approval and compliance with applicable grant requirements.

Coronavirus State and Local Fiscal Recovery Fund

During the year ended June 30, 2025, a finding identified in the Authority's Schedule of Findings and Questioned Costs (Finding No. 2025-007) resulted in questioned costs of approximately \$1.1 million related to expenditures under the Coronavirus State and Local Fiscal Recovery Fund (ALN 21.027). The questioned costs are subject to review and final determination by the U.S. Department of the Treasury and the pass-through entity.

Management believes the ultimate resolution of this matter is uncertain, and the amount of any potential repayment, if required, cannot be reasonably estimated at this time. Accordingly, no liability has been recorded in the accompanying financial statements. If the awarding agency determines that repayment is required, such repayment could materially impact the Authority's financial position in the period of determination.

U.S. Department of Defense – Office of Local Defense Community Cooperation (OLDCC)

From fiscal year 2018 through fiscal year 2025, the Authority received an average annual grant of approximately \$1.5 million from the U.S. Department of Defense, Office of Local Defense Community Cooperation (OLDCC) (ALN 12.607), to support recurring payroll and operating expenses. This grant represented the Authority's primary source of federal funding for administrative and operational costs.

For fiscal year 2026, the Authority did not receive an OLDCC operational grant. As a result, management has identified funding shortfalls related to payroll costs and professional services.

Management has submitted a request for renewed OLDCC support; however, as of the date of issuance of these financial statements, no award or funding commitment has been received. Accordingly, the Authority cannot assume continued federal operational support from OLDCC.

10. AMENDMENT TO LEASE AGREEMENT AND PREFERENTIAL PURCHASING RIGHT

On October 23, 2024, the Authority and the Puerto Rico Integrated Transportation Authority (the Tenant) executed an Amendment to Lease Agreement. Under the terms of the Amendment, the Landlord granted the Tenant a preferential purchasing right (right of first refusal) with respect to the leased premises, which include the Harbor Patrol Building, Pier 2, and Bulkhead Alpha. In the event the Authority decides to sell or transfer the property during the lease term, the Tenant has the right to:

- Receive written notice of the Authority's intent to sell,
- Exercise its preferential purchasing right within thirty days of such notice, and
- Enter into a sale and purchase agreement for the property.

If exercised, the sale price would be determined based on the fair market value established by an independent licensed appraiser mutually selected by both parties. The appraised market value would serve as the agreed sale price.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

The Amendment does not obligate the Authority to sell the property and does not constitute a current purchase agreement. No asset acquisition, liability, or purchase commitment existed as of the reporting date. Accordingly, no amounts have been recorded in the accompanying financial statements related to property acquisition.

11. RESTATEMENT OF NET POSITION

During the fiscal year ended June 30, 2025, the Authority restated its previously issued financial statements for the fiscal year ended June 30, 2024, to correct an error related to leasehold improvements that reverted to the Authority upon termination of a lease. These assets were not recorded in the prior year due to insufficient information to determine their acquisition value. During fiscal year 2025, management obtained the necessary information and recorded the acquisition value of the improvements, resulting in an increase to beginning net position of \$2,278,027.

Additionally, the Authority identified an error in the amount due to the Commonwealth under Act 26-2017. The liability had been understated by \$859,000 as a result of prior year surpluses. Accordingly, the Authority recorded the correction of error as a restatement of beginning net position as of July 1, 2024, resulting in a decrease of \$859,000.

As a result of the above, beginning net position as of July 1, 2024, was increased by a net amount of \$1,419,027.

The effect of this restatement is summarized as follows:

| | | |
|--|----|-------------------------|
| Net Position – July 1, 2024 (as previously reported) | \$ | 2,977,242 |
| Correction of error - capital asset | | 2,278,027 |
| Correction of error - due to Commonwealth | | <u>(859,000)</u> |
| | | <u>1,419,027</u> |
| Net Position – beginning of year (as restated) | \$ | <u><u>4,396,269</u></u> |

12. ALLEVIATED SUBSTANTIAL DOUBT ABOUT THE AUTHORITY'S ABILITY TO CONTINUE AS A GOING CONCERN

The discussion in the following paragraph regarding the Authority's financial and liquidity risks provides the necessary background and support for management's evaluation as to whether there is substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the date of these financial statements or for an extended period if there is currently known information that may raise substantial doubt shortly thereafter.

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

- The Authority is still in the early stages of developing the property assets and the revenue producing operations has been inconsistent and not significant. Furthermore, the significant delays that the Navy has had in dealing with environmental matters that are not expected to be resolved in the near future. The lack of reliable infrastructure has impacted the potential for major

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

developers to invest in the property. As of June 30, 2025, the Authority had seven years of recurring losses from operations, and operating profits are not expected in the foreseeable future.

- As more fully explained in Note 9, the Authority has awarded various request for proposals for major real estate developments involving residential, hotel, golf and marina projects, but these are subject to the approval of the Oversight Board and the investment by the Authority in a significant amount of infrastructure improvements and betterments that create uncertainty about the future and timeliness of these projects.
- Currently, the Authority has limited liquidity to meet operational and capital expenditure needs. For fiscal year 2026, operating federal grants have been extended, but they will no longer be available throughout fiscal year 2027.
- Federal grants expire on various dates through fiscal year 2027, and as more fully explained in Note 9, COR3 has requested the return of the unexpended FEMA Working Capital Advances. Although the Authority anticipates annual approval of Commonwealth contributions to replace the expiring FEMA grants, such funding remains subject to final approval by the Oversight Board as part of the Commonwealth's fiscal year 2027 budget.

Remediation Plan

Management has evaluated conditions that raised substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the date of these basic financial statements or for an extended period if there is currently known information that may raise substantial doubt shortly thereafter, as follows:

- As of February 28, 2026, the Authority had unencumbered cash totaling \$1,065,000.
- On September 4, 2025, OLDCC agreed to extend its grant for operations until August 31, 2026.
- In December 2025, the Authority was provided a reallocation of 2021 construction funds, totaling \$2,000,000, to support ongoing design projects and other minor projects. In addition, funds totaling \$517,000 were provided on the same date to cover cash shortfalls.

Management has evaluated these subsequent events and related actions and has concluded that they alleviate the substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date. Accordingly, the accompanying financial statements have been prepared assuming the Authority will continue as a going concern.

Management acknowledges, however, that continued financial support remains necessary to sustain the Authority's operations and fulfill its mission beyond the one-year evaluation of going concern. The Authority's projects represent a key component of the Commonwealth's economic development strategy. Accordingly, management anticipates continued support from the Commonwealth over the next several years as infrastructure development progresses and certain initiatives currently in various stages of negotiation advance. Management expects that the successful execution of these initiatives will enhance financial stability and support the Authority's long-term objective of becoming self-sufficient, however, no assurance can be provided that the Authority will be successful in achieving these long-term goals.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

13. RELATED PARTY TRANSACTIONS

The Authority is a component unit of the Commonwealth and is subject to oversight by the Oversight Board under PROMESA. As such, transactions with the Commonwealth and its instrumentalities are considered related party transactions.

Commonwealth of Puerto Rico

During the year ended June 30, 2025, the Authority received contributions from the Commonwealth of approximately \$2.3 million, which are reported as non-operating revenues in the accompanying statement of revenues, expenses, and changes in net position.

Municipality of Ceiba

The Authority entered into an agreement with the Municipality of Ceiba, a governmental entity represented on the Authority's Board of Directors, for the provision of maintenance and operational services associated with certain facilities managed by the Authority. Expenses incurred under this agreement totaled approximately \$1 million for the year ended June 30, 2025. As of June 30, 2025, amounts payable to the Municipality totaled \$23,436 and are reported within accounts payable and accrued expenses.

Other

The Authority also maintains lease agreements with certain governmental entities, including the Puerto Rico Integrated Transportation Authority (refer to Note 10).

14. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through March 31, 2026, the date the financial statements were available to be issued. The Authority has determined that there were no subsequent events that require adjustment to, or disclosure in, the accompanying financial statements, except for those disclosed herein:

Puerto Rico Ports Authority Memorandum of Understanding

On February 20, 2026, the Authority entered into a collaborative agreement with the Puerto Rico Ports Authority to evaluate and potentially rehabilitate the dry dock and related wharf facilities at Authority's premises.

Under the agreement, the Puerto Rico Ports Authority will provide technical guidance and advisory support in connection with the assessment and potential redevelopment of the maritime facilities. The agreement does not transfer ownership or operational control of the facilities and does not require financial consideration from the Authority at this stage.

Others

See Notes 7, 9, and 12 for other significant subsequent events.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

| Federal Grantor / Pass-Through Grantor / Program Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Expenditures |
|---|--|---|-------------------------------|
| U.S. Department of Defense | | | |
| Direct Program: | | | |
| Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation | 12.607 | n/a | \$ 1,073,832 |
| U.S. Department of Homeland Security | | | |
| Pass-through from the Central Office for Recovery, Reconstruction and Resiliency (COR3): | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4339-DR-PR | 633,147 |
| COVID-19 - U.S. Department of the Treasury | | | |
| Pass-through from the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA): | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | OE-2021-034 | <u>1,190,585</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 2,897,564</u></u> |

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award expenditures of the Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads (the Authority) for the year ended June 30, 2025. The Authority's reporting entity is defined in the notes to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE SCHEDULE

The Schedule is reported using the accrual basis of accounting.

Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), wherein certain types of expenditures may or may not be allowable or may be subject to limitations. Negative amounts presented in the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. RELATION TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the Schedule, which is prepared on the basis of accounting explained in Note 2.

The Uniform Guidance requires that federal financial reports for claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements have been prepared. The Authority prepares the federal financial reports and claims for reimbursements primarily based on information from the internal accounting records of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the financial statements of the Authority.

4. RELATIONSHIP TO FINANCIAL STATEMENTS

Federal awards revenues and expenses are reported in the Authority's statement of revenues, expenses, and changes in net position in accordance with standards issued by the Government Accounting Standards Board No. 34 (GASB Statement No. 34), as amended. Because the Schedule presents only federal activities of the Authority, it is not intended to and does not present the financial position, changes in net position, and cash flows of the Authority, as a whole.

5. INDIRECT COST RATE

The Authority has elected not to charge indirect costs to the federal awards. Additionally, the Authority did not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

6. GENERAL OBJECTIVES

The Authority received grants from the U.S. Department of Defense through the Office of Local Defense Community Cooperation (OLDCC), the Authority's cognizant federal agency, to plan and undertake community economic development, base redevelopment, and partner with the Military Departments in response to the proposed or actual expansion, establishment, realignment or closure of a military installation by the U.S. Department of Defense. In addition, in 2025, the Authority received funds from the Federal Emergency Management Agency (FEMA) administered through the Central Office of Recovery, Reconstruction, and Resiliency (COR3), and funding from the US Department of Treasury, provided through the Puerto Rico Financial Advisory Authority and Fiscal Agency (FAFAA). These funds support both operating expenses and capital projects.

7. WATER AND WASTE DISPOSAL LOAN AND GRANTS

On December 25, 2016, the Authority was granted a loan and grant program by Rural Utilities Service (RUS) administered by the US Department of Agriculture Rural Development. Funds will be used to rehabilitate and improve the potable water infrastructure at the Naval Station Roosevelt Roads (NSRR). Under the agreement, the Authority will receive a \$4,936,000 loan, a grant of \$666,200 and a second grant of \$1,615,980. Repayment of the loan is scheduled over a period of forty years, including interest at 2.375%. The loan will consist of a promissory note and secured with real estate owned by the Authority. The Authority is required to establish a debt service reserve to be funded by monthly installments amounting to \$1,684 until a total of \$214,272 has been accrued. In 2025, the Authority did not receive or expense funds from RUS. As of June 30, 2025, the Authority had received \$610,084 under the loan agreement and fully repaid that amount by that date, with no outstanding balance due to RUS.

8. CONTINGENCIES

The Authority receives funds under various federal grant programs, and such awards are to be expended in accordance with the provisions of each grant. Compliance with each grant is subject to audit by various government agencies, which may impose sanctions in the event of noncompliance.

9. SUBSEQUENT EVENTS

On August 5, 2025, the Authority received notification from the Finance Division of COR3 requiring the return of approximately \$8.4 million in unexpended Working Capital Advance (WCA) funds from FEMA that had remained outstanding for more than 365 days. The outstanding balance was returned on December 15, 2025. Although these funds were returned, they may be requested again in the future as needed, provided that any subsequent request is supported by a projection of expenditures for the 60 days following the new disbursement.

COR3 further instructed the Authority to submit updated spending plans for each project under the WCA program, outlining projected expenditures for the 60-day period following any future advance. Under revised procedures, future WCA disbursements will require documented short-term expenditure projections, and any amounts not expected to be expended within the approved period must be returned to COR3.

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

**To the Board of Directors and Management of the
Local Redevelopment Authority of the Lands and
Facilities of Naval Station Roosevelt Roads
San Juan, Puerto Rico**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads'** (a component unit of the Commonwealth of Puerto Rico) (the Authority), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 31, 2026.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding **2025-001** to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding **2025-002**, and **2025-003** to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as findings **2025-002** and **2025-003**.

The Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

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Lic. 16 Expires December 1, 2027
Guaynabo, PR
March 31, 2026

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DPSC16-1054

Local Redevelopment Authority of the Lands
and Facilities of Naval Station Roosevelt
Roads



Crowe PR PSC
100 Carr 165, Suite 410
Guaynabo, PR 00968-8051
+1 (787) 625-1800
www.crowe.pr

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**To the Board of Directors and Management of the
Local Redevelopment Authority of the Lands and
Facilities of Naval Station Roosevelt Roads
San Juan, Puerto Rico**

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the **Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads'** (a component unit of the Commonwealth of Puerto Rico) (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2025. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Disaster Grants – Public Assistance (Presidentially Declared Disasters) (ALN 97.036) and Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027)

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the *Public Assistance (Presidentially Declared Disasters) (ALN 97.036) and Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027)* for the year ended June 30, 2025.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2025.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

Basis for Qualified and Unmodified Opinions (Continued)

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Disaster Grants – Public Assistance (Presidentially Declared Disasters) (ALN 97.036) and Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027)

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the *Disaster Grants – Public Assistance (Presidentially Declared Disasters) (ALN 97.036)* as described in finding **2025-005** for Cash Management and *Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027)* as described in finding **2025-006** for Procurement, Suspension, and Debarment.

Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

Auditor's Responsibilities for the Audit of Compliance (Continued)

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying schedule of findings and questioned costs as findings **2025-004**, **No. 2025-007** and **2025-008**. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings **2025-005** and **2025-006** to be material weaknesses.

Report on Internal Control over Compliance (Continued)

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings **2025-004**, **2025-007**, and **2025-008** to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Authority's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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March 31, 2026

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DPSC16-1055

Local Redevelopment Authority of the Lands
and Facilities of Naval Station Roosevelt
Roads

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

PART 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|--|------------|
| Type of auditor's report issued | Unmodified |
| Internal Control Over Financial Reporting: | |
| 1. Material weakness(es) identified? | Yes |
| 2. Significant deficiency(ies) identified that are not considered to be material weakness? | Yes |
| Non-compliance material to financial statements noted? | Yes |

Federal Awards

| | |
|--|--|
| Internal Control Over Major Programs: | |
| 1. Material weakness(es) identified? | Yes |
| 2. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes |
| Type of auditor's report issued on compliance for major programs? | Qualified (ALN 97.036 and ALN 21.027) / Unmodified (ALN 12.607) |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | Yes |

Identification of Major Programs:

| <u>Name of Federal Program or Cluster</u> | <u>ALN Number</u> |
|---|-------------------|
| Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation | 12.607 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 |
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| Auditee qualified as a low-risk auditee? | No |

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

**Part II - Findings Relating to the Financial Statements that are Required to be Reported in Accordance with
Government Auditing Standards**

| | |
|------------------------------|---|
| 2025-001 Category | Material Weaknesses in Financial Reporting and Accounting Practices Material Weaknesses in Internal Control over Financial Reporting and Compliance with Laws and Regulations |
|------------------------------|---|

Criteria

In accordance with Generally Accepted Accounting Principles (GAAP), *Government Auditing Standards* (GAS), and the requirements of the Uniform Guidance (2 CFR Part 200, Subpart F), the Authority is required to establish and maintain effective internal control over financial reporting to provide reasonable assurance that:

- Transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP.
- Journal entries and adjustments are supported by appropriate documentation and subject to adequate review.
- Financial reporting processes, including the use of financial reporting systems, were not designed or operating effectively to prevent or detect material misstatements on a timely basis.

In addition, applicable Governmental Accounting Standards Board (GASB) standards require that financial statements be prepared using consistent and accurate accounting practices that fairly present the financial position and results of operations of the Authority.

Condition

During our audit of the Authority's financial statements for the year ended June 30, 2025, we noted that certain audit adjustments were required to correct account balances and disclosures in order for the financial statements to be presented in conformity with generally accepted accounting principles. Additionally, two prior period adjustments related to prior year balances were identified and recorded. These adjustments corresponded to (1) the capitalization of leasehold improvements reverted to the Authority at the end of the lease agreement in the amount of \$2,278,027, and (2) the identification of unencumbered funds due to the Commonwealth in accordance with Act 26-2017 in the amount of \$859,000.

Furthermore, certain journal entries tested lacked documented evidence of supervisory review and approval by an individual independent of the preparation process. While supporting documentation existed and preparer identification was evident, documentation of review was not consistently maintained.

Cause

The condition noted was primarily attributable to staffing challenges experienced during the fiscal year, including the absence of a finance director and limited accounting personnel. These circumstances affected the consistency of supervisory review and the timely performance and documentation of certain accounting control activities. As a result, certain internal control procedures were not uniformly documented during the normal course of operations. The matters identified were procedural in nature and limited in scope.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

**Part II - Findings Relating to the Financial Statements that are Required to be Reported in Accordance with
Government Auditing Standards (Continued)**

| | |
|------------------------------------|--|
| 2025-001 Category | Weaknesses in Financial Reporting and Accounting Practices (Continued) Material Weaknesses in Internal Control over Financial Reporting and Compliance with Laws and Regulations |
|------------------------------------|--|

Effect

As a result of the conditions described above, certain account balances and disclosures required adjustment during the audit, and documentation supporting supervisory review was not consistently available for examination. However, adjusting audit entries were recorded prior to issuance of the financial statements.

