COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF CAGUAS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FISCAL YEAR ENDED JUNE 30, 2024

[WITH THE ADDITIONAL REPORTS AND INFORMATION REQUIRED BY THE GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE]

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PART I

FINANCIAL

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"ENHANCING THE QUALITY OF ACCOUNTING, AUDITING AND ATTESTATION SERVICES"

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Municipal Legislature
Autonomous Municipality of Caguas
of the Commonwealth of Puerto Rico

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Autonomous Municipality of Caguas of the Commonwealth of Puerto Rico (Municipality)**, as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise **Municipality**'s basic financial statements as listed in the Table of Contents.

Qualified Opinion on Governmental Activities and Note Disclosure Regarding Pensions Plan and Other Postemployment Benefits Plan

In our opinion, except for the possible effects of the matter described in the "*Basis for Qualified and Unmodified Opinions"* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the **Municipality** as of June 30, 2024 and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the **Municipality**, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified 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 **Municipality**, 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 qualified and unmodified audit opinions.

Matter Giving to Qualified Opinion on Governmental Activities and Note Disclosure Regarding Pensions Plan and Other Postemployment Benefits Plan

We were unable to obtain sufficient appropriate audit evidence about the deferred outflows/inflows of resources, liabilities, and expenses related to pension and other postemployment benefits of the governmental activities and the related disclosures in the accompanying notes. As discussed in Notes 19 and 20, the Puerto Rico Government Employees' Retirement System (PRGERS) has not issued audited financial statements as of and for the Fiscal Year ended June 30, 2024 for the municipalities, and nor has provided to the **Municipality** the required audited information to record transactions related to pension and other postemployment benefits as of and for the Fiscal Year ended June 30, 2024. Amounts reported in the government-wide financial statements as deferred outflows of resources, deferred inflows of resources, total pension liability, and total other postemployment benefits liability were derived from the information provided in the Actuarial Financial Reporting Valuation issued on December 13, 2024 for the PRGERS. Accordingly, the **Municipality** current pension expense, changes in deferred outflows/inflows of resources, total pension liability, total other postemployment benefits liability, and additional disclosures, and supplementary information required by generally accepted accounting principles for pension and other postemployment benefits as of and for the Fiscal Year ended June 30, 2024 have not been audited. The amounts by which this situation would affect the present liabilities, deferred outflows of resources, deferred inflows of resources, net position, and expenses have not been determined.

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 **Municipality**'s ability to continue as a going concern for twelve months beyond the financial statements 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 opinion. 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 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 do 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 **Municipality**'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, which raise substantial doubt about the **Municipality**'s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 6-25, Schedule of Revenues and Expenditures – Budget and Actual – General Fund information on pages 131-132, and employees' retirement systems information and employees' other postemployment benefits information, on pages 133-135 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 related to Management's Discussion and Analysis, and budgetary comparison 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. We were unable to apply certain limited procedures to the required supplementary information related to employees' retirement systems information and employees' other postemployment benefits information applicable to the **Municipality**, in accordance with auditing standards generally accepted in the United States of America. We do not express an opinion or provide any assurance on the information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Municipality**'s basic financial statements. The accompanying Financial Data Schedules – Section 8 Housing Choice Vouchers Program, as required by U.S. Department of Housing and Urban Development, on pages 137 through 140, and the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Award,* on pages 142 through 146, is presented for purposes of additional analysis and is not required parts 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules – Section 8 Housing Choice Vouchers Program and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2025, on our consideration of the **Municipality**'s internal control over financial reporting on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 **Municipality**'s internal control over financial reporting and compliance.

CPA DIAZ-MARTINEZ, CSP
Certified Public Accountants & Consultants
License Number 12, expires on December 1, 2025

Caguas, Puerto Rico
March 27, 2025

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DPSC12-30
Autonomous Municipality of Caguas

The information in this section is not covered by the Independent Auditor's Report but is presented as required supplementary information for the benefit of the readers of the basic financial statements.

As management of the Autonomous Municipality of Caguas (hereafter the Municipality), we offer readers of the Municipality's financial statements this narrative overview and analysis of the financial activities of the Municipality for the fiscal year ended June 30, 2024. The Management's Discussion and Analysis (MD&A) is designed to achieve the following:

- Assist the reader in focusing on significant financial issues;
- provide an overview of the Municipality's financial activities;
- identify changes in the Municipality's financial position (its ability to address subsequent year's challenges);
- identify material deviations from the financial plan (the approved budget); and
- identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current fiscal year's activities, resulting changes, and currently known facts, please read it in conjunction with the Municipality's basic financial statements beginning on page 26.

Financial Highlights

- The net position of the Municipality shows that governmental assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the fiscal year by $214,156,523.

- The government's total assets and deferred outflows of resources, in the Governmental-wide Statement of Net Position increased by $10,641,529 and government's liabilities and deferred inflows of resources decreased by $28,449,691.

- As of the close of the current fiscal year, the Municipality's governmental funds reported combined ending fund balances of $73,358,677 after a total and combined net increase of $10,509,126.

- The Municipality's total general and special long-term debts net increased by $2,624,800 during the current fiscal year.

- Total Pension Liability decreased by $6,162,507, and Total OPEB Liability by $293,428.

- Net Capital Assets from Governmental Activities as of June 30, 2024, were $388,336,001 presenting a net increase of $19,660,490 with respect to the prior year balance.

- The net increase in Current Assets was due to an increase, mainly, in capital assets during the year ended June 30, 2024, of approximately $20 million.

- A prior period adjustment was recorded to correct construction in progress balances ($940,976) and retainage liability ($61,411).

