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

FINANCIAL STATEMENTS AND COMPLIANCE AUDIT OF FEDERAL FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2022

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Certified Public Accountants
and Business Consultants

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

Opinions

We have audited the accompanying financial statements of the **Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads** (hereinafter "the Authority"), a component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively compromise 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 governmental activities of the Authority, as of June 30, 2022, 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 opinions.

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 and *Government 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 and *Government 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 on pages **4-9** 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 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*, is presented for purposes of additional analysis and is 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 are 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 November 17, 2023, 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 Authority's internal control over financial reporting and compliance.

Numbers Consulting LLC

November 17, 2023, except for the *Auditors Responsibility for the Audit of the Financial Statements, Supplementary Information* and *Other Reporting Required by Government Auditing Standards*, which date is December 2, 2024

San Juan, Puerto Rico

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, 2022

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, 2022, and is intended to serve as an introduction to the basic financial statements. This Management 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.

FINANCIAL HIGHLIGHTS

- The Authority's net position as of June 30, 2022, is $1,411,171, a decrease of $233,625 from a net position of $1,644,796 as of June 30, 2021.
- Rental income, including common areas, and others increased by $3234,521 or 27% when compared to the prior year.
- Utilities assessments decreased by $820,565 or 71% when compared to the prior year.
- Operating expenses increased by $956,698 or 29% when compared to the prior year.
- Non-operating revenues from legislative appropriations, federal grants and others increased by $412,977 or 23% when compared to the prior year.

MAJOR FINANCIAL ELEMENTS

Operating Revenues – Operating revenues are recorded from the following sources: (1) facility rent and fees; and (2) utilities assessment fees that stand for charges for water and sewer services.

Non-operating Revenues – Revenues are recorded from the following sources: (1) legislative appropriations from the Commonwealth of Puerto Rico (the Commonwealth) and (2) federal grants from the US Department of Defense (DoD) through the Office of Economic Adjustment (OEA), which are provided for operating expenses, and from the Federal Emergency Management Agency (FEMA).

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

OVERVIEW OF THE FINANCIAL STATEMENTS FOR BUSINESS-TYPE ACTIVITIES

Proprietary Fund Financial Statements

Under GASB Statement No. 34, *Basic Financial Statements - and Management 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 information about the Authority using the full accrual accounting method 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 presents the financial position of the Authority on a full accrual basis of accounting with the capital assets recorded at historical cost as acquired from the US Department of the Navy (the Navy). The statement of net position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating. A positive change in net position indicates the Authority's financial position is improving, while a negative change may indicate that the financial position is deteriorating.

  The statement of net position provides information about the nature and number of resources and obligations at year-end.

- ***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 giving rise to the change occurs, regardless of the timing of the related cash flows.

- ***Statement of Cash Flows*** – presents changes in cash, resulting from operational, investing, and capital and related financing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

- ***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 financial statements were prepared by the Director of Finance and Administration from the detailed books and records of the Authority, which were audited by independent auditors.

OVERVIEW OF THE FINANCIAL STATEMENTS FOR BUSINESS-TYPE ACTIVITIES (CONTINUED)

Statement of Net Position

The table below is a condensed summary of assets, liabilities, and net position (deficit) as of June 30, 2022, and 2021:

	2022	2021	Change	%
ASSETS				
Current and other assets	$ 3,933,183	$ 4,203,487	$ (270,304)	-6%
Nonurrent assets	32,842,695	16,230,276	16,612,419	102%
Total assets	$ 36,775,878	$ 20,433,763	$ 16,342,115	80%
LIABILITIES				
Current liabilities	$ 1,134,804	$ 2,052,692	$ (917,888)	-45%
Noncurrent liabilities	16,960,508	16,736,275	224,233	1%
Total liabilities	18,095,312	18,788,967	(693,655)	-4%
Deferred inflow of resources	17,269,395	-	17,269,395	100%
Total net position	$ 1,411,171	$ 1,644,796	$ (233,625)	-14%

Assets – The Authority's current and other assets decrease by $270,304 or -6%, due to the net effect of decrease on cash for $1,426,232. During the fiscal year, The Authority collected in cash $3,006,771 from tenants, customers and others receipts while disbursed in cash $4,420,555 to carry out operating activities. The increase in noncurrent assets was due to the increase of lease receivables due to the implementation of GASB 87 – Leases.

Net position – The Authority's net position decreased by $233,625 or -14%, due to a significant increase in operating expenses.

Capital assets – The Authority acquired its land and property for future development from the Navy under an Economic Development Conveyance (EDC) Memorandum Agreement. However, original cost information for the former Navy facilities was not available precluding the Authority from distributing its cost to the different components. During the year 2016, the Authority obtained independent appraisals for all the land and properties for future development. As a result, the Authority learned the estimated market value of the acquired property approximates over $100 million, which is higher than the cost of acquisition pursuant to the EDC.

OVERVIEW OF THE FINANCIAL STATEMENTS FOR BUSINESS-TYPE ACTIVITIES (CONTINUED)

Statement of Net Position (Continued)

However, based on the independent appraisal values and the use of its best professional judgment on the estimated value on a per square foot basis, the Authority was able to distribute the acquisition cost to the different components of the acquired property, principally land, buildings, piers, and infrastructure. As a result, the Authority allocated approximately $4.5 million to depreciable assets like buildings, piers, and infrastructure as of June 30, 2016. The Authority recognized depreciation on depreciable buildings, piers and infrastructure that are currently being used as operating capital assets in the total amount of $155,785 and $155,785 for 2022 and 2021, respectively.

Remaining land and property for future development has been evaluated for impairment as of June 30, 2022 and have determined that no loss has been incurred as of this date.

Long-term debts – The Authority's obligation to commence payment of the initial consideration and installment payments due for the EDC to the Navy is conditioned upon the Navy's completion of certain environmental remediation and conveyance of the parcels referred to as SWMU 3 (Solid Waste Management Unit) and SWMU 70. At the time of issuance of these financial statements, the Navy has not conveyed to the Authority the parcels, to give rise to the commencement of the principal payments on the long-term debt related to this agreement. The Navy is currently performing environmental remediation on the 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, 2022 and 2021:

Functions / Programs	2022	2021	Change	%
Operating revenues				
Rental income, including common areas, utilities assessments and others	$ 1,791,421	$ 2,245,651	$ (454,230)	-20%
Operating expenses	4,202,979	3,246,281	956,698	29%
Operating income (loss)	(2,411,558)	(1,000,630)	(1,410,928)	141%
Non-operating revenues (expenses)				
Legislative appropiations, federal grants, and others	2,177,933	1,774,550	403,383	23%
Change in net position	$ (233,625)	$ 773,920	$ (1,007,545)	-130%

OVERVIEW OF THE FINANCIAL STATEMENTS FOR BUSINESS-TYPE ACTIVITIES (CONTINUED)

Operating revenues - The Authority's rental, utilities assessments, and other revenues decreased by $454,230, mainly because of an increase in rental income.