Perspective

The deficiencies identified were not limited to a single transaction or account balance and affected various aspects of the Authority's financial reporting process, primarily related to documentation of supervisory review and the timing and accuracy of certain accounting adjustments, including those related to prior periods.

Repeated Finding

A similar condition was reported in the prior year as **Finding No. 2024-001** in the *Summary Schedule of Prior Year Audit Findings*. Management has taken corrective actions to address the underlying issues, as evidenced by improved accounting practices and a reduction in audit adjustments during fiscal year 2025. However, the identification of adjustments related to prior year balances and continued inconsistencies in supervisory review documentation indicate that additional efforts are needed to ensure full remediation of the condition.

Recommendation

We recommend that the Authority continue to strengthen its internal control procedures over financial reporting by enhancing supervisory review and approval processes and ensuring that such reviews are consistently documented. This includes maintaining adequate staffing levels, clearly defined review responsibilities, and procedures to ensure timely identification and correction of both current and prior period accounting matters to support accurate financial reporting.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

**Part II - Findings Relating to the Financial Statements that are Required to be Reported in Accordance with
Government Auditing Standards (Continued)**

| | |
|------------------------------|--|
| 2025-002 Category | Incomplete Employee File Documentation Significant deficiency in Internal Control over Financial Reporting and Noncompliance with Laws and Regulations |
|------------------------------|--|

Criteria

Entity personnel policies, sound internal control principles, and applicable state and federal employment laws and regulations require that personnel files contain complete and accurate documentation supporting employment eligibility, job qualifications, and authorization for payroll and benefits. Such documentation is necessary to ensure payroll costs recorded in the financial statements are accurate, allowable, and properly supported.

Condition

A review of personnel files disclosed missing required documentation for several employees. Missing items varied by individual and included employment applications and medical clearance forms. Additionally, one file examined corresponds to an employee transferred to the Authority from the Puerto Rico Electric Power Authority pursuant to Act No. 8 of February 4, 2017, known as the “Ley para la Administración y Transformación de los Recursos Humanos en el Gobierno de Puerto Rico” (Mobility Act); although the personnel file was received, it did not contain all required documentation. These conditions indicate that personnel files were not consistently maintained in accordance with the Authority’s established requirements.

Cause

The condition is attributed to inadequate controls and oversight over the maintenance and review of personnel files. In addition, procedures to ensure completeness of documentation, particularly for employees transferred under Act No. 8 of February 4, 2017 (Mobility Act) were not consistently implemented.

Effect

The absence of required documentation, such as job applications and medical clearance forms, may result in noncompliance with applicable laws, regulations, and the Authority’s established requirements. It also limits the Authority’s ability to demonstrate that employees meet minimum qualifications and are medically fit for duty, and may increase exposure to legal, operational, and reputational risks.

Perspective

Our review of personnel files disclosed that several employees’ files were missing required documentation, including employment applications and medical clearance forms. Additionally, one file corresponding to an employee transferred from the Puerto Rico Electric Power Authority under the Mobility Act was incomplete at the time of review, as it did not contain all required documentation. Management indicated that actions are currently in progress to update and complete the transferred employee’s personnel file.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

**Part II - Findings Relating to the Financial Statements that are Required to be Reported in Accordance with
Government Auditing Standards (Continued)**

| | |
|-----------------------------|--|
| 2025-002 Category | Incomplete Employee File Documentation (Continued) Significant deficiency in Internal Control over Financial Reporting and Noncompliance with Laws and Regulations |
|-----------------------------|--|

Recommendation

We recommend that the Authority strengthen controls over the maintenance of personnel files to ensure that all required documentation is complete, accurate, and properly retained in accordance with established requirements. This should include implementing periodic reviews of personnel files, utilizing standardized checklists to verify completeness, and ensuring that any missing documentation is promptly obtained and filed. Additionally, the Authority should establish and enforce specific procedures to verify the completeness of personnel records received through interagency transfers under Act No. 8 of February 4, 2017 (Mobility Act), including timely follow-up with the transferring entity to obtain any outstanding documentation.

Cross-Reference / Repeat Finding

See **Finding No. 2025-004** for related internal control and compliance issues affecting federal awards. In addition, a similar condition was reported in the prior year as **Finding No. 2024-002**.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

| | |
|-----------------------------|---|
| 2025-003 Category | Monitoring of Pre-Construction Costs and Funding Significant Deficiency in Internal Control over Financial Reporting |
|-----------------------------|---|

Criteria

Under *Government Auditing Standards* and 2 CFR §200.303 (Uniform Guidance), non-federal entities must establish and maintain effective internal control over federal awards that provides reasonable assurance that:

- Federal awards are managed in compliance with applicable laws, regulations, and award terms;
- Financial reporting is reliable and accurate; and
- Assets are safeguarded from loss.

Additionally, GASB standards require that capital assets and Construction in Progress (CIP) be capitalized only when it is probable that the related asset will be constructed and placed into service. Proper monitoring of funding availability and expiration terms is necessary to support this probability assessment.

Effective internal control should include:

- Periodic review of funding agreements and expiration dates;
- Monitoring of grant award balances and remaining performance periods;
- Reconciliation of CIP balances to committed funding sources;
- Timely assessment of project feasibility and funding risk; and
- Documentation of management's evaluation of whether completion remains probable.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

**Part II - Findings Relating to the Financial Statements that are Required to be Reported in Accordance with
Government Auditing Standards (Continued)**

| | |
|-----------------------------|--|
| 2025-003 Category | Monitoring of Pre-Construction Costs and Funding (Continued) Significant Deficiency in Internal Control over Financial Reporting (and potentially over Compliance, if federal awards are involved) |
|-----------------------------|--|

Perspective

This finding reflects an opportunity to further enhance and formalize internal control processes across the Authority's capital project portfolio, particularly in the areas of documentation, coordination, and periodic review. While monitoring activities are currently performed across various functions, the implementation of a more structured and centralized framework would improve consistency, transparency, and auditability.

The condition highlights the importance of aligning existing practices within a formalized control environment to support accurate financial reporting and effective oversight of capital project activity and related funding.

Recommendation

We recommend that the Authority further strengthen its internal control framework over the monitoring of pre-construction costs and funding availability by formalizing and documenting existing practices. Specifically, management should consider implementing a centralized capital project tracking process that captures key project information, including approved budgets, funding sources, funding availability, key dates, and current project status.

Additionally, the Authority should perform and document periodic reviews of CIP balances, funding availability, and project status to support assessments of whether project completion remains probable in accordance with applicable governmental accounting standards.

Formal designation of responsibilities for monitoring project funding and status, along with documented procedures for reassessing CIP balances when project conditions change, would further enhance consistency and accountability.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

Part III - Findings and Questioned Costs Relating to Federal Awards

| | |
|-------------------------------|---|
| 2025-004 | Inadequate Personnel Documentation |
| Compliance Requirement | Allowable Costs / Cost Principles |
| Category | Significant Deficiency in Internal Control and Noncompliance |
| ALN | 12.607 |
| Federal Program | Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation |
| Federal Agency | US Department of Defense |

Criteria

Under 2 CFR § 200.303, the entity must establish, document, and maintain effective internal controls over Federal awards to provide reasonable assurance of compliance with Federal statutes, regulations, and the terms and conditions of Federal awards. Such internal controls must be consistent with the Standards for Internal Control in the Federal Government (GAO "Green Book") or the COSO Internal Control Framework.

Additionally, under 2 CFR § 200.430(g), charges to Federal awards for salaries and wages must be supported by records that accurately reflect the work performed and be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated. These records must be maintained as part of the Authority's official records.

Condition

From a sample of six employee files whose compensation was charged, in whole or in part, to the federal program, we identified deficiencies in four files reviewed. The files lacked required personnel documentation; missing items varied by individual and included employment applications and medical clearance forms. One of the four files corresponds to an employee transferred to the Authority from the Puerto Rico Electric Power Authority (PREPA) pursuant to Act No. 8 of February 4, 2017 (Mobility Act). Although the personnel file was received, it did not contain all required documentation and was missing more required documents than the other files with deficiencies. These conditions indicate that personnel files were not consistently maintained in accordance with federal requirements and the Authority's established policies.

Cause

The condition is attributed to inadequate controls and oversight over the maintenance and review of personnel files. In addition, procedures to ensure completeness of documentation particularly for employees transferred under the Mobility Act were not consistently implemented.

Effect

The absence of required documentation, such as job applications and medical clearance forms, may result in noncompliance with federal requirements and the Authority's established policies. It also limits the Authority's ability to demonstrate that payroll costs charged to federal awards are allowable and properly supported, and may result in questioned costs or increased scrutiny from federal oversight agencies.

Questioned Costs

None.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

| | |
|-------------------------------|---|
| 2025-004 | Inadequate Personnel Documentation (Continued) |
| Compliance Requirement | Allowable Costs / Cost Principles |
| Category | Significant Deficiency in Internal Control and Noncompliance |
| ALN | 12.607 |
| Federal Program | Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation |
| Federal Agency | US Department of Defense |

Repeated Finding

A similar condition was reported in the prior year as **Finding No. 2024-002** in the *Summary Schedule of Prior Year Audit Findings*.