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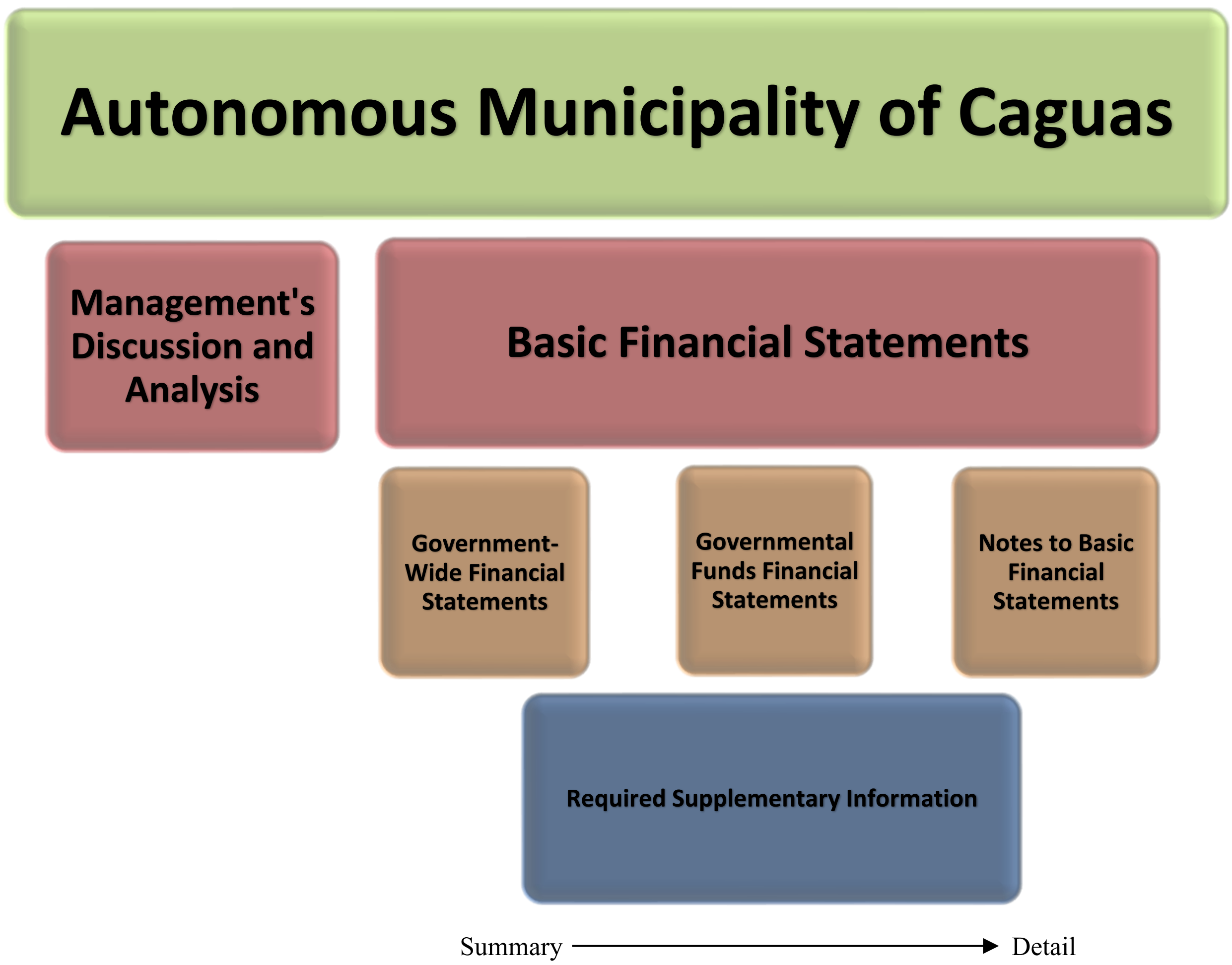
USING THE FINANCIAL SECTION OF THIS ANNUAL REPORT

This Management's Discussion and Analysis requires supplementary information to the basic financial statements and is intended to serve as an introduction to the Municipality's basic financial statements. The Municipality's basic financial statements consist of three components; 1) Government-Wide Financial Statements (GWFS), 2) Governmental Funds Financial Statements (GFFS), 3) Notes to the Basic Financial Statements. This report also contains the Required Supplementary Information. The focus is on both the Municipality as a whole (government-wide) and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the Municipality's accountability. These components are described below in Figure 1.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The Municipality's basic financial statements consist of two kinds of statements, each with a different view of the Municipality's finances. GWFS provide both long-term and short-term information about the Municipality's overall financial status. The GFFS focuses on major aspects of the Municipality's operations, reporting those operations in more detail than the government-wide statements.

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To understand the long-term impact of the Municipality's near-term financing decisions, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the GWFS.

The following figure summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	GOVERNMENT-WIDE STATEMENTS	GOVERNMENTAL FUND FINANCIAL STATEMENTS
SCOPE	Entire Municipality	The day-to-day operating activities of the Municipality for basic governmental services
ACCOUNTING BASIS AND MEASUREMENT FOCUS	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
TYPE OF ASSET, LIABILITY, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES INFORMATION	All assets and liabilities, both financial and capital, short-term and long-term All deferred outflows and deferred inflows of resources	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included All deferred outflows and deferred inflows of resources
TYPE OF INFLOW AND OUTFLOW INFORMATION	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the year; expenditures when goods or services have been received, and payment is due during the year or soon thereafter

Government-Wide Financial Statements (GWFS)

The GWFS reports information about the Municipality as a whole, using accounting methods similar to those used by private-sector businesses. They are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. These statements present short and long-term information about the Municipality's financial position, which assists in assessing the Municipality's economic condition at the end of the year.

Statement of Net Position – Presents information on all the Municipality's assets, plus deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference reported as net position. This statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus.

Net Position = (Assets + Deferred Outflows of Resources) –
(Liabilities + Deferred Inflows of Resources)

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Municipality is improving or deteriorating. Other non-financial factors such as the condition of the Municipality's roads and other infrastructure may need to be considered to assess the overall financial position of the Municipality.

Statement of Activities – Presents information showing how the Municipality's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (Accrual Basis of Accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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The *Statement of Activities* is focused on both the gross and net cost of various activities (including governmental activities, which are supported by the Municipality's general taxes and other resources, business-type, and component unit, if any). This is intended to summarize and simplify the reader's analysis of the revenues and costs of the various Municipality's activities and the degree to which activities are subsidized by general revenues.

Both the government-wide financial statements distinguish functions of the Municipality that are principally supported by taxes and intergovernmental revenues.

The governmental activities include most of the Municipality's basic services such as public safety, culture and recreation and general administration. Property taxes, volume of business taxes and state and federal grant funds finance most of these activities.

The government-wide financial statements are included from pages 26 through 28 of this report.

Governmental Funds Financial Statements (GFFS)

GFFS provides a more detailed look at the Municipality's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Municipality, like all other governmental entities in the Commonwealth of Puerto Rico, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Municipality's budget ordinance.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the GWFS. Most of the Municipality's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash inflows and outflows, and what monies are left at year-end that will be available for spending in the next fiscal year.