Operating expenses - The Authority's operating expenses increased by $956,698 mainly as a result of the net changes in salaries taxes and benefits and professional services.

- Salaries, fringe benefits and salaries related costs increased by $916,515 or 137%.

- Professional services increased by $383,597 or 55%, primarily due to the services used by the Authority related to Engineers and environmental consultant for the reconstruction of the lands and facilities damaged by Hurricanes María and Irma in 2017, which is still in process.

Non-operating revenues - The Authority's non-operating revenues increased by $403,383 or 23%, mainly as a result of increase in contributions by Commonwealth $286,376.

Going Concern, Liquidity Risk and Fiscal Plan

Alleviated Substantial Doubt About Going Concern and Liquidity Risk

The Authority is still in the early stages of fully developing the property assets. Only a small portion of the property has been leased. Accordingly, to offset recurring losses from operations, the Authority has relied significantly on legislative appropriations and federal awards and will continue to rely on those appropriations and awards in the foreseeable future. See **Note 12**, where significant matters are disclosed to evidence that the risk of substantial doubt about going concern has been alleviated for at least one year after the release of the financial statements.

Fiscal Plan 2022

Pursuant to the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) and the requirements imposed by the Puerto Rico Management and Budget Office, the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), on January 27, 2022, certified the 2022 Fiscal Plan for the Commonwealth. The Oversight Board's Fiscal Plan commits to fiscal responsibility and implements specific revenue enhancements and targeted expenditure reductions to return Puerto Rico to fiscal stability and economic growth. For additional information regarding the Board Fiscal Plan, please refer to **Note 11** and **Note 14**.

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, Hato Rey, 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, 2022

ASSETS

CURRENT ASSETS	
Cash	$ 1,126,252
Federal grant receivable, net	594,180
Tenants and other receivables, net of allowance for doubtful accounts of $656,736	1,368,944
Cash restricted for loan payments	50,520
Lease receivable	654,054
Interest receivable	26,472
Prepaid expenses	112,761
Total current assets	3,933,183
NONCURRENT ASSETS	
Capital assets, net	16,074,491
Long-term portion of lease receivable	16,768,204
Total noncurrent assets	32,842,695
Total assets	36,775,878

LIABILITIES

CURRENT LIABILITIES	
Accounts payable and accrued expenses	531,298
Loans payable	202,353
Lease security deposits	401,153
Total current liabilities	1,134,804
NONCURRENT LIABILITIES	
Loans payable	16,819,544
Compensated absences	140,964
Total noncurrent liabilities	16,960,508
Total liabilities	18,095,312
DEFFERED INFLOW OF RESOURCES	
Lease related	17,269,395
Total deferred inflows of resources	17,269,395
NET POSITION	
Net investment in capital assets	271,568
Restricted for debt service reserve	50,520
Unrestricted	1,089,083
Total net position	$ 1,411,171

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 REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

OPERATING REVENUES	
Utilities assessments	$ 327,978
Rental income	1,439,236
Other	24,207
Total operating revenues	1,791,421
OPERATING EXPENSES	
Salaries and fringe benefits	1,587,668
Security and related	369,611
Professional services	1,085,313
Insurance	191,427
Water plant system	175,615
Depreciation expenses	155,785
Bad debt	102,000
Repairs and maintenance	196,302
Occupancy	49,438
Other expenses	289,820
Total operating expenses	4,202,979
Operating loss	(2,411,558)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	1,009,380
Contributions from Commonwealth of Puerto Rico	1,178,147
Interest expense	(9,594)
Total nonoperating revenues	2,177,933
NET CHANGE	(233,625)
NET POSITION, beginning of year	1,644,796
NET POSITION, end of year	$ 1,411,171

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tenants and customers	$ 624,753
Payments to employees for services	(1,550,361)
Payments to other suppliers of goods and services	(2,981,790)
Other receipts	486,027
Net cash used in operating activities	(3,421,371)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Receipts from Federal grants	1,009,380
Receipts from contributions from Commonwealth of Puerto Rico	1,178,146
Net cash provided by non-capital financing activities	2,187,527
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments of loans payable	(192,388)
Net cash used in capital financing activities	(192,388)
NET CHANGE IN CASH	(1,426,232)
CASH AND RESTRICTED CASH, beginning of year	2,603,004
CASH AND RESTRICTED CASH, end of year	$ 1,176,772
CASH AND RESTRICTED CASH	
Cash	$ 1,126,252
Cash restricted for loan payments	50,520
	$ 1,176,772

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (2,411,558)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	155,785
Interest expense	(9,594)
Net change in operating assets and liabilities:	
Lease receivable	(16,768,204)
Tenants and other receivables	(488,407)
Prepaid expenses	13,005
Interest receivable	(26,472)
Lease receivable	(654,054)
Interest payable	(12,900)
Compensated absences	37,307
Deferred inflows	17,269,395
Accounts payable and accrued expenses	(525,674)
Total adjustments	(1,009,813)
Net cash used in operating activities	$ (3,421,371)

See accompanying notes to the basic financial statements.

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 Law 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 Puerca. 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 8**, the Navy still in the process of transferring SWMU 3 and 70, which are expected to be transferred by 2025, or promptly thereafter.

Board of Directors – The Authority is governed by a nine member board comprising of the Secretary of Economic Development and Commerce of the Commonwealth, 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 additional members appointed by the Governor, all to possess known interest and expertise in the areas of planning; commercial, tourism, residential, and institutional development; real state; 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:

Measurement Focus and Basis of Accounting

The Authority's operations are accounted on a 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 a legislative appropriation from the Commonwealth and federal grants from the United States Department of Defense (DoD) through the Office of Economic Adjustment (OEA) and from the US Department of Agriculture (the USDA), which are considered non-operating revenues.

Net position is classified in 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 consists of net position that does 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Leases

During the year ended June 30, 2022, the Authority adopted GASB Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Administration only has leasing activities as lessor. Lease collections are allocated between principal and interest. The interest is charged to statement of activities over the lease period. Rental income is presented as operating revenues in the accompanying statement of revenues, expenses and changes in fund net position.