Recommendation

We recommend that the Authority strengthen controls over the maintenance of personnel files to ensure that all required documentation supporting payroll costs charged to federal awards is complete, accurate, and properly retained in accordance with applicable requirements. This should include implementing periodic reviews of personnel files, utilizing standardized checklists to verify completeness, and ensuring that any missing documentation is promptly obtained and filed. Additionally, the Authority should establish and enforce specific procedures to verify the completeness of personnel records received through interagency transfers under the Mobility Act, including timely follow-up with the transferring entity to obtain any outstanding documentation.

Cross-Reference

See **Finding 2025-002** for related internal control issues affecting financial reporting.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

| | |
|-------------------------------|---|
| 2025-005 | FEMA Working Capital Advances |
| Compliance Requirement | Cash Management |
| Category | Material Weakness in Internal Control and Material Noncompliance |
| ALN | 97.036 |
| Federal Program | Disaster Grants - Public Assistance (Presidentially Declared Disasters) |
| Federal Agency | US Department of Homeland Security |

Criteria

Pursuant to 2 CFR §200.305(b)(1), when advances are made by a pass-through entity, the non-federal entity must maintain procedures to minimize the time elapsing between the receipt of federal funds and their disbursement for program purposes. Funds must be disbursed timely and only to meet immediate cash needs.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

| | |
|-------------------------------|---|
| 2025-005 | FEMA Working Capital Advances (Continued) |
| Compliance Requirement | Cash Management |
| Category | Material Weakness in Internal Control and Material Noncompliance |
| ALN | 97.036 |
| Federal Program | Disaster Grants - Public Assistance (Presidentially Declared Disasters) |
| Federal Agency | US Department of Homeland Security |

Condition

In May 2024, the Authority received FEMA Working Capital Advance (WCA) funds through the pass-through entity, the Central Office for Recovery, Reconstruction and Resiliency of Puerto Rico (COR3). These funds were intended to support eligible disaster recovery expenditures.

As of the date of audit testing, the Authority had retained a significant portion of the WCA funds for more than 365 days without disbursing them for allowable program purposes. Specifically, \$4,464,090 was returned in October 2024, and an additional \$8,301,812 was subsequently returned on December 15, 2025. Although the funds were ultimately returned, the prolonged retention of advance funds exceeded the allowable time period under federal cash management requirements and was not supported by documented short-term cash needs projections, as required by federal regulations.

The retention of these funds beyond the permitted time-frame constituted material noncompliance with federal cash management requirements during the period under audit.

Cause

The Authority did not establish or implement adequate internal controls to ensure compliance with federal cash management requirements under 2 CFR §200.305. Specifically, the Authority lacks formal policies and procedures for cash management, including documented short-term cash needs forecasting, monitoring of advance balances and their aging, and periodic supervisory review.

Additionally, the Authority relied on guidance and instructions provided by the pass-through entity (COR3) in administering FEMA Working Capital Advances. However, the Authority did not implement controls to evaluate and ensure that such guidance was consistent with applicable federal requirements. As a result, advance funds were retained beyond immediate cash needs and allowable time-frames.

Effect

The retention of federal funds for periods exceeding immediate cash needs constitutes noncompliance with Uniform Guidance cash management requirements. These conditions increase the risk of questioned costs, potential repayment of federal funds, heightened oversight by the pass-through entity and the federal agency, and additional administrative burden on the Authority.

Questioned Costs

None. The finding relates to noncompliance with federal cash management requirements due to the prolonged retention of advance funds. The condition did not result in unallowable or unsupported program expenditures.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

| | |
|-------------------------------|---|
| 2025-005 | FEMA Working Capital Advances (Continued) |
| Compliance Requirement | Cash Management |
| Category | Material Weakness in Internal Control and Material Noncompliance |
| ALN | 97.036 |
| Federal Program | Disaster Grants - Public Assistance (Presidentially Declared Disasters) |
| Federal Agency | US Department of Homeland Security |

Repeated Finding

This issue was reported in the prior year as **Finding No. 2024-003**, in the *Summary Schedule of Prior Year Audit Findings*.

Recommendation

We recommend that the Authority design and implement a formal cash management control framework to ensure full compliance with 2 CFR §200.305 and WCA requirements. The Authority should establish comprehensive written policies and procedures governing the request, receipt, monitoring, and timely disbursement of federal advance funds to ensure that advances are drawn solely to meet immediate cash needs and are expended within allowable timeframes.

These procedures should incorporate documented short-term cash flow forecasting to support advance requests, clearly defined responsibility for monitoring advance balances and their aging, and periodic supervisory review of outstanding advance funds. The Authority should also implement a structured process to identify and escalate delays in project execution or funding utilization so that corrective action can be taken promptly. In addition, relevant personnel should receive training on Uniform Guidance cash management requirements and FEMA program-specific guidance to reinforce compliance responsibilities.

The Authority should strengthen project planning and procurement oversight to better align advance funding requests with realistic project execution timelines, thereby reducing the risk of prolonged retention of federal funds.

Finally, the Authority should establish and implement formal controls to independently evaluate and ensure that guidance provided by the pass-through entity (COR3) complies with applicable federal requirements.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

| | |
|-------------------------------|--|
| 2025-006 | Noncompliance with Procurement Procedures |
| Compliance Requirement | Procurement, Suspension and Debarment |
| Category | Material weakness in Internal Control and Material Noncompliance |
| ALN | 21.027 |
| Federal Program | COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (SLFRF) |
| Federal Agency | US Department of Treasury |

Criteria

Under 2 CFR §200.317, states, including Puerto Rico, may follow their own procurement policies and procedures; however, such flexibility does not relieve the non-Federal entity from complying with other applicable requirements of 2 CFR Part 200.

Under 2 CFR §200.327 and Appendix II, all contracts funded with Federal awards must include applicable required contract provisions.

Under 2 CFR §200.331, non-Federal entities must determine whether an arrangement constitutes a subaward or a procurement contract based on the substance of the relationship.

Condition

The Authority entered into agreements with the Municipality of Ceiba for services funded with Federal awards. Under these agreements, the Municipality of Ceiba was responsible for procuring contractors, administering projects, supervising execution, and certifying payments, and received an administrative fee of approximately 5% of the contract amounts. Based on the substance of the arrangements, the Municipality of Ceiba functioned as a contractor providing project management and administrative services, rather than as a subrecipient.

The Authority did not perform or document a procurement process to select the Municipality of Ceiba in accordance with its applicable state and federal procurement policies (2 CFR §200.317). Specifically, the Authority did not conduct a competitive procurement process, such as a Request for Proposals, to select a provider for project management and related services, nor did it document the rationale for contractor selection.

While the Municipality of Ceiba subsequently conducted procurement processes for subcontracted work, such procedures do not satisfy the Authority's obligation to conduct its own procurement when selecting the Municipality of Ceiba as a contractor.

Furthermore, the agreements with the Municipality of Ceiba did not include all applicable Federal contract provisions required under 2 CFR §200.327 and Appendix II to Part 200 – *Contract Provisions for Non-Federal Entity Contracts Under Federal Awards*.

Cause

The condition resulted from management's reliance on the intergovernmental nature of the agreement and procurement procedures performed by the Municipality of Ceiba under local law. Management did not evaluate the arrangement based on its substance for purposes of Federal compliance, nor implement controls to ensure inclusion of required Federal contract provisions or proper classification under 2 CFR Part 200. Additionally, the Authority lacked formal policies and internal controls requiring the inclusion of required Federal contract provisions in agreements funded with Federal awards.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

| | |
|-------------------------------|--|
| 2025-006 | Noncompliance with Procurement Procedures (Continued) |
| Compliance Requirement | Procurement, Suspension and Debarment |
| Category | Material weakness in Internal Control and Material Noncompliance |
| ALN | 21.027 |
| Federal Program | COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (SLFRF) |
| Federal Agency | US Department of Treasury |

Effect

Although competitive procurement procedures were performed by the Municipality of Ceiba, the Authority cannot demonstrate compliance with Federal requirements applicable to contracts funded with Federal awards. The absence of required Federal contract provisions increases the risk of noncompliance with 2 CFR §200.327 and Appendix II. These deficiencies increase the risk that costs associated with the agreement may be subject to further review by the pass-through entity or awarding agency.

Questioned Costs

\$1,090,585. These costs are not questioned for allowability; however, due to deficiencies in compliance with applicable Federal requirements, such costs are considered subject to further evaluation by the pass-through entity or awarding agency.

Recommendation

We recommend that the Authority consult with the pass-through entity, Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA), and the U.S. Department of the Treasury, as applicable, to address the costs totaling \$1,090,585.