Governmental funds are reported using an accounting method called modified accrual basis of accounting. This method is also known as current financial resources focus. Thus, the GFFS gives the readers a detailed short-term view that helps them determine if there are more or less financial resources available to finance the Municipality's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliations that are part of the GFFS.

As required by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the Municipality's governmental funds reported combined ending fund balances of $73.4 million. A total amount of $61 million is restricted, primarily for debt repayment ($22.2 million) or capital improvements to facilities and infrastructure ($33.0 million). The remainder of the fund balance is committed, assigned, or unassigned (deficit) to indicate that it is not available for new spending because it has already been committed. The unassigned (deficit) fund balance at year end was $4.1 million.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *Governmental Activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between *Governmental Funds* and *Governmental Activities*.

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The Municipality maintains several individual governmental funds. Information is presented separately in the governmental fund *Balance Sheet* and in the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* for five major funds and an aggregate total for all non-major funds. The Municipality's major governmental funds are the General Fund, Capital Projects Fund, Debt Service Fund, Health and Human Services Fund, and Social and Welfare Activities Fund. Data from the other governmental funds are combined into a single, aggregated presentation as non-major funds.

The General Fund is the chief operating fund of the Municipality. At the end of the current fiscal year, the General Fund balance was $13,589,859 of which $11,899 represents unassigned fund balance of the General Fund. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balances represent less than 0.5% of the total fund expenditure, while total fund balance represents 13.5% of that same amount. This percentage is a key financial policy for the Municipality of which needs to be greater than 20%.

The net increase to fund balance for the General Fund for 2024 was $8,146,354. This increase was a result of several revenues excess and several economies during the fiscal year.

The governmental funds financial statements are included from pages 29 through 32 of this report.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 33 through 129 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the budgetary comparison to actual experience for the General Fund, as well as the Municipality's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees.

Required Supplementary Information – Budgetary Information – The Municipality adopts an annual budget for its General Fund, as required by the General Statutes. The Municipality's annual budget is a legally adopted document that incorporates input from the citizens of the Municipality, the management of the Municipality, and the decisions of the Municipal Legislature about which services to provide and how to pay for them. It also authorizes the Municipality to obtain funds from identified sources to finance these current period activities. The budgetary schedule provided for the General Fund demonstrates how well the Municipality complied with the budget ordinance and whether the Municipality succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedule uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Municipal Legislature; 2) the final budget as amended by the Municipal Legislature; 3) the actual resources, charges to appropriations, and the final relationship between revenues and appropriations; and 4) the difference or variance between the final budget and the actual resources and charges.

The Schedule of Revenues and Expenditures – Budget and Actual – General Fund~~,~~ are presented immediately following the notes to the financial statements and can be found on pages 131-132 of this report.

Required Supplementary Information – Pension Plan and OPEB Plan Information – The required supplementary information reported are related to the GASB Statement No. 73 for pension liability reporting and GASB Statement No. 75 for OPEB liability reporting and are presented on pages 133 through 135 of this report.

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New Significant Accounting Standards Implemented

The Governmental Accounting Standards Board issued the following statements that are effective during fiscal year 2023-2024:

- Statement No. 99, *Omnibus 2022*
- Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statements No. 62*

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 of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

- The requirements related to 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, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statements 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.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The effective dates of the following pronouncements are for fiscal year 2024-2025 and thereafter:

- Statement No. 101, *Compensated Absences*
- Statement No. 102, *Certain Risk Disclosures*
- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*

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

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FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Government-Wide Financial Statement Analysis

The following **Figure** presents a summary of the Statements of Net Position as of June 30, 2024, and 2023:

The Municipality's Net Position (as Restated)
Figure 2

	Governmental Activities			
	2024	2023	Dollar Change	Percentage Change
Current and Other Assets	$ 173,848,695	$ 179,488,336	$ (5,639,641)	-3.14%
Capital Assets	388,336,001	368,675,511	19,660,490	5.33%
Housing Units Held for Sale	55,848	55,848	-	0.00%
Idle Units Held for Future Use	102,567	102,567	-	0.00%
Loan Receivable, Net	1,369,688	1,286,863	82,825	6.44%
Note Receivable, Net	182,815	172,467	10,348	6.00%
Total Assets	563,895,614	549,781,592	14,114,022	14.63%
Deferred Outflows of Resources	22,410,072	25,883,565	(3,473,493)	-13.42%
Current Liabilities	97,049,191	115,579,097	(18,529,906)	-16.03%
Other Liabilities	256,966,148	260,858,405	(3,892,257)	-1.49%
Total Liabilities	354,015,339	376,437,502	(22,422,163)	-17.52%
Deferred Inflows of Resources	18,133,824	24,161,352	(6,027,528)	-24.95%
Net Position:				
Net Invested of Capital Assets	291,475,979	272,171,901	19,304,078	7.09%
Restricted	93,291,160	55,401,275	37,889,885	68.39%
Unrestricted (Deficit)	(170,610,616)	(152,506,873)	(18,103,743)	11.87%
Total Net Position	$ 214,156,523	$ 175,066,303	$ 39,090,220	87.36%

Normal Impacts

Five basic (normal) transactions will affect the comparability of the *Statement of Net Position* summary presentation:

Net-Results of Activities – This will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for Capital – This will increase current assets and long-term debt.

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Spending Borrowed Proceeds on New Capital – this will reduce current assets and increase capital assets. There is a second impact, an increase in investment in capital assets and an increase in related net debt which will not change net investment in capital assets.

Principal Payment on Debt – This will reduce current assets and reduce long-term debt and reduce unrestricted net position and increase net investment in capital assets.

Reduction of Capital Assets through Depreciation – This will reduce capital assets and net investment in capital assets.

Current Year Impacts

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The total assets and deferred outflows of the Municipality exceeded its liabilities and deferred inflows by $214,156,523 as of June 30, 2024. The Municipality's net position increased by $39,090,220, for the fiscal year ended June 30, 2024.