Consists principally of the leasing of the spaces in the former Naval Station Roosevelt Roads subject to lease contracts at varying terms.

Lease receivable

The Administration's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

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. Utility services and common area maintenance is recognized as earned monthly, as costs are incurred.

The accounts receivable is net of estimated uncollectible amounts, which are determined based upon past collection experience and current economic conditions, among other factors. These receivables arise primarily from rent, common areas charges, including water and sewer services, and charges to tenants.

The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses on existing accounts receivable that may become uncollectible based on evaluations of collectability and prior credit loss experience. Because of uncertainties inherit in the estimation process, management's estimate of credit losses inherit in the exiting accounts receivable and related allowance may change in the near future.

Grants and Revenue Recognition of Voluntary Non-exchange Transactions

Federal and state grants 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 result of non-exchange transactions; therefore, they are reported as non-operating revenues.

Revenue from nonexchange transactions consist of contributions from the Commonwealth and federal grants from the DoD and the USDA.

Cash and Cash Equivalents

For purposes of cash flows, the Authority considers all highly liquid investments (including restricted assets, if any) with a maturity of three months or less to be cash equivalents. If such instruments are included in restricted assets, they are considered cash equivalents for purposes of the statement of cash flows.

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, and infrastructure assets. 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 at the acquisition date. Capital assets acquired from the US Department of the Navy (the Navy) under an Economic Development Conveyance Memorandum Agreement (the EDC) are stated at the exchange value, per the agreement.

The Authority maintains a capitalization threshold of $1,000. Routine maintenance and repairs are charged to expense. Expenses, which materially increase values, change capacities, or extend useful lives are capitalized. The provision for depreciation has been computed by the use of the straight-line method at rates intended to amortize the cost of the related assets over the following estimated useful lives:

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

Impairment of Capital Assets

The Authority periodically evaluates long-term assets for impairment in accordance 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.

The Authority evaluated its capital assets, and no impairment was identified during the year ended June 30, 2022.

Pollution Remediation Obligation

The Authority accrues pollution remediation obligations (“PRO”) under GASB No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations,” which requires that the liability should be recorded at the current value of the costs the Authority expects to incur to perform the work. Estimated remediation costs are subject to change over time and are revised for updated technology, changes in potential responsible parties, results of environmental studies, changes in statutes or regulations, and other factors.

Compensated Absences

The vacation policy of the Authority generally provides for the accumulation of 1.25 days per month up to 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.

Pension Benefits

The Authority adopted a defined contribution savings and retirement plan ("the Plan"). All employees are eligible to participate in the Plan since commencement date. All employees' benefits become vested, once they have entered into the Plan, in accordance with the eligibility requirements. The Plan provides for contributions by the Authority of 50 cents per each dollar contributed by the participant, which cannot exceed 5% of the aggregate annual salary of the participant. Total contributions made by the Authority to the Plan during the year ended June 30, 2022, amounted to $25,726.

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.

New Accounting Standards Adopted

The following new accounting standards were adopted by the Commonwealth effective July 1, 2020:

- GASB Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a Business-type Activity that normally expects to hold custodial assets for three months or less. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. This statement does not have any impact on the accompanying basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards Adopted

- GASB Statement No. 90, *Majority Equity Interest*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. This statement does not have any impact on the accompanying basic financial statements.

- GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease assets, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements Issued But Not Yet Effective

GASB has issued the following standard that have not been adopted by the Authority, and are currently under evaluation for their impact in future financial statements:

- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB, and AICPA Pronouncements, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a Business-type Activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

- GASB Statement No. 91, *Conduit Debt Obligations*. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

- GASB Statement No. 92, *Omnibus 2020*. This Statement addresses a variety of topics and includes specific provisions about the following, the effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports; Reporting of intra entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits; The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The portion of this Statement that relates to the effective date of Statement 87 and its associated implementation guidance are effective upon issuance. Provisions related to intra entity transfers of assets and applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021. The remaining requirements related to asset retirement obligations are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by topic.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements Issued But Not Yet Effective (Continued)

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). Some governments have entered into agreements in which variable payments made or received depend on an IBOR—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payments Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange like transaction. This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement (SCA). This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement). This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator’s right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncement Issued But Not Yet Effective (Continued)

- GASB Statement No. 95, *Postponements of Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2019, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year after the original implementation date:
-- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
-- GASB Statement No. 91, *Conduit Debt Obligations*
-- GASB Statement No. 92, *Omnibus 2020*
-- GASB Statement No. 93, *Replacement of Interbank Offered Rates*
-- GASB Implementation Guide No. 2017-3, A*ccounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (and Certain Issues Related to OPEB Plan Reporting)
-- GASB Implementation Guide No. 2018-1, Implementation Guidance Update—2018
-- GASB Implementation Guide No. 2019-1, Implementation Guidance Update—2019
-- GASB Implementation Guide No. 2019-2, *Fiduciary Activities.*

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncement Issued But Not Yet Effective (Continued)

- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate cost associated with the reporting of certain defined contribution pension plans other than pension plans or OPEB plans (other employee benefits plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Sections 457 plans are effective for fiscal years beginning after June 15, 2021.

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

- GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncement Issued But Not Yet Effective (Continued)

- GASB Statement No. 100, *Accounting Changes and Error Corrections* an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023. Earlier application is encouraged.

- GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged.

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

3. CUSTODIAL CREDIT RISK ON DEPOSITS

The Authority is authorized to deposit 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 for bank failure, the Authority's deposits might not be recovered. However, because of the collateral provided by the bank credit risk is not significant.