To prevent recurrence, the Authority should strengthen compliance by:

- Ensuring all agreements funded with Federal awards include required provisions under 2 CFR §200.327 and Appendix II.
- Establishing controls to ensure that agreements with other governmental entities are evaluated based on substance rather than form.
- Providing training to management and relevant personnel on Federal requirements under Uniform Guidance.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

| | |
|-------------------------------|---|
| 2025-007 | Performance Reporting Deadlines |
| Compliance Requirement | Reporting |
| Category | Significant Deficiency in Internal Control and Noncompliance |
| ALN | 12.607 |
| Federal Program | Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation |
| Federal Agency | US Department of Defense |

Criteria

Under 2 CFR § 200.329, non-Federal entities are required to submit performance reports in accordance with the terms and conditions of the Federal award. Performance reports are generally due no later than 30 days after the end of each reporting period for quarterly or semiannual reports, unless otherwise specified by the awarding agency.

Condition

From a sample of four Quarterly Performance Reports examined, three performance reports were not submitted on a timely basis. Specifically, three Quarterly Performance Reports were submitted late from 9 days to 154 days.

Cause

The delays resulted from inadequate internal controls over grant reporting, including the absence of effective tracking mechanisms and insufficient supervisory oversight to ensure required reports were prepared and submitted within established deadlines.

Effect

Untimely submission of federally required performance reports limits the ability of the awarding agency and pass-through entity to monitor project progress, evaluate program performance, and ensure compliance with award terms and conditions. Continued noncompliance with reporting requirements may result in additional administrative oversight or other actions by the awarding agency.

Questioned Costs

None

Repeated Finding

This issue was reported in the prior year as **Finding No. 2024-006** in the *Summary Schedule of Prior Year Audit Findings*.

Recommendation

We recommend that the Authority strengthen internal controls over grant reporting by establishing formal procedures to track reporting deadlines, assigning clear responsibility for the preparation, review, and submission of required reports, and providing training to relevant personnel on federal performance reporting requirements to promote timely and consistent compliance.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

| | |
|-------------------------------|---|
| 2025-007 | Performance Reporting Deadlines (Continued) |
| Compliance Requirement | Reporting |
| Category | Significant Deficiency in Internal Control and Noncompliance |
| ALN | 12.607 |
| Federal Program | Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation |
| Federal Agency | US Department of Defense |

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan

| | |
|-------------------------------|--|
| 2025-008 | Biweekly Use of Funds Reports Delayed Submissions |
| Compliance Requirement | Reporting |
| Category | Significant Deficiency in Internal Control and Noncompliance |
| ALN | 21.027 |
| Federal Program | Coronavirus State and Local Fiscal Recovery Funds |
| Federal Agency | US Department of Treasury |

Criteria

Fiscal Agency and Financial Authority (FAFAA), as the pass-through entity, requires subrecipients to submit biweekly reports of funds by the established deadlines as part of its monitoring and oversight responsibilities under the CSFRF program.

Condition

From a sample of eight biweekly CSFRF Use of Funds reports selected to test compliance with the submission deadlines established by the pass-through entity, we identified five instances of noncompliance. During our review of the biweekly CSFRF Use of Funds reports submitted for the year ended June 30, 2025, we noted that five reports were not submitted by the due dates established by FAFAA, the pass-through entity. The delays ranged from approximately three to four days beyond the required submission date.

Cause

The delays resulted from the absence of a formalized reporting compliance framework and documented internal controls to ensure timely submission of required biweekly reports. The Authority did not establish clearly defined timelines, assigned accountability, or supervisory review procedures to monitor reporting deadlines established by the pass-through entity. In addition, there was no formal escalation mechanism to address situations where report due dates coincided with staff workload constraints or end-of-week deadlines.

Effect

Failure to submit reports timely may hinder FAFAA's ability to perform timely oversight and monitoring of CSFRF funds and constitutes noncompliance with reporting requirements established by the pass-through entity.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

| | |
|-------------------------------|---|
| 2025-008 | Biweekly Use of Funds Reports Delayed Submissions (Continued) |
| Compliance Requirement | Reporting |
| Category | Significant Deficiency in Internal Control and Noncompliance |
| ALN | 21.027 |
| Federal Program | Coronavirus State and Local Fiscal Recovery Funds |
| Federal Agency | US Department of Treasury |

Questioned Costs

None.

Recommendation

We recommend that management strengthen internal procedures to ensure that all biweekly Use of Funds reports are submitted to FAFAA on or before the required due dates, including implementing internal cutoff dates or reminder controls when deadlines fall on non-peak processing days.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2025

Finding 2024-001 Weaknesses in Financial Reporting and Accounting Practices
Category Material Weaknesses in Internal Control over Financial Reporting and Compliance with
Laws and Regulations
Federal Program Not Applicable (Financial Statement Finding)

Condition

During the audit of the financial statements for the fiscal year ended June 30, 2024, multiple deficiencies were identified that reflect systemic weaknesses in the Authority’s financial reporting and accounting practices. As a result, more than seventy adjustments were identified excluding adjustments performed by another firm contracted by the Authority to assemble the single audit reporting package.

Status:

Uncorrected. Refer to Item No. **2025-001**.

2024-002 Incomplete Employee File Due to Transfer from PREPA
Category Significant deficiency in Internal Control and Noncompliance with Laws and Regulations
Federal Program Not Applicable (GAS Financial Statement Finding)

Condition

From a sample of eight personnel files selected to test compliance with laws and regulations, we identified one instance in which the employee file was not available for inspection. The employee had transferred from the Puerto Rico Electric Power Authority (PREPA), a component unit of the Commonwealth of Puerto Rico, under the provisions of Act 8-2017. However, the receiving entity did not obtain the employee’s personnel file from PREPA at the time of transfer.

Status:

Uncorrected, refer to Items No. **2025-002** and No. **2025-004**.

Finding 2024-003 FEMA Working Capital Advances (NOT A MAJOR PROGRAM)
Compliance Requirement Cash Management
Category Material Weakness in Internal Control and Material Noncompliance
ALN 97.036
Program Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Agency US Department of Homeland Security

Condition

The Authority received FEMA Working Capital Advances through the pass-through entity, Central Office for Recovery, Reconstruction and Resiliency of Puerto Rico (COR3). As of the date of this review, the funds have remained in the Authority’s bank account for over 365 days without being expended. This prolonged retention violates federal cash management requirements under the Uniform Guidance.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

YEAR ENDED JUNE 30, 2025

| | |
|-------------------------------|---|
| Finding 2024-003 | FEMA Working Capital Advances (NOT A MAJOR PROGRAM) (Continued) |
| Compliance Requirement | Cash Management |
| Category | Material Weakness in Internal Control and Material Noncompliance |
| ALN | 97.036 |
| Program | Disaster Grants - Public Assistance (Presidentially Declared Disasters) |
| Federal Agency | US Department of Homeland Security |

Status

Uncorrected, refer to Item No. **2025-005**.

| | |
|-------------------------------|--|
| Finding 2024-004 | Reserve Account (NON-MAJOR PROGRAM) |
| Compliance Requirement | Cash Management |
| Category | Material weakness in Internal Control and Material Noncompliance |
| ALN | 10.770 |
| Program | Water and Waste Disposal Loans and Grants (Section 306C) |
| Agency | US Department of Agriculture (Rural Development) |

Condition

The Authority has a deposit deficiency of \$163,752 in the Reserve Account. The balance of the debt service reserve as of June 30, 2024, shall be \$214,272.

Status

Uncorrected. Loan and grant expired in February 2026.

| | |
|-------------------------------|---|
| Finding 2024-005 | Delayed Requests for Reimbursement of Federal Funds |
| Compliance Requirement | Cash Management |
| Category | Material Weakness in Internal Control and Material Noncompliance |
| ALN | 12.607 |
| Program | Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation |
| Federal Agency | US Department of Defense |

Condition

During our review of the Authority's grant management practices, we noted that requests for reimbursement of federal funds under the cost reimbursement method were delayed by approximately five to seven months after the incurrence of eligible expenditures.

Status

Corrected.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

YEAR ENDED JUNE 30, 2025

| | |
|-------------------------------|---|
| Finding 2024-006 | Performance Reporting Deadlines |
| Compliance Requirement | Reporting |
| Category | Significant Deficiency in Internal Control and Noncompliance |
| ALN | 12.607 |
| Program | Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation |
| Federal Agency | US Department of Defense |

Condition

The Authority failed to submit required federal reports in accordance with the deadlines established in the Notice of Award, with an average delay of approximately 146 days. Specifically, the Quarterly Performance Reports, Final Performance Report, and Federal Financial Report (FFR) were submitted after their respective due dates, resulting in noncompliance with federal reporting requirements.

Status

Uncorrected, refer to Item No. **2025-007**.

| | |
|-------------------------------|---|
| Finding 2024-007 | Late Single Audit Submissions |
| Compliance Requirement | Reporting |
| Category | Material weakness in Internal Control and Material Noncompliance |
| ALN | 12.607 |
| Program | Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation |
| Federal Agency | US Department of Defense |
| ALN | 10.770 |
| Program | Water and Waste Disposal Loans and Grants (Section 306C) (NOT A MAJOR PROGRAM) |
| Agency | US Department of Agriculture (Rural Development) |
| ALN | 97.036 |
| Program | Disaster Grants - Public Assistance (Presidentially Declared Disasters) (NOT A MAJOR PROGRAM) |
| Federal Agency | US Department of Homeland Security |

Condition

The Authority did not submit its Single Audit reports for the fiscal years ended June 30, 2021, 2022, 2023, and 2024 to the Federal Audit Clearinghouse (FAC) within the required timeframe. Specifically, the Single Audit reports for fiscal years 2021, 2022, and 2023 were submitted in July 2025, well beyond the nine-month deadline established under federal regulations. The report for fiscal year 2024 had also not been submitted as of the date of this audit.