<u>Net Investment in Capital Assets</u>

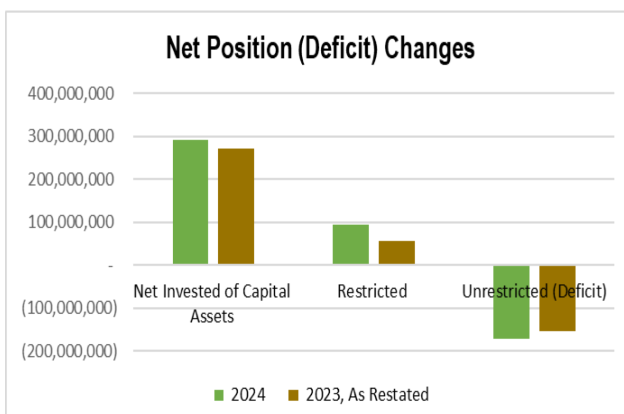
One of the largest portions of the net position, $291,475,979, reflects the Municipality's investment in capital assets (e.g. land, buildings, infrastructure, and equipment); less any related debt still outstanding that was issued to acquire or contract those assets. The Municipality uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Municipality's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

<u>Restricted Net Position</u>

An additional portion of the Municipality's net position $93,291,160 represents resources that are subject to external restrictions on how they may be used. Within this portion are $37,325,855 held by the Municipality in Escrow and Deposits Accounts for repayment of long-term debt, $11,428,815 restricted for Head Start program purposes, $19,082,336 for construction projects and $25,454,154 restricted, mainly, to provide housing services and other services to the citizens.

<u>Unrestricted Net Position (Deficit)</u>

An Unrestricted Net Position (Deficit) of ($170,610,616) was presented as of June 30, 2024. This balance was negatively affected primarily by the recognition of Total Pension Liability, as required by GASB Statement No. 73, for the amount $99,132,859. Also, Total Other Post Employment Benefit (OPEB) Liability, as required by GASB Statement No. 75, was presented in the amount of $3,789,350. Other long-term debts, such as compensated absences ($16,773,010), the outstanding balance of leases ($2,865,010), SBITA's Debt of $3,183,604, debt with Puerto Rio Water and Sewer Authority ($1,140,889), also affected the net position.



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Changes in Net Position

The following **Figure** presents a condensed summary of Changes in Net Position for the fiscal years ended June 30, 2024 and 2023:

The Municipality's Changes in Net Position (as Restated)
Figure 3

	Governmental Activities			
	2024	2023	Dollar Change	Percentage Change
Revenues:				
Program Revenues:				
Charges for Services	$ 3,016,568	$ 2,091,267	$ 925,301	44.25%
Operating Grants and Contributions	79,513,191	63,497,335	16,015,856	25.22%
Capital Grants and Contributions	2,706,063	4,255,783	(1,549,720)	-36.41%
General Revenues:				
Property Taxes	51,371,868	53,105,274	(1,733,406)	-3.26%
Volume of Business Taxes	32,866,855	29,955,894	2,910,961	9.72%
Sales and Usage Taxes	29,877,475	28,439,264	1,438,211	5.06%
Intergovernmental	4,545,463	3,969,821	575,642	14.50%
Construction Excise Taxes	6,879,821	5,513,536	1,366,285	24.78%
Interest and Investment Income	3,590,098	2,370,631	1,219,467	51.44%
Special Item - Donation of Works of Arts	122,141	705,000	(582,859)	-82.68%
Other	3,570,622	3,165,015	405,607	12.82%
Total Revenues	218,060,165	197,068,820	20,991,345	10.65%
Expenses:				
General Government	39,813,900	15,040,078	24,773,822	164.72%
Public Safety	9,634,094	9,858,827	(224,733)	-2.28%
Public Works	31,680,751	37,355,705	(5,674,954)	-15.19%
Cultural and Recreation	9,284,902	8,300,556	984,346	11.86%
Health and Welfare	13,928,609	10,973,983	2,954,626	26.92%
Economic and Social Development	8,708,957	10,345,449	(1,636,492)	-15.82%
Housing	12,722,100	11,001,550	1,720,550	15.64%
Sanitation and Environmental	17,248,093	16,749,601	498,492	2.98%
Education	25,182,762	27,842,505	(2,659,743)	-9.55%
Interest	10,765,777	9,735,423	1,030,354	10.58%
Total Expenses	178,969,945	157,203,677	21,766,268	13.85%
Net Change in Net Position	39,090,220	39,865,143	(774,923)	-1.94%
Net Position, Beginning of Year, as Restated	175,066,303	135,201,160	39,865,143	29.49%
Net Position, Ending	$214,156,523	$ 175,066,303	$ 39,090,220	27.54%

continue

Unaudited

Normal Impacts

Four basic (normal) transactions of revenues and three of expenses will affect the comparability of the *Changes in Net Position* summary presentation:

Revenues:

Economic Condition – This will reflect a declining, stable, or growing economic environment and has a substantial impact on property, sales, income, and utility tax revenues as well as public spending habits for building permits, elective user fees, and volumes of consumption.

Increase/Decrease in the Municipality Approved Rates – While certain tax rates are set by statute, the Municipality has significant authority to impose and periodically increase/decrease some rates.

Changing Patterns in Intergovernmental and Grant Revenues (but recurring and non-recurring) – Certain recurring revenue (state shared revenues, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on a year-to-ear comparison.

Market Impact on Investment Income – The Municipality's investment portfolio, if any, is managed utilizing investments of various maturities. Changes in market conditions will cause investment income to fluctuate due to the related appreciation or depreciation of these assets.

Expenses:

Changes in Authorized Personnel – This will reflect a declining, stable, or growing economic environment and has a substantial impact on property, sales, income, and utility tax revenues as well as public spending habits for building permits, elective user fees, and volumes of consumption.

Salary Increase – The ability to attract and retain human resources requires the Municipality to strive to approach a competitive salary range position in the marketplace.

Inflation – While inflation has a reasonably modest impact on expenses most years, the Municipality is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions may experience unusual commodity-specific increases.

Current Year Impacts

Analysis of Changes in Net Position

Governmental Activities – Governmental activities increased the Municipality's net position by $39,020,220. Key elements of this change in net position are the following:

Revenues:

Total overall revenues increased by 10.65% over the prior year. The following categories had the mayor changes from prior year:

- Interest Income increased by 51.44% – the increase was due to cash deposits in commercial banks, mostly from ARPA funds, and certificates of deposits.