4. CUSTODIAL CREDIT RISK ON DEPOSITS (CONTINUED)

The carrying amount of deposits at June 30, 2022, as shown in the statement of net position follows:

	Carrying Amount			Depository
	Unrestricted	Restricted	Total	Bank Balance
Commercial bank	$ 1,126,252	$ 50,520	$ 1,176,772	$ 1,525,907

5. CAPITAL ASSETS

The following schedule summarizes the capital assets held by the Authority as of June 30, 2022:

Capital Assets	Beginning Balance	Increase	Decrease	Ending Balance
Non-depreciable assets:				
Land and property for future development	$ 12,098,307	$ -	$ -	$ 12,098,307
Construction in-progress	579,286	-	579,286	-
	12,677,593	-	579,286	12,098,307
Depreciable assets:				
Buildings, piers and infrastructure	4,441,693	579,286	-	5,020,979
Furniture and equipment	16,495	-	-	16,495
Vehicle	38,641	-	-	38,641
	4,496,829	579,286	-	5,076,115
Less accumulated depreciation				
Buildings, piers and infrastructure	(915,737)	(148,057)	-	(1,063,794)
Furniture and equipment	(16,495)	-	-	(16,495)
Vehicle	(11,914)	(7,728)	-	(19,642)
	(944,146)	(155,785)	-	(1,099,931)
Net depreciable assets	3,552,683	423,501	-	3,976,184
Capital assets, net	$ 16,230,276	$ 423,501	$ 579,286	$ 16,074,491

5. CAPITAL ASSETS (CONTINUED)

The Authority acquired its land and property for future development from the Navy under the EDC. However, original cost information for the former Navy facilities was not available precluding the Authority from distributing its cost to the different components. However, during the year ended June 30, 2016, the Authority obtained independent appraisals for all the land and properties for future development. The estimated market value of the property was over $100 million, which is substantially higher than the acquisition cost of acquisition pursuant to the EDC.

However, based on the independent appraisal values and the use of its best professional judgment on the estimated value on a per square foot basis, the Authority could distribute the acquisition cost to the different components of the acquired property, principally land, buildings, pier, and infrastructure. As a result, the Authority allocated approximately $4.5 million to depreciable assets as buildings, piers, and infrastructure as of June 30, 2016.

Additionally, independent appraisal reports state that the subject properties, the parcels, are encumbered with structures scattered throughout. Despite the structures comprising a miniscule component of the subject property, when compared to the parcels' size they pose an appraisal problem and that the vast majority of the buildings that encumber it are deteriorated and hold no contributory value. This first value was taken into consideration in determining the value allocated to depreciable property.

6. LEASE AGREEMENTS AS LESSOR

The Authority has entered into various other long-term rental agreements of certain land and properties available. The leases’ expiration dates fluctuate from August 31, 2023 through June 30, 2069. As of June 30, 2022, lease receivable and deferred inflows of resources are follows.

Description	Lease receivable	Deferred inflows of resources
Pure Adventure - Ending date December 31, 2024. Dicount rate of 1.15%. Monthly payments of $1,450.	$ 46,103	$ 45,162
Para la Naturaleza - Ending date December 31, 2031. Discount rate of 1.95%. Monthly payments of $1,300.	225,698	222,248
Equinoterapia - Ending date January 30, 2043. Discount rate of 1.95%. Monthly payments of $500.	149,977	146,168
United Real Estate - Ending date July 31, 2038. Discount rate of 1.95%. Monthly payments of $8,133 first year and $19,572 in last year.	1,723,595	1,684,820
Linkactiv - Ending date August 31, 2023. Discount rate of 1.15%. Monthly payments of $6,401 first year and $7,160 in last year.	98,011	90,857
ATM - Ending date June 30, 2048. Discount rate of 1.95%. Monthly payments of $17,800.	4,353,632	4,322,036
Loopland - Ending date June 30, 2069. Discount rate of 1.95%. Monthly payments of $27,500.	10,150,226	10,083,085
Nautas - Ending date June 22, 2025. Discount rate of 1.15%. Monthly payments of $2,500.	88,424	88,004
Smart Parking - Ending date October 7, 2025. Discount rate of 1.15%. Monthly payments of $15,000.	573,933	574,594
Marling Sailing - Ending date November 23, 2026. Discount rate of 1.15%. Monthly payments of $208 first year and $258 in last year.	12,658	12,420
	17,422,258	$ 17,269,395
Less: Current portion	(654,054)	
Long-term portion	$ 16,768,204	

For the fiscal year ended June 30, 2022, rent revenues on such rental agreements amounted to approximately $1.5 million, which are reported as part of rental income.

Minimum annual rentals under these contracts for the years subsequent to June 30, 2022, are as follows:

Year ending June 30,	Principal	Interest	Total
2023	$ 654,054	$ 328,488	$ 982,542
2024	598,522	318,378	916,899
2025	588,829	308,685	897,514
2026	427,428	299,624	727,053
2027	392,441	291,989	684,430
2028 - 2032	2,133,801	1,339,459	3,473,260
2033 - 2037	2,437,270	1,116,084	3,553,354
2038 - 2042	2,051,648	890,341	2,941,989
2043 - 2047	2,027,281	697,602	2,724,882
2048 - 2052	1,339,328	524,272	1,863,600
Thereafter	4,771,657	838,359	5,610,000
	$ 17,422,258	$ 6,953,282	$ 24,375,524

7. 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 use as a tangible security in the event of damages or lost property or will be considered as rent income if tenant defaults in their contractual rent payment.

As of June 30, 2022, the Authority maintained lease security deposits as follows:

Puerto Rico and Municipal Islands Maritime Transport Authority	$ 57,400
Loop Land Development LLC	55,000
IBD Energy	50,000
United Real State	41,575
LinkActiv, Inc.	9,691
Other tenants miscellaneous deposits	20,241
Total	$ 233,907

8. 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, 2022. Annual interest to be accrued by the Authority begins once the later 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, 2022, 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.
However, on September 20, 2017, Hurricane María hit Puerto Rico delaying the conveyance of the SWMU 3 and SWMU 70 to the Authority. The Navy is currently performing environmental remediation on the parcels and anticipate that SWMU 3 will be conveyed to the Authority in late 2025 and SWMU 70 sometime thereafter. 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 $201,982 has been accrued.

During the year ended June 30, 2022, the Authority did not comply with the required monthly payments established in the agreement signed between USDA and the Authority.

The balance of the debt service reserve fund as of June 30, 2022, shall be $70,728; however, as of such date, there was a deposit deficiency of $20,208.

As of the date these financial statements were issued, the Federal Government have not provided any communications related to new terms related to this loan.

8. LONG-TERM LIABILITIES (CONTINUED)

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 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. Accordingly, this payment plan has been presented as long-term debt in the Statement of Net Position as of June 30, 2020, net of any current portion.

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, 2022.