Status

Corrected.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

YEAR ENDED JUNE 30, 2025

Finding 2022-001 Performance and Financial Reports Submissions
Material weakness in Internal Control and Material Noncompliance

Condition

The Authority did not comply with the submission due dates of the Performance Reports and Federal Financial Reports established by the OEA in their Notice of Award granted on June 6, 2020. In addition, from five reports examined to test compliance with due dates, the submission date could not be verified in four instances, including the Federal Financial Report.

Recommendation

We recommend strengthening monitoring procedures to ensure compliance with the due dates and other provisions of the required reports by the OEA terms and conditions.

Status

In the prior year audit, this finding was reported as corrected. However, based on current year audit procedures, the corrective action was not effectively implemented, and the condition persists. The Authority continued to submit required reports after the deadlines established in the Notice of Award, in noncompliance with 2 CFR § 200.328 and 200.329. As a result, this finding is repeated in the current year as Item No. **2025-007**.

| FINDING NUMBER | PROGRAM/ OFFICE | FINDING TITLE / CORRECTIVE ACTION | LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION | TARGET COMPLETION DATE |
|---|-----------------|---|---|------------------------|
| 2025-001 2024-001 Financial Statement | Finance Office | <p>Weaknesses in Financial Reporting and Accounting Practices</p> <p>Management acknowledges the conditions described in Finding 2025-001. The Authority recognizes the importance of maintaining a strong internal control framework over financial reporting to ensure the preparation of accurate and timely financial statements in accordance with GAAP, Government Auditing Standards, and applicable federal requirements. During the fiscal year under audit, the Finance Department experienced staffing constraints, including the absence of a Finance Director for the complete year, which affected the level of supervisory oversight and the timely execution and documentation of certain financial reporting procedures. Management notes that these circumstances were transitional in nature and have since been addressed.</p> <p>During the current fiscal year, the Authority has implemented significant corrective actions to strengthen its internal control environment over financial reporting. The Finance Department is now operating under the leadership of a Finance Director and includes additional accounting personnel, improving oversight, accountability, and segregation of duties. Management has also implemented a more structured financial reporting framework designed to improve the reliability and timeliness of financial information. A formal monthly and year-end financial closing process enhanced supervisory review and approval procedures for journal entries and account reconciliations, and updated standard operating procedures related to financial reporting and documentation were implemented.</p> <p>These corrective measures represent a significant improvement compared to the prior fiscal year and are expected to reduce reliance on audit adjustments and improve the accuracy, completeness, and timeliness of the Authority’s financial reporting. Management will continue to monitor the effectiveness of these controls and remains committed to further strengthening the financial reporting process to ensure compliance with GAAP, Government Auditing Standards, and applicable federal requirements. Management expects that the continued implementation of these controls during the current fiscal year will further demonstrate the effectiveness of the corrective actions taken.</p> <p>Status: Corrected</p> <p style="text-align: right;">Questioned Cost: None</p> | <p>Jamille E Muriente Díaz, Financial Affairs Director Telephone: 787-705-7188 <u>Email:</u> Jamille.muriente@lra.pr.gov</p> | <p>6/30/2026</p> |

| FINDING NUMBER | PROGRAM/OFFICE | FINDING TITLE / CORRECTIVE ACTION | LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION | TARGET COMPLETION DATE |
|--|-------------------------------|--|--|------------------------|
| <p>2025-002 2025-004 2024-002</p> <p>Financial Statement</p> | <p>Human Resources Office</p> | <p>Incomplete Employee File Documentation</p> <p>In response to Findings 2025-002 and 2025-004, the personnel files included in the sample selected for examination were reviewed. As a result of this assessment, it was determined that several of the documents identified as missing were, in fact, filed in the corresponding personnel records. In addition, it was determined that some of the referenced documents pertained to forms that, over time, had been replaced by updated versions and are no longer in use. In those cases where the absence of documentation in the personnel file was confirmed, the necessary corrective actions were taken to ensure that the corresponding records were completed.</p> <p>Finding No. 2024-002, referenced in the report, was corrected. The personnel files of employees transferred from PREPA through the mobility process were located, and the pending documentation was completed.</p> <p>Beginning in July 2025, the Office of Administration and Human Resources implemented a documentation control and recordkeeping process for personnel files. As part of this process, a checklist was established to verify that all documents required by applicable laws and regulations are submitted in a timely manner. This checklist is reviewed and certified by the Director of Administration and Human Resources as part of the personnel appointment process (Attachment B-checklist). A process for completing personnel files was also established.</p> <p>It is certified that personnel files corresponding to appointments made beginning in July 2025 comply with all requirements established by applicable laws and regulations.</p> <p>Personnel documentation is maintained in a centralized manner under the custody of the Office of Administration and Human Resources, in accordance with established procedures.</p> <p>Management considers this matter to be resolved.</p> <p>Status: Corrected</p> <p style="text-align: right;">Questioned Cost: None</p> | <p>Lorna L Gómez Luma Human Resources Director Telephone: 787-274-6050 Email: lorna.gomez@lra.pr.gov</p> | <p>6/30/2026</p> |

| FINDING NUMBER | PROGRAM/OFFICE | FINDING TITLE / CORRECTIVE ACTION | LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION | TARGET COMPLETION DATE |
|-------------------------------------|---|---|--|------------------------|
| 2025-003 Financial Statement | Project Management and Development Office Finance Office | <p>Monitoring of Pre-Construction Costs and Funding</p> <p>Management acknowledges the conditions described in Finding 2025-003. The condition identified was primarily the result of significant employee turnover during the period under audit, which required a limited number of remaining personnel to assume multiple responsibilities. This situation affected the Authority’s ability to maintain a centralized and documented monitoring process over capital projects, funding availability, and grant performance periods.</p> <p>During the current fiscal year, management has taken corrective actions to address this matter and strengthen internal controls over financial reporting and capital project oversight. The Authority has increased staffing within the Finance Department and the Development Project Office, including the appointment of a Finance Director, Project Development Director, two Project Managers and additional personnel responsible for contract administration and project coordination. These additions improve segregation of duties and support enhanced oversight of capital projects and related funding sources.</p> <p>Management has implemented a centralized monitoring process for all capital projects recorded as Construction in Progress (CIP). This process establishes defined control points during the planning, design, and pre-construction phases of each project to ensure that project development activities remain aligned with available funding and applicable grant requirements.</p> <p>As part of this framework, management now performs and documents periodic reviews—at least quarterly—of project budgets, funding sources, grant award amounts, and grant performance periods. The monitoring process also includes review of key project development elements such as project scope, schedule updates, cost estimates, risk considerations, environmental and permitting requirements, procurement strategy, and land acquisition needs when applicable. In addition, the Authority has established structured oversight procedures during the design phase of projects. As projects progress through major design milestones (including preliminary design and 60%, 90%, and 100% detailed design stages), updated cost estimates, schedules, and project documentation are reviewed to confirm the continued feasibility of the project, the sufficiency of funding sources, and the appropriateness of capitalizing pre-construction costs in accordance with applicable GASB standards.</p> | <p>Yaser Abder Rahim Project Management Director Yaser.Abder@lra.pr.gov Telephone: 787-705-7188</p> <p>Jamille E Muriente Díaz, Financial Affair Director Telephone: 787-705-7188 <u>Email:</u> Jamille.muriente@lra.pr.gov</p> | 6/30/2026 |

| FINDING NUMBER | PROGRAM/OFFICE | FINDING TITLE / CORRECTIVE ACTION | LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION | TARGET COMPLETION DATE |
|----------------|----------------|--|---|------------------------|
| | | <p>The Finance Office maintains centralized documentation supporting the monitoring of project funding availability, grant compliance requirements, and project status. Responsibilities for project monitoring and financial oversight have been formally assigned to designated personnel to ensure accountability and continuity of the monitoring process.</p> <p>These measures establish a formal and documented framework for monitoring pre-construction costs and funding associated with capital projects. The corrective actions strengthen internal controls over financial reporting and help ensure compliance with applicable federal and Commonwealth funding requirements.</p> <p>Management believes that these corrective actions significantly improve oversight of capital project funding and reduce the risk of improper capitalization, delayed identification of funding constraints, or potential noncompliance with grant requirements in future reporting periods.</p> <p>Status: Corrected</p> <p>Questioned Cost: None</p> | | |