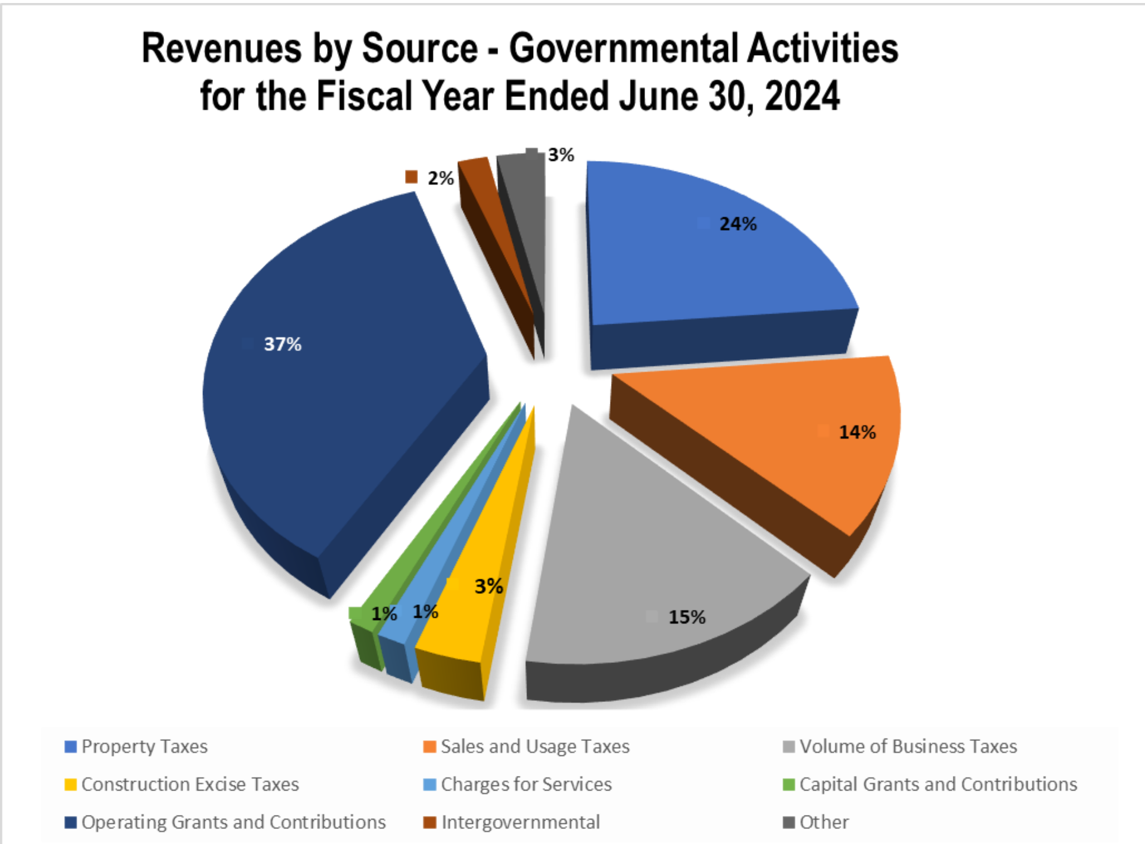
continue

- Construction Excise Taxes – increased by 24.78%, most of this increase was related to all the reconstruction projects that began during the fiscal year.

- Charges for Services – increased by 44.25%, most of this increase was related to projects for economic and social development.

- Operating Grants and Contributions increased by 25.22% because of the Federal funds received from FEMA funds.

Figure 4



Expenses:

Total overall expenses had a net increase of 13.85% over the prior year. The following categories had the major changes from prior year:

- General Government increased 164.72% – this increase was due to the pension expense under GASB Statement No. 73, from prior year which was ($28,413,900). This negative pension expense was due to changes made to the pension benefits. The related pension expense this year was a negative $7,479,059.

- Health and Welfare increased 26.92% – the increase was mainly related to funds incurred from Recovery Funds (ARPA) for allowable activities financed by Federal awards.

continue

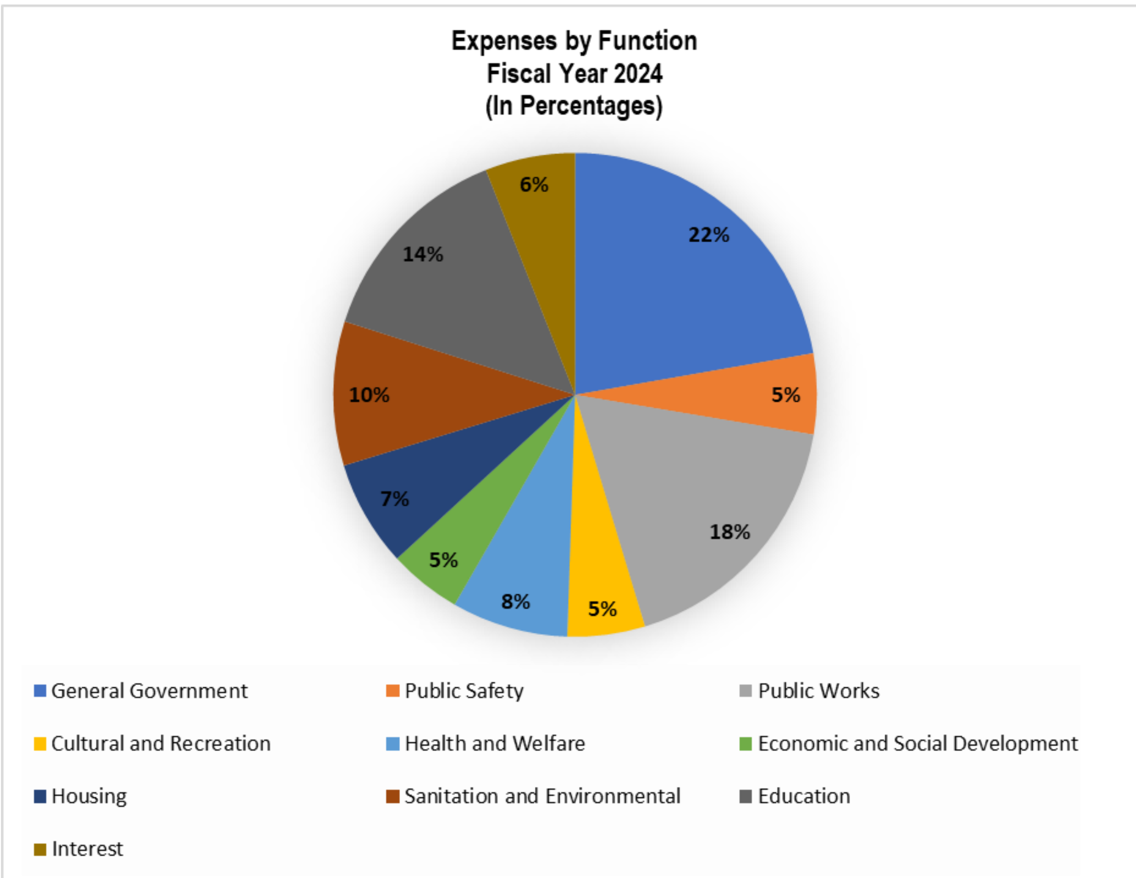
- Housing increased 15.64% – the increase was mainly related to additional appropriation funds incurred from Vouching Cluster programs.