	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	515,500	-	-	515,500	36,000
Loan advances - RUS	358,741	-	(192,388)	166,353	166,353
Total long-term debts	$ 17,214,241	$ -	$ (192,388)	$ 17,021,853	$ 202,353

8. LONG-TERM LIABILITIES (CONTINUED)

Summary of Long-term Liabilities [(1)]

The outstanding Land Administration, Navy, and Loan advances - RUS payment plans balance as of June 30, 2022, requires future minimum principal payments as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 202,353	$ 3,789	$ 206,142
2024	4,217,336	1,477,004	5,694,340
2025	558,667	134,273	692,940
2026	558,667	115,091	673,758
2027	558,667	95,909	654,576
2028-2032	2,837,335	3,659,641	6,496,976
2033-2037	2,988,833	1,529,285	4,518,118
2038-2042	2,833,333	892,085	3,725,418
2043-2046	2,266,667	254,880	2,521,547
Total	$ 17,021,858	$ 8,161,957	$ 25,183,815

(1) Assumes that the Navy - Parcel III will commence to amortize during the fiscal year 2021-2022. The interest rate would have been 4.48% (2.98% as the US Treasury 10-Year Composite Note, plus 150 basis points), payable in fifteen equal installments of $522,667. The interest rate could change at the conveyance of SWMU 3 and SWMU 70 to the Authority, which could be significant.

9. ENVIRONMENTAL COMMITMENTS AND CONTINGENCIES

Pollution Remediation Obligation (PRO)

The Authority follows the guidance of GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, which requires the recognition of a liability when a government knows or reasonably believes that a site is polluted and any of the following events have occurred:

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.

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 their environmental exposure and has determined that no significant pollution remediation obligation exists as of June 30, 2022, nor as of the date of these financial statements were issued.

10. COMMITMENTS AND CONTINGENT LIABILITIES

U.S. Department of the Navy

The Parcel was financed directly with the Navy and subject to additional and special considerations as stipulated in the agreement. The Authority shall pay the Navy "Additional Consideration" meaning in the amount of forty percent of all monies received by the Authority from the lease, sale, assignment or license of any portion of real property in Parcel I, II or III, excluding any monies received by the Authority (i) from a public entity that is providing funding to reimburse the Authority for costs and operating expenses (i.e. utilities, maintenance, etc.), and (ii) in connection with the provision, sale or transfer of utilities or utilities services, in excess of eighty million dollars received by the Authority through September 30, 2035. When due, such payments shall be paid annually on/or before September 30 of each year for the time period between June 30 of the previous year and June 30 of the current year.

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 these matters will not have a material effect on the Authority's financial position and results of operations.

Leased Property Contingent Liabilities

Tenant in Violation - SWMUs 23, 55, and 74

As part of the Puerto Rico and Municipal Islands Maritime Transport Authority's (PRMIMTA) relocation of ferry services to the Authority's facilities, the PRMIMTA incurred in various violations to the lease agreement and the EDC. The PRMIMTA removed soil from SWMUs (SWMU 23, 55, and 74), a restricted area subject to the LFC. Prior to any addition or alteration of soil, the lessee was to follow the protocol included in the LFC. Besides, during soil removal, various monitoring wells were damaged. The PRMIMTA assumed the responsibility and is waiting for the EPA and NAVY approval of the corrective action plan presented. At the date these financial statements were issued, the Authority's position was that there was no significant exposure, although that estimate could change with time. PRMIMTA paid for the repair of the damages incurred.

Hurricanes Irma and María

During the year 2017, the Authority prepared an economic assessment of the damages caused by the passing of hurricanes Irma and María. The estimated sum of total damages amounts to $30 million. The Authority requested financial support to the Federal Emergency Management Agency (FEMA); that provided the Best Available Federal Share Cost of 90% of financial support that amounts to $26,149,447.

The Authority identified another source to finance the remaining costs to repair the damage caused by the hurricanes. As of June 30, 2022, the Authority received the obligation of eleven housing projects. The Authority ratified the Community Development Block Grant – Disaster Recovery (CDBG-DR) Subrecipient agreement with the Puerto Rico Department of Housing to cover the damages suffered by the passing of Hurricane María by matching the 10% portion of the FEMA funds and cover the total cost of each housing project. The financial support from CDBG-DR amounts to $2,905,494, to complete the whole cost of the projects for the total amount of $29,054,941.

Federal Assistance Programs

The Authority participates in federal financial assistance programs. These programs are subject to audits in accordance with the provisions of OMB 2 CFR Part 200 Compliance Supplement, or to compliance audits by grantor agencies. Compliance with requirements of each program is subject to audit by various governmental agencies, which may impose sanctions in the event of noncompliance. The Authority believes that there are no significant events of noncompliance pending resolution as of the date of issuance of these financial statements.

11. REORGANIZATION OF THE COMMONWEALTH OF PUERTO RICO GOVERNMENT

Puerto Rico Oversight, Management, and Economic Stability Act

On June 30, 2016, Title III of Puerto Rico Oversight Management, and Economic Stability Act (PROMESA) was signed by the U.S. President to restructure the Commonwealth's finances. In May 2017, the Commonwealth was placed in receivership under PROMESA, until March 2022, when the Commonwealth was able to obtain a renegotiation and adjusted according to the Plan of Adjustment Mediation. At which time, debt was significantly reduced, as well as payment terms, which are now tied mostly to an allocation of State Sales and Use Tax proceeds.

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 basic 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 initial stages of fully developing the property assets.

- Only a small portion of the property is leased, and a considerable number of rent agreements have either been cancelled, are in the process of being terminated or involve novel projects that have been postponed.
- The Authority does not currently have sufficient funds available to fully repay its various obligations as they come due. The Authority has defaulted on various debt obligations during the previous year.
- The COVID-19 pandemic which had a negative effect on the Authority's collections and revenues, further weakening its liquidity position.
- As of June 30, 2022, the Authority had 4 years of recurring losses from operations.
- The Authority has relied on legislative appropriations and federal awards to continue operations.

Remediation Plan

During the year 2020, the Commonwealth assigned a total amount of $12.6 million, of which approximately $6 million was received as of June 30, 2022. From the Commonwealth's general budget for 2022-2023 an additional amount was allocated to the Authority that represented an increase of 176% compared to the current year. Furthermore, the OEA approved additional grants for the fiscal year ended June 30, 2022. The US Economic Development Administration (EDA) approved two grants amounting to approximately $21 million to improve and develop new facilities as part of the Hurricane María disaster recovery plan and establish an Oceanographic Institute in the future.

13. COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the Coronavirus disease caused by a novel coronavirus ("COVID-19") a global pandemic. As a result of the health threat and to contain the COVID-19 spread across the island, the Governor issued executive order EO 2020-020, on March 12, 2020, declaring a state of emergency in Puerto Rico to concentrate all efforts and implement necessary measures to safeguard the health, well-being, and public safety of the residents of Puerto Rico. The executive order authorizes the Secretary of the Department of Transportation and the Executive Director of the Office of Management and Budget of Puerto Rico to set up a special budget, from any available funds, including the Emergency Fund, to cover all necessary costs for the containment of the virus throughout the island and sharing information with the municipalities. The Governor has issued several extensions on the March order with various modifications to Puerto Rico's social distancing measures.