| FINDING NUMBER | PROGRAM/OFFICE | FINDING TITLE / CORRECTIVE ACTION | LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION | TARGET COMPLETION DATE |
|--|--|---|--|------------------------|
| 2025-005 2024-003 Federal Awards | Facilities Office Disaster Grants - Public Assistance | <p>FEMA Working Capital Advances (WCA)</p> <p>LRA acknowledges that WCA funds received through the Puerto Rico Central Office of Recovery, Reconstruction and Resiliency (COR3), acting as the pass-through entity for FEMA Public Assistance (PA) funds, remained in the Authority’s bank account for extended periods prior to disbursement. However, the retention of these funds was not the result of deficiencies in internal controls, monitoring procedures, or personnel capacity, as suggested in the finding. Rather, it resulted from federal programmatic requirements that must be satisfied before FEMA-funded projects can proceed to implementation.</p> <p>Several LRA projects under Disaster DR-4339 are currently undergoing FEMA review for approval of Alternate or Improved Projects, which require FEMA to complete multiple determinations before authorizing project implementation. These determinations include review and approval of the Scope of Work (SOW), Cost Eligibility (CE), and Environmental and Historic Preservation (EHP) compliance requirements, among other federal regulatory reviews. FEMA approval of these elements is a prerequisite for proceeding to final design, procurement, and construction.</p> <p>The timeline for these federal reviews is outside the control of the Authority. Due to the unique environmental and historic characteristics of the former Naval Station Roosevelt Roads facilities, FEMA’s Environmental and Historic Preservation (EHP) review process has been more complex and time-consuming than originally anticipated. Until FEMA completes these required reviews and issues the necessary approvals, LRA cannot initiate project activities that would generate eligible expenditures; therefore, invoices cannot be incurred or paid using the advance funds during this period.</p> <p>Working Capital Advances were requested based on project schedules and implementation timelines discussed with FEMA and COR3 at the time of submission. However, due to the extended federal review process, project activities were placed on hold pending FEMA approvals. Recognizing this situation, LRA coordinated with COR3 to return the unused WCA funds and any accrued interest, with the intention of requesting new advances once FEMA approvals are obtained and project implementation can proceed. This action reflects the Authority’s commitment to responsible stewardship of federal funds and compliance with Uniform Guidance cash management principles.</p> | <p>Ramón Lizardi, Facilities Director Telephone: 787-705-7188 <u>Email:</u> Ramón.lizardi@lra.pr.gov</p> | <p>6/30/2026</p> |

| FINDING NUMBER | PROGRAM/OFFICE | FINDING TITLE / CORRECTIVE ACTION | LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION | TARGET COMPLETION DATE |
|----------------|----------------|---|---|------------------------|
| | | <p>LRA maintains formal written procedures for the management of federal funds, including the Federal Fund Management Procedure, which establishes the internal controls, organizational structure, and monitoring processes used to manage federal grant funds and advances. These procedures include mechanisms for tracking advance balances, coordinating with COR3, and ensuring compliance with applicable federal requirements.</p> <p>Additionally, the statement indicating that the Authority lacks personnel or project management capacity does not accurately reflect LRA's organizational structure. LRA maintains internal administrative and financial personnel responsible for federal grant management and compliance. Furthermore, FEMA PA projects include eligible funding categories such as Direct Administrative Costs (DAC) and Management Costs, which allow applicants to obtain specialized technical and program management resources.</p> <p>Consistent with FEMA program provisions, LRA has implemented a structured project management framework that combines internal staff with specialized professional services. Currently, three FEMA PA projects have contracted Architecture and Engineering firms, while two additional projects are in the procurement phase for A&E services. In addition, LRA has engaged Gvelop, LLC to provide program and project management support for the FEMA PA DR-4339 portfolio, including project formulation, grant management, engineering coordination, and financial compliance support.</p> <p>Accordingly, the delays referenced in the audit finding were not caused by deficiencies in internal controls or personnel capacity, but rather by the federal approval processes required under the FEMA Public Assistance program, particularly those associated with Alternate or Improved Project approvals and EHP compliance reviews.</p> <p>LRA remains committed to maintaining strong internal controls over federal funds and will continue coordinating with FEMA and COR3 to ensure that future advances are requested and utilized in alignment with project readiness and immediate cash needs. As FEMA approvals are obtained and project implementation progresses, the Authority will request Working Capital Advances consistent with updated project schedules and anticipated expenditures.</p> <p>Status: Corrected</p> | | |

Questioned Cost: None

| FINDING NUMBER | PROGRAM/OFFICE | FINDING TITLE / CORRECTIVE ACTION | LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION | TARGET COMPLETION DATE |
|--------------------------------|--|---|---|------------------------|
| 2025-006 Federal Awards | Legal Office COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (SLFRF) | <p>Noncompliant with Procurement Procedures</p> <p>We strongly object to the findings. This finding is grounded on an incomplete interpretation of the applicable framework, as the funds in question were properly classified as Government Services pursuant to Resolution 2024-05 issued by AAFAF. In that regard, the Resolution expressly recognizes that: “Based upon the information currently provided, LRA's proposal is likely eligible as Government Services, which generally include any service traditionally provided by a government...” This classification is determinative, as it defines the nature of the funds and the applicable compliance structure.</p> <p>Furthermore, the Resolution itself establishes the operational and collaborative framework under which the project was executed, confirming that the initiative is not a traditional procurement scenario but a coordinated governmental effort. Specifically, it provides that: “To achieve this goal, LRA and the Municipality of Ceiba will be providing assistance, collaboration, and support for the redevelopment process.” Therefore, the structure of the project aligns with an intergovernmental collaboration model, consistent with the Government Services designation, and does not support the finding of noncompliance under a standard procurement analysis.</p> <p>Consistent with this framework, it is important to clarify that the collaborative agreements referenced in the audit correspond to prior arrangements funded with Federal awards, including those under ALN 21.027 Coronavirus State and Local Fiscal Recovery Funds, under which the Authority retained responsibility for compliance with applicable Federal requirements during their term. However, such collaborative agreements have since concluded and are no longer in effect. Accordingly, any past, current, or ongoing activities are governed by applicable state laws and regulations, as contemplated under the applicable federal framework and the Government Services classification.</p> <p>Moreover, the applicable federal regulatory framework expressly contemplates and permits the use of state procurement and administrative procedures in the execution of federally funded activities. In this context, the Authority implemented and managed the collaborative arrangements in accordance with the applicable state legal framework, treating such arrangements as intergovernmental agreements rather than traditional</p> | <p>Yanina Cuadrado, Legal Advisor Director Telephone: 787-705-7188 <u>Email:</u> Yanina.Cuadrado@lra.pr.gov</p> | 6/30/2026 |

| FINDING NUMBER | PROGRAM/OFFICE | FINDING TITLE / CORRECTIVE ACTION | LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION | TARGET COMPLETION DATE |
|----------------|----------------|--|---|------------------------|
| | | <p>procurement contracts. This approach is fully consistent with the nature of the Government Services classification and the collaborative structure endorsed by AAFAF.</p> <p>Management further represents that, during the term of such agreements, it maintained appropriate oversight over activities performed pursuant to these collaborative arrangements with the Municipality of Ceiba, and that such activities were carried out in good faith and in substantial compliance with the requirements applicable at that time. This further confirms that the audit finding, which appears to rely on a procurement-based analysis, does not accurately reflect the legal and operational framework governing these activities.</p> <p>In addition, we included and provided supporting documentation evidencing compliance with the requirements applicable to this funding. Such documentation was submitted as part of the administrative record and demonstrates adherence to the governing framework, further reinforcing that the activities conducted were consistent with the applicable legal and regulatory provisions.</p> <p>Questioned Cost: \$0.00</p> | | |

| FINDING NUMBER | PROGRAM/OFFICE | FINDING TITLE / CORRECTIVE ACTION | LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION | TARGET COMPLETION DATE |
|--|--|---|--|------------------------|
| 2025-007 2024-006 2022-001 Federal Awards | Finance Office Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation/ Finance | <p>Performance Reporting Deadlines</p> <p>Management acknowledges the conditions described in Finding 2025-007. The Authority acknowledges the delays in meeting performance reporting deadlines during fiscal years 2024 and 2025. Management determined that these delays were primarily the result of limited staffing within the Finance Department, where only one Accounting Officer was responsible for carrying out multiple financial and reporting functions.</p> <p>Management recognizes that this situation required prompt corrective action to ensure adequate oversight and timely compliance with reporting requirements. As a result, the Authority has strengthened the Finance Department’s capacity by appointing a Finance Director and hiring an additional accountant. These positions are now actively supporting supervision, reporting processes, and compliance monitoring. Adequate tracking and oversight mechanisms to ensure timely submission of required reports has been implemented. A centralized compliance calendar listing all federal reporting deadlines was developed and maintained with internal submission deadlines with at least fifteen to thirty days before deferral due dates to allow for review and approval before final submission (see attachment A-Report Tracker)</p> <p>The Finance Department implemented within its monthly accounting closing procedures tracking and reporting calendar detailing pending reports, responsible employee, due dates, and completion status. With these corrective actions in place, management expects that performance reports will be prepared and submitted within the required deadlines going forward.</p> <p>Management considers this matter to be resolved and does not expect similar delays going forward.</p> <p>Status: Corrected</p> <p style="text-align: right;">Questioned Cost: None</p> | Jamille E Muriente Díaz, Financial Affairs Director Telephone: 787-705-7188 <u>Email:</u> Jamille.muriente@lra.pr.gov | 6/30/2026 |