- Public Works decreased (15.19%) from prior year, because this year, most of the works performed in the infrastructure of the municipal area, were determined to be capitalized.

- Interest Expense increased 10.58% – the increase was due to new debts issues, in addition to the recognition of interest expense under GASB Statements Nos. 87 and 96.

Figure 5 presents expenses by function of the Governmental Activities during the fiscal year 2023-2024:

FIGURE 5



Financial Analysis of the Municipality's Funds

As noted earlier, the Municipality uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of The Municipality's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Municipality's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

continue

On June 30, 2024, the governmental funds of the Municipality reported a combined fund balance of $73,358,677. This amount represents an increase of $10,509,126 or 14.33% over last year.

The net increase in fund balances during the fiscal year was caused mainly by the proceedings of two debts. The issuance of a General Obligation Bond in the amount of $7,170,000, for the improvements to municipal roads. In addition, the issuance of a General Obligation Bond in the amount of $13,023,000, for improvements to several facilities and buildings.

Following is a summary of the most relevant funds' changes when compared to prior year:

General Fund – The general fund revenues increased by $5.9 million. The main changes were in Volume of Business and Construction Excise Taxes revenues, which increased by $2.9 and $1.4 million, respectively. In addition, an increase in Interest Revenue of $900 thousand was due to interest in bank balances and certificates of deposits. Also, there was an increase in Sales and Usage Taxes of $1.1 million.

The expenditure increased by approximately $5.4 million, in comparison with the previous year. The categories with the major increase were General Government and Capital Outlays with $5.6 million and $3.5 million, respectively, for expenditure of payroll of employees for which prior year salary and related benefits were paid with COVID funding, and the portion of Capital Outlay increased due to improvements to facilities performed during the fiscal year, which are capitalizable.

Capital Projects Fund – Expenditures from this fund, increased by approximately $8.1 million. The increase in expenditure was in Capital Outlays, related to improvements to municipal roads and infrastructure, and facilities.

Debt Service Fund – The fund's revenues increased by $1.1 million from Property Taxes and Sales and Usage taxes revenues. Debt service expenditures increased by $3.2 million from loan refinance plan and debt service principal payment requirements.

Health and Human Services Fund – A decrease in expenditure of $1 million, is related to the education expenditure's function from the Head Start Program.

Social and Welfare Activities Funds – Revenues increased by $12.1 million, mainly due to an increase in federal funds for COVID-19 pandemic relief. Overall expenditure increased by $13.3 million. Expenditures related to COVID-19 included housing, payroll, solid waste, and economic and social development strategies, also from ARPA funding, capital outlays increased by $3.5 million.

Other Non-Major Funds – Overall revenues increased by $3.5 million, mainly by $4.1 million from FEMA. Overall expenditure decreased by $785 thousand mainly in capital outlays for improvements and maintenance of the infrastructure.

continue

General Fund Budgetary Highlights: During the fiscal year 2024 the Municipality's budget was changed, according to the latest results and ordinances and resolutions approved by the Mayor and the Municipal Legislature. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants and from appropriation from prior year fund balance; and 3) increases in appropriations as a result of cash surplus from prior period to supplement capital projects funding and general government activities.

The following were most significant budgetary transactions:

- The original General Fund appropriation for fiscal year 2024 was $100,535,892 which is more than the prior year appropriations by $838,844.

- Actual budgetary transactions generated an excess of resources over appropriations of $5,648,439 due to an increase in Volume of Business Taxes and economies in all functions.

Figure 6

	Original	Increases	Final
Resources:			
Property Taxes	$ 28,862,753	$ -	$ 28,862,753
Volume of Business Taxes	28,190,000	-	28,190,000
Sales and Usage Taxes	23,990,000	1,132,222	25,122,222
Construction Excise Taxes	7,610,630	-	7,610,630
Intergovernmental Revenues	5,347,689	-	5,347,689
Interest	318,000	-	318,000
Rent and Other Resources	5,316,820	-	5,316,820
Fines and Penalties	900,000	-	900,000
Amounts available for appropriation	100,535,892	1,132,222	101,668,114
Expenditures charged to appropriations:			
General Government	$ 50,378,928	$ 10,438,926	$ 60,817,854
Public Safety	9,022,555	(1,045,741)	7,976,814
Public Works	12,433,481	(379,001)	12,054,480
Culture and Recreation	4,494,509	(80,549)	4,413,960
Health and Welfare	2,350,227	(287,735)	2,062,492
Economic and Social Development	4,150,936	(352,570)	3,798,366
Housing	934,065	(30,967)	903,098
Sanitation and Environmental	14,796,693	(6,963,068)	7,833,625
Education	1,974,498	(167,073)	1,807,425
Total charges to appropriations	100,535,892	1,132,222	101,668,114
Excess of resources over appropriations	$ -	$ -	$ -

continue

Unaudited

Capital Assets

The Municipality's capital assets for its governmental activities as of June 30, 2024, total $388,336,001 (net of accumulated depreciation and amortization). These assets include buildings, roads and bridges, land, machinery and equipment, park and recreations facilities, and vehicles. In addition, as required by GASB Statement No. 87 and GASB Statement No. 96, related "Right-To-Use" capital assets and SBITA's, were recognized and amortized accordingly. New construction in progress began during the year for $25,587,188, and other reclassifications were made from construction in progress to facilities and improvements and infrastructure ($15,219,674). Depreciation amortization expense for the fiscal year was $15,230,362, and amortization of "Right-To-Use" and SBITA's assets were $2,672,640. Additions to equipment and other capital assets were $12,306,562. Retirements of capital assets during the year were in equipment and vehicles ($1,670,055), causing a loss on disposition of $330,258.