The COVID-19 pandemic associated mitigation policies, and the resulting economic impact have presented certain challenges for the Authority, including but not limited to delays in the operations, increase in operational expenses, shortage of supplies and interruption to contracted services, workforce issues and delayed in implementation of CIP. However, the Authority was able to slowly resume normal operations. Due to new variants continue to surface, the future effect of the pandemic is difficult to predict.

Moratoriums due to COVID-19

The Board of Directors of the Authority evaluated various tenants' moratorium proposals and determined to grant two months after the expiration of the closing order issued by the Governor of the Commonwealth on May 21, 2020, through Executive Order OE2020041. OE2020041 extended the lockdown by continuing the phase of reopening of various economic sectors, and other purposes related to the measures adopted to control the risk of COVID-19 in Puerto Rico which kept operations closed until June 15, 2020. After two months, tenants will start paying current rent. However, if the tenants do not receive any federal or state aid to cover the rent payments for the blackout period, tenants will be granted a period of 24 months to pay the months left unpaid of approximately $13,000 due to the closing of operations.

14. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through October 19, 2023, the date the financial statements were issued. The Company has determined that there are no events occurring in this period that required disclosure or adjustment to the accompanying financial statements, except for those disclosed in **Note 10**, **Note 11**, **Note 12** and additional subsequent events disclosed on the following paragraphs.

Interagency Agreement and Memorandum of Understanding

On September 16, 2021, the Authority, PRMIMTA, the Puerto Rico Integrated Transportation Authority (PRITA), and the Department of Transportation and Public Works (DTOP) signed an interagency agreement to perform improvements and new construction to existing buildings and infrastructure at the leased premises at Roosevelt Roads. This agreement will delineate the responsibilities of each party to achieve the common goal, which is to conduct the required improvements to develop the maritime transportation facilities of Roosevelt Roads. With this agreement, the Authority will be able to oversee, monitor and control the required steps toward the infrastructure improvements and new constructions to be conducted on the site.

New Developments

Electrical System Improvements

On July 14, 2022, the Authority requested a proposal for improvements and replacement of a portion of the electrical power grid system at former Naval Station Roosevelt Roads at the cost of between $30 million and $40 million, an allocation is expected to be received from the Federal Emergency Management Agency (FEMA). As of October 1, 2023, the improvements are under planning and design stage.

Fiscal Plan 2023

For the fiscal year ended June 2023, the Commonwealth’s Oversight Board allocated a General Fund budget for 2023-2024, of $1,127,000, of which $366,000 was received in 2023.

Rehabilitation of Apartment Complex by Lessee

Ocean Club is a 141-unit restored apartment complex, which project was substantially completed as of the date these financial statements were issued. The project under the lease agreement with United Real Estate involves a condo-hotel concept where the potential lessee rents individual units for thirty-nine years, and then the lessee has certain limited rights for the use of the property and the remaining time they are leased as hotel units. However, operations had not commenced.

The Ocean Club project is the first hospitality project developed within the Authority's premises accordingly, until other hospitality projects are developed, the acceptance of the project by potential unit buyers and the potential acceptance of the property as a hotel by local and foreign customers could be a slow process.

Employee Claim

The Authority is defendant in a $2 million civil suit brought by an employee, in the Federal court, in Puerto Rico. At the present time, it is improbable to determine the outcome of this matter or coverage that the existing insurance may provide, no provision for losses, if any, have been recorded in the financial statements.

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, 2022

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		$ 1,519,917
U.S. Department of Homeland Security			
Passthrough from the Central Recovery and Reconstruction Office of Puerto Rico (COR3):			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-02-PR-4339	149,238
Total Expenditures of Federal Awards			$ 1,669,155

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads (the Authority) for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. ASSISTANCE LISTING (AL) NUMBER

The AL numbers included in the Schedule are determined based on the program name, review of grant contract information, and the Office of Management and Budget's (OMB) Catalog of Federal Domestic Assistance. AL numbers are presented for those programs for which such numbers were available.

4. GENERAL OBJECTIVES

The Authority received grants from the U.S. Department of Defense through the Office of Local Defense Community Cooperation (OLDCC), formerly the Office of Economic Adjustment (OEA), 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, the Authority received funds from the US Department of Agriculture Rural Development to rehabilitate and improve the potable water infrastructure at Naval Station Roosevelt Roads (NRSS).

5. INDIRECT COSTS

The Authority receives funding from federal government agencies for the redevelopment of the Roosevelt Roads naval station of the Roosevelt Roads under various grants and contracts. These grants and contracts provide for reimbursement of indirect costs based on rates to be negotiated with the OLDCC. The Authority has not negotiated fixed rates for indirect costs through the fiscal year ended June 30, 2022, and has not elected to use the 10 percent de minimis cost rates as authorized in §200.414 "Indirect (F&A) costs" of Uniform Guidance.

6. 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 using the accrual basis of accounting as explained in **Note 2** of the Schedule.

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.

7. SUBSEQUENT EVENTS

Office of Economic Adjustment and Community Development Block Grant

The OEA approved one grant for the fiscal years ended June 30, 2022, and 2021 of $1,656,561, including state funding, respectively.

The Authority ratified the Community Development Block Grant – Disaster Recovery (CDBG-DR) Subrecipient agreement with the Puerto Rico Department of Housing to cover the damages suffered by the passing of Hurricane María by matching the 10% portion of the FEMA funds.

Design Competition for The Marine, Business, Research and Innovation Center (MBRIC)

On August 1, 2022, the Authority requested a proposal for the design of a multi-tenant commercial facility to house the Marine Business, Research, and Innovation Center (the Center), an oceanographic institute located at the former Coast Guard Pier, Roosevelt Roads. The Center will be developed in conjunction with the operator, which will subsequently oversee the operation and maintenance of the facilities. The operator collaborated with the Authority in the development of the Center as well as in establishing the needs and requirements necessary for its development. This Center will be funded by a 16 million dollar grant awarded to the Authority on June 26, 2021, by the U.S. Department of Commerce Economic Development Administration (EDA). The proposal deadline date was November 17, 2022.

numbers
Certified Public Accountants
and Business Consultants

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 the **Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads** (hereinafter "the Authority"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents and have issued our report thereon dated November 17, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, 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 statement, 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 Authorityt's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statement is 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 statement. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Numbers Consulting LLC

December 2, 2024

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** (hereinafter "the Authority")'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2022. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion 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 *Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation* for the year ended June 30, 2022.