| FINDING NUMBER | PROGRAM/OFFICE | FINDING TITLE / CORRECTIVE ACTION | LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION | TARGET COMPLETION DATE |
|--------------------------------|---|--|---|------------------------|
| 2025-008 Federal Awards | Finance Office Coronavirus State and Local Fiscal Recovery Funds | <p>Biweekly Use of Funds Reports Delayed Submissions</p> <p>Management acknowledges the conditions described in Finding 2025-008. The Authority acknowledges the delay noted in the submission of the required biweekly reports. Management determined that these delays were primarily the result of limited staffing within the Finance Department, where only one Accounting Officer was responsible for carrying out multiple financial and reporting functions.</p> <p>During the fiscal year under audit, the Finance Department experienced staffing constraints, including the absence of a Finance Director for a significant portion of the year, which affected the level of supervisory oversight and the timely execution and documentation of certain financial and federal reporting procedures. To prevent similar situations in the future, management has implemented additional internal coordination procedures and established a monitoring process to track reporting deadlines and ensure timely submission of all required federal reports (see attachment A-Report Tracker). The Authority has implemented within its monthly accounting closing procedures tracking and reporting calendar detailing pending reports, due dates, and completion status clearly identifying the responsible employee.</p> <p>Management considers this matter to be resolved and does not expect similar delays going forward.</p> <p>Status: Corrected</p> <p>Questioned Cost: None</p> | <p>Jamille E Muriente Díaz, Financial Affairs Director Telephone: 787-705-7188 <u>Email:</u> Jamille.muriente@lra.pr.gov</p> | 6/30/2026 |

| FINDING NUMBER | PROGRAM/OFFICE | FINDING TITLE / CORRECTIVE ACTION | LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION | TARGET COMPLETION DATE |
|----------------|----------------|--|---|------------------------|
| 2024-004 | Finance Office | <p>Reserve Account (Non-Major Program)</p> <p>Management acknowledges the conditions described in Finding 2024-004. Upon notification by the auditors of the identified deposit deficiency in the Reserve Account, the Finance Office acted promptly to correct the issue. The full amount of the missing deposit was completed immediately of Fiscal Year 2026, thereby bringing the account into compliance with the applicable requirement.</p> <p>Although the related grant has expired, the Authority has taken additional steps to ensure full regulatory alignment. The Authority Management has formally submitted a request to the Federal agency for an extension of the period of availability of funds and is currently awaiting final determination.</p> <p>Moving forward, the Finance Office has strengthened its internal monitoring controls to reserve account funding requirements to ensure timely and accurate deposits. This includes periodic reconciliations and enhanced supervisory review.</p> <p>Status: Corrected</p> <p style="text-align: right;">Questioned Cost: \$0.00</p> | <p>Jamille E Muriente Díaz, Financial Affairs Director Telephone: 787-705-7188 <u>Email:</u> Jamille.muriente@lra.pr.gov</p> | 6/30/2026 |

Attachment A - Report Tracker



Oficina de Finanzas
Report Tracker
Año Fiscal 2026

| Nombre del Reporte | Agencia Solicitante | Plataforma de radicación | Contacto en la Agencia | Email de Contacto | Fecha Límite | Frecuencia | Persona Asignada | Julio | Agosto | Septiembre | Octubre | Noviembre | Diciembre | Enero | Febrero | Marzo | Abril | Mayo | Junio |
|---|---------------------|----------------------------------|---|--|-------------------------|------------|--------------------------------------|-------|--------|------------|---------|-----------|-----------|-------|---------|-------|-------|------|-------|
| Proyecciones de Gastos | OGP | Página de OGP - EPM | Ina Toro / Aracelis Vazquez | itoro@ogp.pr.gov / avazquez@ogp.pr.gov | 10 de cada mes | Mensual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Ingresos | OGP | Página de OGP - EPM | Ina Toro / Aracelis Vazquez | itoro@ogp.pr.gov / avazquez@ogp.pr.gov | 10 de cada mes | Mensual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| BZA | AAFAF | Email | Angel Quinones Cardona | angel.quinones@hacienda.pr.gov / edfreporting@hacienda.pr.gov / | 10 de cada mes | Mensual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Implementation Report | AAFAF | Email | Diana Santiago Ojeda | implementation@aafaf.pr.gov / diana.santiago@aafaf.pr.gov | 11 de cada mes | Mensual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Performance Report - 04 (Septiembre 2025) | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 9/30/2025 | Trimestral | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Performance Report - 05 (Diciembre 2025) | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 12/31/2025 | Trimestral | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Performance Report - 06 (Marzo 2026) | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 3/31/2026 | Trimestral | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Performance Report - 07 (Junio 2026) | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 6/30/2026 | Trimestral | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Federal Financial Report - Interim (Septiembre 2025) | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 9/30/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Federal Financial Report - Final (Diciembre 2026) | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 12/31/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Final Performance Report (Diciembre 2026) | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 12/31/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| ARP/ACSFRF Reportes | AAFAF | Email | Stephanie Diaz | csfrfreporting@aafaf.pr.gov / stephanie.diaz@aafaf.pr.gov | 12/31/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| FEMA | COR3 | N/A | N/A | N/A | calendario | Biemanual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Nómina | Contralor de PR | Email | Maribel Legrand | maribel.legrand@ira.pr.gov | primero 10 dias del mes | Mensual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Certificación Anual | Contralor de PR | Contralor - Certificaciones | Maribel Legrand | maribel.legrand@ira.pr.gov | | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| BZA CAPEX | AAFAF | Email | Diego Velazquez / Seguimientoinformes financieros | diego.velazquez_c@hacienda.pr.gov / seguimientoinformesfinancieros@hacienda.pr.gov | 11 de cada mes | Mensual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Planilla Retencion Salarios | Hacienda | Página Electronica de SURJ | N/A | N/A | | Trimestral | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Planilla Retenciones de Servicios Profesionales | Hacienda | Página Electronica de SURJ | N/A | N/A | | Trimestral | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Planilla IRS | IRS | Correo Postal | N/A | N/A | | Trimestral | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Planilla Desempleo Estatal y Disability | DTRH | DTRH Portal de Patronos | N/A | N/A | | Trimestral | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Planilla PUTA (Desempleo Federal) | IRS | Correo Postal | N/A | N/A | | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Planilla Chofenil | DTRH | https://www.trabajo.pr.gov/PSSCH | N/A | N/A | | Trimestral | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Informe CBDG | Dept Vivienda | N/A | N/A | N/A | | Trimestral | Gvelop / Jamille Muriente | | | | | | | | | | | | |
| FAATA Reports (Julio 2026 - Review) | Sam.gov | Sam.gov | N/A | N/A | | Annual | Michelle Rivas | | | | | | | | | | | | |
| SAM.GOV | Sam.gov | Sam.gov | N/A | N/A | | Annual | Michelle Rivas | | | | | | | | | | | | |
| Deliverable - Legal Consulting Services | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 8/31/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Deliverable - Engineering and Planning | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 8/31/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Deliverable - Underwriting, Financial Sustainability and outreach | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 8/31/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Deliverable - Environmental | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 8/31/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Deliverable - Historic Assessment | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 8/31/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Deliverable - Promise Zone | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 8/31/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Deliverable - Information Systems | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 8/31/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Deliverable - Accounting Systems | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 8/31/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Deliverable - Auditing Consulting | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 8/31/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |
| Deliverable - Human Resources Assessment | OLDCC | OLDCC Grants Management System | Jose Mauricio Castro | jose.m.castro81.cv@mail.mil | 8/31/2026 | Annual | Juan C. Rodriguez / Jamille Muriente | | | | | | | | | | | | |

Attachment B- Checklist



ADM-LRA-50

COTEJO DE DOCUMENTOS DE NOMBRAMIENTO

Nombre del Solicitante: _____ **Puesto:** _____

| ENTREGADO | NO ENTREGADO | DOCUMENTO | COMENTARIOS |
|-----------|--------------|--|-------------|
| | | Formulario Historial Personal | |
| | | Resumé | |
| | | Diploma/Transcripción de créditos | |
| | | Licencia (si aplica) | |
| | | Forma I-9 (con dos identificaciones) | |
| | | Exámen Físico | |
| | | Certificado de Nacimiento | |
| | | Certificado de Buena Conducta | |
| | | Certificado de Exención para la Retención (499 R-4) | |
| | | Autorización para depósito Directo (incluir evidencia cuenta de banco) | |
| | | Certificación Ley Núm. 168-2000 | |
| | | Notificación de Trabajo o Actividad Adicional- Ética | |
| | | Copia Tarjeta Seguro Social | |
| | | Copia de Licencia de Conducir | |
| | | Registro Estatal de Nuevos Empleados – Departamento del Trabajo (PR-SD-NH-1) | |
| | | Certificación de No deuda de la Administración para el Sustento de Menores (ASUME) | |
| | | Certificación de Radicación de Planillas de Contribución sobre Ingresos (últimos cinco años) y de su cónyuge (si aplica) | |
| | | Certificación de No deuda del Departamento de Hacienda y de su cónyuge (si aplica) | |
| | | Certificación de No Deuda del Centro de Recaudaciones de Ingresos Municipales (CRIM) y su cónyuge (si aplica) | |
| | | Formulario Ingreso Plan Médico | |

Firma Director (a) de Recursos Humanos: _____ Fecha: _____