The Municipality's Capital Assets
(Net of Depreciation)
Figure 7

	Governmental Activities			
	2024	2023	Dollar Change	Percentage Change
Current and Other Assets	$ 173,848,695	$ 179,488,336	$ (5,639,641)	-3.14%
Capital Assets	388,336,001	368,675,511	19,660,490	5.33%
Housing Units Held for Sale	55,848	55,848	-	0.00%
Idle Units Held for Future Use	102,567	102,567	-	0.00%
Loan Receivable, Net	1,369,688	1,286,863	82,825	6.44%
Note Receivable, Net	182,815	172,467	10,348	6.00%
Total Assets	563,895,614	549,781,592	14,114,022	14.63%
Deferred Outflows of Resources	22,410,072	25,883,565	(3,473,493)	-13.42%
Current Liabilities	97,049,191	115,579,097	(18,529,906)	-16.03%
Other Liabilities	256,966,148	260,858,405	(3,892,257)	-1.49%
Total Liabilities	354,015,339	376,437,502	(22,422,163)	-17.52%
Deferred Inflows of Resources	18,133,824	24,161,352	(6,027,528)	-24.95%
Net Position:				
Net Invested of Capital Assets	291,475,979	272,171,901	19,304,078	7.09%
Restricted	93,291,160	55,401,275	37,889,885	68.39%
Unrestricted (Deficit)	(170,610,616)	(152,506,873)	(18,103,743)	11.87%
Total Net Position	$ 214,156,523	$ 175,066,303	$ 39,090,220	87.36%

Additional information on the Municipality's capital assets can be found in Note 11 of the Basic Financial Statements on pages 71-72.

continue

Major additions to constructions in progress as of June 30, 2024 are as follows:

Project	Amount
Improvement to Roger Mendoza Court	$ 8,226,108
Construction of a Head Start in Bo. Navarro	3,051,137
Improvements to Infrastructure	3,601,662
Other Improvements to Parks and Facilities	2,137,735
	$ 17,016,642

Deferred Outflows / Inflows of Resources

Deferred outflows and inflows of resources are recorded because some of the changes to the total pension liability are recognized over time rather than in the current year. Deferred outflows will decrease net position in future years. Deferred inflows are increases to net position that will be recognized in future years. Following are the types of deferred outflows and inflows reported in the Statement of Net Position and the time over which the item is recognized:

Deferred Outflows/Inflows	Description	Recognition Period
Actuarial Experience	The difference between the expected and actual actuarial experience due to demographic or economic experience.	Amortized over the average of the expected service lives of all active and inactive participant.
Change in Assumptions	The impact on the Net Pension Liability due to a change in economic or demographic actuarial assumptions.	Amortized over the average of the expected service lives of all active and inactive participant.
Asset Experience	The difference between the expected and actual earnings on investments.	Amortized over 5 years.
Employer Contributions	Employer contributions after the measurement date	Recognized in the subsequent year.

Deferred Outflows of Resources

The most significant deferred outflow of resources reported is related to the implementation of GASB Statement No. 73 for pension liability and GASB Statement No. 75 for OPEB liability reporting. GASB Statement Nos. 73 and 75 require that pension and OPEB benefits payments made during the fiscal year to the retirement system be reported as deferred outflows of resources. Consequently, most of the deferred outflows of resources reported are comprised of the current year contributions to the retirement system. We presented the applicable amounts under GASB Statement Nos. 73 and 75 at June 30,2024, with the unaudited information provided by PRGERS, therefore, there may be some deferred outflows of resources attributable to the various components that impact pension changes, and can include investment changes amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

continue

Deferred Inflows of Resources

Deferred inflows of resources are the counterpart to deferred outflows of resources on the Statement of Net Position. Deferred inflows of resources are not technically liabilities of the Municipality as of the date of the financial statements. When all the recognition criteria are met, the deferred inflow of resources will become revenue or an increase to net position.

Deferred inflows of resources related to pensions represent a net amount attributable to the various components that impact pension changes, and can include investment changes amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

Deferred inflow of resources was presented as part of the implementation of GASB Statement No. 87, which represented the amount of $3,293,951.

More detailed information about the Municipality's deferred outflows of resources and deferred inflows of resources is presented in Notes 13 and 18 to the financial statements on pages 72-73 and 79-80, respectively of this report.

Long-Term Debts

The Commonwealth of Puerto Rico limits the amount of general obligation debt that a municipal government can issue to 10 percent of the total assessed value of taxable property located within the municipality's jurisdiction. In March 2009, the Government of Puerto Rico enacted the Special Act, declaring a State of Fiscal Emergency and Establishing an Integrated Fiscal Stabilizing Plan to Save the Credit of Puerto Rico (Public Law 7). Among other things, this Law introduced a new way to view Real Property valuation.

Also, the Municipality has a sales tax redemption fund, composed of .2% of the .5% of the municipal sales tax rate portion of 1.5%, to support the debt service fund capacity. This fund, in addition to other variables, is used to calculate the Municipality's borrowing capacity, along with the property tax redemption fund, within a specific timeframe. On February 1, 2014 was enacted Act Nos. 18 and 19 that change the composition of the sales and usage taxes (see Note 3).

As of June 30, 2024, the Municipality had total bonded debt outstanding of Special and General Obligations of $154,938,207 all of which is debt backed by the full faith and credit of the Municipality.

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The Municipality's Outstanding Debts
Long-Term Debts
Figure 8

	Governmental Activities 2024	Governmental Activities 2023	Dollar Change	Percentage Change
General Obligations Bonds	$ 131,811,250	$ 123,635,450	$ 8,175,800	6.61%
Special Obligations Bonds	23,126,957	28,677,957	(5,551,000)	-19.36%
Total Pension Liability	99,132,859	105,295,561	(6,162,702)	-5.85%
Total OPEB Liability	3,789,350	4,082,778	(293,428)	-7.19%
Leases Liability (Right-To-Use)	2,865,010	3,807,018	(942,008)	-24.74%
SBITA's Liability	3,183,604	1,069,063	2,114,541	197.79%
LUMA - Debt	832,812	1,665,624	(832,812)	100.00%
MRCC Liquidation	33,758	33,758	-	0.00%
PR Retirement System Administration	-	433,674	(433,674)	-100.00%
Claims and Judgments	50,000	93,718	(43,718)	-46.65%
Puerto Rico Water and Sewer Authority	1,140,889	477,000	663,889	139.18%
Christmas Bonus	1,045,995	1,012,849	33,146	3.27%
Retainage Liability	2,246,999	1,154,800	1,092,199	94.58%
Compensated Absences	16,773,010	16,633,891	139,119	0.84%
Total	$ 286,032,493	$ 288,073,141	$ (2,040,648)	338.49%

The Municipality's debt related to General and Special obligations increased by $2,624,800 (12.74%) during the fiscal year 2024. Additional information on the Municipality's long-term debts can be found in Note 16 of the Basic Financial Statements on pages 74 through 78.