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, 2022.

Basis for Qualified and Unmodified Opinion

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.

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 Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the ALN 12.607, Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation Program as described in finding numbers **2022-001** and **2022-002** for Reporting; and in finding number **2022-003** for Subrecipient Monitoring, Procurement, Suspension & 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, statues, regulations, rules, and provisions of contracts or grant agreement applicable to the Authority's federal programs.

Auditor's Responsibility

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 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 each major federal program as a whole.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our 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 that might be material weakness or significant deficiencies in internal control over compliance and therefor, 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 weakness.

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.

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 items **2022-001, 2022-002** and **2022-003** to be material weakness.

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 the 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.

Numbers Consulting LLC

December 2, 2024

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LICENCIA LLC-393
PUERTO RICO

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, 2022

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?	No
2. Significant deficiency(ies) identified that are not considered to be material weakness?	No
Non-compliance material to financial statements noted?	No

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?	No
Type of auditor's report issued on compliance for major programs?	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes

Identification of Major Program:

Name of Federal Program or Cluster	AL Number
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as a low-risk auditee?	No

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

The audit of the financial statements of the Authority as of and for the year ended June 30, 2022, disclosed no matters involving internal control over financial reporting and its operations.

Part III - Findings and Questioned Costs Relating to Federal Awards

2022-001	Performance and Financial Reports Submissions
Compliance	Reporting
Category	Material weakness in Internal Control and Material Noncompliance
ALN	12.607
Program	Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation
Federal Agency	US Department of Defense

Criteria

Office of Economic Adjustment, Department of Defense, Notice of Award
21. Award Performance Goals

Reporting Type	Frequency	Due Date
Federal Financial Report	Semi-Annual	2022-09-30

Semi-annual Federal Financial Report (SF-425)

Grantees that received awards on or after October 1, 2009, are required by law to submit semi-annual Federal Financial Reports (FFR) (also known as Standard Form-425) throughout the grant's entire period of performance. They are due twice during the calendar year. This Report must be submitted no later than 30 days after its due date, except the final SF-425, which is due 90 days after the end date of the grant's performance period.

Condition

The Authority did not comply with the submission due dates of the Federal Financial Reports established by the OEA in their Notice of Award. 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.

Cause

Lack of control activities to ascertain compliance with OEA Terms and Conditions related to reporting.

Effect

If the Federal awarding agency or passthrough entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or passthrough entity may take one or more of the following actions, as appropriate in the circumstances:

(a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or passthrough entity.
(b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
(c) Wholly or partly suspend or terminate the Federal award.

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

2022-001	Performance and Financial Reports Submissions (Continued)
Compliance	Reporting
Category	Material weakness in Internal Control and Material Noncompliance
ALN	12.607
Program	Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation
Federal Agency	US Department of Defense

Effect (Continued)

(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a passthrough entity, recommend such a proceeding be initiated by a Federal awarding agency).
(e) Withhold further Federal awards for the project or program.
(f) Take other remedies that may be legally available.

Questioned Costs

None

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.

Prior year finding

This finding is similar to a prior year finding identify as 2021-003

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan

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

2022-002	Late Single Audit Submissions
Compliance	Reporting
Category	Material weakness in Internal Control and Material Noncompliance
ALN	12.607
Program	Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation
Federal Agency	US Department of Defense
ALN	97.036
Program	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Agency	US Department of Homeland Security

Criteria

2 CFR §200.512 Report Submission,

(a) General
   (1) The audit must be completed, and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day. (Refer also to 10 CFR § 600.226, Non-Federal audit, 10 CFR §600.126, Non-Federal audits, and 45 CFR §75.501, Audit requirement)

Condition

The Authority has not timely submitted the Single Audit Reporting Packages for the years ended June 30, 2021, and 2022.

Cause

Lack of management control activities to ensure compliance with Single Audits timely submissions.

Effect

If the Federal awarding agency or passthrough entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or passthrough entity may take one or more of the following actions, as appropriate in the circumstances:
(a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or passthrough entity.
(b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
(c) Wholly or partly suspend or terminate the Federal award.

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

2022-002	Late Single Audit Submissions (Continued)
Compliance	Reporting
Category	Material weakness in Internal Control and Material Noncompliance
ALN	12.607
Program	Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation
Federal Agency	US Department of Defense
ALN	97.036
Program	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Agency	US Department of Homeland Security

Effect (Continued)

(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a passthrough entity, recommend such a proceeding be initiated by a Federal awarding agency).
(e) Withhold further Federal awards for the project or program.
(f) Take other remedies that may be legally available.

Questioned Costs

None

Recommendation

To comply with the Single Audit submission requirements, the Authority needs to perform and submit the compliance reporting packages in default for the fiscal years ended June 30, 2020, and 2021, on a timely basis. Moving forward, the Authority needs to establish controls to ascertain all Federal reports are filed on time.

Prior year finding

This finding is similar to a prior year finding identify as 2020-004

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan

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

2022-003	Disbursement to Vendor not Registered in SAM
Compliance	Subrecipient Monitoring, Procurement, Suspension & Debarment
Category	Material weakness in Internal Control and Material Noncompliance
ALN	12.607
Program	Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation
Federal Agency	US Department of Defense
ALN	97.036
Program	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Agency	US Department of Homeland Security

Criteria

2 CFR Part 25 Universal Identifier and System for Award Management

According to 2 CFR Part 25, entities applying for federal grants or cooperative agreements must be registered in the System for Award Management (SAM) before submitting an application and must maintain an active SAM registration throughout the period of the federal award.

Condition

During the audit, it was noted that Jorge R. Calderon Lopez, to which disbursements were made for legal services was not registered in SAM at the time of the award and remained unregistered throughout the audit period.

Cause

The entity was unaware of the requirement to register in SAM or failed to complete the registration process.

Effect

The lack of SAM registration could result in the entity's ineligibility to receive federal funds and raises concerns about compliance with federal regulations, including those related to suspension and debarment.

Questioned Costs

$7,965.00

Recommendation

We recommend that Authority communicates the supplier to complete the SAM registration process immediately and implement procedures to ensure ongoing compliance with SAM registration requirements. Additionally, the Authority should review its policies and procedures to prevent a recurrence of this issue.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

Finding 2021-001 **Government-mandated Nonexchange Transactions Restrictions**
Material Weakness in Internal Control over Financial Reporting

Condition

During the audit, SEFA and interfund balances were adjusted multiple times before the correct SEFA was provided. The Administration should maintain accurate and complete accounting records and fund control to ensure all transactions are properly recorded in the corresponding fund. This indicates a lack of sufficient controls over financial reporting, leading to the risk of inaccurate financial information being reported.

Recommendation

We recommend establishing a stronger review and approval process for the preparation of the SEFA and interfund balances to ensure accuracy and completeness before submission.

Corrective Action

The use of funds given by the Office of Local Defense Community Cooperation (OLDCC) are now strictly managed by the financing team, keeping a record of account movement. The team makes sure the funds are used in a responsible way, ensuring they are applied to their intended use. A document was created to keep track of these funds, the same being used to submit reimbursement requests in a quarterly manner.

Status

The finding is corrected

Finding 2021-002 **Cash Management**
Significant Deficiency in Internal Control and Noncompliance

Condition

The Authority has a deposit deficiency of $40,416 in the Reserve Account. The balance of the debt service reserve as of June 30, 2021, shall be $90,936.

Recommendation

The Authority needs to strengthen its internal controls over the cash management compliance requirements.

Corrective Action

Starting in FY 2024-2025, the Finance Department will initiate the necessary transfers to the Reserve Account to rectify the deposit deficiency. Additionally, we will establish a plan for regular monitoring of the account to prevent future deficiencies. To ensure ongoing compliance and to identify any potential issues early, we will schedule more frequent internal audits.

Status

The finding is uncorrected. Refer to current finding **2022-001**.

Finding 2021-003 **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.

Corrective Action

Starting in FY 2024-2025, the Finance Department will maintain detailed records of all payments made, as well as the reimbursement and transfer processes. The LRA's Finance Department will hire additional personnel to strengthen the internal control of its accounts, disbursements, and fund entries. The new team members will be task with updating and managing accounting records. Together, they have will develop a strict timeline for completing important tasks to ensure a concise and transparent flow of funds. Workloads will be divided, with specific responsibilities assigned to individual team members, including Accounts Receivable, Accounts Payable, Bank Reconciliation, and Bookkeeping. Some responsibilities are interconnected, allowing team members to support each other in case of absence or when assistance is needed.

Status

The finding is uncorrected. Refer to current finding **2022-002**.

Finding 2021-004 **Late Single Audit Submissions**
Reporting
Material weakness in Internal Control and Material Noncompliance

Condition

The Authority has not timely submitted the Single Audit Reporting Packages for the years ended June 30, 2021, and 2022.

Recommendation

To comply with the Single Audit submission requirements, the Authority needs to perform and submit the compliance reporting packages in default for the fiscal years ended June 30, 2021, and 2022, on a timely basis. Moving forward, the Authority needs to establish controls to ascertain all Federal reports are filed on time.

Corrective Action

Starting in FY 2024-2025, the Finance Department will maintain detailed records of all payments made, deposits received, and the reimbursement and transfer processes. This approach ensures that all reports are completed in a timely manner. To strengthen internal control over accounts, disbursements, and fund entries, the LRA’s Finance Department will hire additional personnel. These new team members are responsible for updating and managing accounting records. Together, they have established a strict timeline for completing important tasks to ensure a clear and concise flow of funds. The workloads will be divided among the team, with specific responsibilities assigned for Accounts Receivable, Accounts Payable, Bank Reconciliation, and Bookkeeping. Some responsibilities are interlinked, allowing team members to support one another in the event of absence or the need for assistance and providing documents to the external audits for the Single Audits.

Status

The finding is uncorrected. Refer to current finding **2022-003**.

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Corrective Action Plan

Single Audit Package

For Fiscal Year Ended June 30, 2022

2022-001 Performance and Financial Reports Submissions

Category – Material Weakness in Internal Control and Material Noncompliance

Condition:

The Authority did not comply with the submission due dates of the Federal Financial Reports established by the OEA in their Notice of Award. 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.

Management's Response:

Starting in FY 2024-2025, the Finance Department will maintain detailed records of all payments made, as well as the reimbursement and transfer processes. The LRA's Finance Department will hire additional personnel to strengthen the internal control of its accounts, disbursements, and fund entries. The new team members will be task with updating and managing accounting records. Together, they have will develop a strict timeline for completing important tasks to ensure a concise and transparent flow of funds. Workloads will be divided, with specific responsibilities assigned to individual team members, including Accounts Receivable, Accounts Payable, Bank Reconciliation, and Bookkeeping. Some responsibilities are interconnected, allowing team members to support each other in case of absence or when assistance is needed.

Person in charge:
Juan C. Rodriguez Rivera
Accounting Official
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Implementation Date: FY 2024-2025

Corrective Action Plan

Single Audit Package

For Fiscal Year Ended June 30, 2022

2022-002 Late Single Audit Submissions

Category: Material weakness in Internal Control and Material Noncompliance

Condition:

The Authority has not timely submitted the Single Audit Reporting Packages for the years ended June 30, 2021, and 2022.

Management's Response:

Starting in FY 2024-2025, the Finance Department will maintain detailed records of all payments made, deposits received, and the reimbursement and transfer processes. This approach ensures that all reports are completed in a timely manner. To strengthen internal control over accounts, disbursements, and fund entries, the LRA's Finance Department will hire additional personnel. These new team members are responsible for updating and managing accounting records. Together, they have established a strict timeline for completing important tasks to ensure a clear and concise flow of funds. The workloads will be divided among the team, with specific responsibilities assigned for Accounts Receivable, Accounts Payable, Bank Reconciliation, and Bookkeeping. Some responsibilities are interlinked, allowing team members to support one another in the event of absence or the need for assistance and providing documents to the external audits for the Single Audits.

Person in charge:
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Implementation Date: FY 2024-2025

Corrective Action Plan

Single Audit Package

For Fiscal Year Ended June 30, 2022

2022-003 Disbursement to vendor not Registered in SAM

Category: Material weakness in Internal Control and Material Noncompliance

Condition:

During the audit, it was noted that Jorge R. Calderon Lopez, to which disbursements were made for legal services was not registered in SAM at the time of the award and remained unregistered throughout the audit period.

Management's Response:

Starting in FY 2024-2025, the finance department will strengthen communication and create a tool for the legal department to identify the federal funds to be used. This will enable the legal department to request the SAM registration document during the procurement process. This approach will enhance control and ensure that the vendor is registered in SAM before beginning their services.

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Implementation Date: FY 2024-2025