Summary of Local Economy

The Municipality of Caguas was founded in 1775. Caguas has the fifth largest population of Puerto Rico with boundaries that encompass an area of approximately 59.07 square miles, and according to the US Bureau of the Census as of July 1, 2023 the population of Caguas was 124,608 with a total housing stock of 57,997 units. The Caguas' Region, or Central Eastern Region, is conformed by 12 Municipalities with a total population of 496,542. The residents in Caguas as well as the existing housing units represent 25% of the total regional population and housing stock. As the main City of the Region, Caguas observed the following socio economic facts: [1] 67% owner occupied housing unit rate; [2] 86% of households with a computer; [3] 84% of households with a broadband internet subscription; [4] median income of $30,113 and per capita income of $20,696 greater than Puerto Rico; [4] unemployment rate of 4.6% (December 2024); [5] total employment of 50,824; [6] Quarterly total salaries of $345.6M (Third Quarter 2024); and [7] Total Labor Force 53,642. Caguas is the 3rd Municipality in PR with the highest volume of retail trade; $254.3M in Year 2023, equal to $21.2M Monthly. Caguas retail trade sales volume is higher than the municipalities of Ponce ($214.6M), Carolina (207.1M), Mayaguez ($137.3M), Hatillo ($117.8M), Toa Baja ($101.3M), Guaynabo ($89.3M), Humacao ($76.6M), Cayey ($49.9M), Arecibo ($43.6M), and Fajardo ($43.6M). Source: "Informe Encuesta Ventas al Detal Años 2021, 2022 y 2023 DDEC". Only the Municipalities of San Juan ($764,.9M) and Bayamón ($339.5M) observed a greater retail trade sales volume than Caguas.

continue

In Year 2022 Caguas was the 2nd Municipality in PR with the highest percent of occupied housing units (88%) and, also, greater than Puerto Rico (81%). Furthermore, it is the 2nd Municipality with the lesser rate of vacant housing units (12%) and, also, less than Puerto Rico. According to the Municipal Wellbeing Index published by the "Instituto del Desarrollo de la Juventud" the following highlights are observed: [1] Caguas is the 2nd Municipality in Puerto Rico with the highest family with children median income ($29,298) only the Municipality of Guaynabo has a higher median income ($46,276); [2] Caguas has a greater family with children median income that PR ($27,780); [3] Caguas observed a lesser percent of families with children with unemployed parents (38%) than PR (46%), 8% lesser; [4] also has a lesser percent of children living under poverty (48%) than PR (57%), 9% less; and [5] Caguas observed a lesser percent of youngs without high school diploma (2%) than PR (4%). Municipality's jurisdiction is bounded on the North by the Municipalities of San Juan and Trujillo Alto, on the South by the Municipalities of Cayey and San Lorenzo, on the East, by the Municipalities of Gurabo and San Lorenzo, and on the West by the Municipalities of Aguas Buenas and Cidra.

Finally, the Municipality's economy has an industry composition somewhat like Puerto Rico as a whole. As of the Third Quarter Year 2024 the industry composition main sectors of Caguas, by number of average employments, according to the PRDLHR, were Retail Trade (18.3% of total average employment); Health and Social Assistance Services (11%); Administration and Solid Waste Services (10.6%); Public Administration (8.9%); Educational Services (7%); Wholesale Trade (6.1%); Manufacture (5.5%); Professional and Technical Services (5.3%); Construction (5.6%); and Other Non-Public Services (2.2%).

Major Industries and Services (including Government)

Government Services: The public administration is the 4th main source of employment in the Municipality, accounting with 3,873 jobs. The Municipal government sector remains stable in relation to the past year. Government sector includes a diversity of employment areas such as education, electric power service, water supply, police, public works, culture and recreation, health, legal services, and others.

Health Services: As a major regional medical center, the medical services industry is one of the largest employers in the area. It includes the privately-owned hospitals, Pavia Hospital, formerly HIMA-San Pablo, and Hospital Menonita, formerly San Juan Bautista. These facilities provide primary, secondary and tertiary health services to the residents of Caguas and adjacent small towns and are responsible for establishing and developing strategies and programs designed to promote health, prevent diseases and early detection and diagnosis of health problems. They promote adequate health treatment and rehabilitation services as well.

Caguas is included in the Commonwealth's Health Reform program. The Commonwealth's Health Reform program consists of comprehensive health insurance coverage for qualifying low-income residents of Puerto Rico through a managed care system. Under the Health Reform program, the Government of Puerto Rico selects, through a bidding system, one private health insurance company in each of several designated regions of Puerto Rico and pays such insurance company the insurance premiums for each eligible beneficiary within such region. Caguas participates in this program not only as a health provider, through its facilities, but also as an Independent Provider Association (IPA) sharing with insurers the health insurance risk.

Trade (Retail and Wholesale): The trade sector is the strongest growing sector in the area. Many major national chains such as Wall-Mart, Costco, and Home Depot have expanded into the area, helping maintain relatively stable levels of consumer spending.

continue

Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA)

Attention was directed to Note 28 to the basic financial statements on pages 123-129 of this report, related to the Puerto Rico Oversight, Management, and Economic Stability Act, Pub. Law 114-187 ("PROMESA" or the "Act"), was enacted into law on June 30, 2016. The Senate had passed PROMESA on June 29, 2016, and President Obama signed the Act into law on June 30, 2016, one day before the Commonwealth of Puerto Rico was expected to, and did, default on substantial payment obligations. As part of the requirement imposed by this bill, the Commonwealth must reduce the deficit by increasing revenues and substantially reduce expenses, including subsidies to the municipalities of Puerto Rico.

Going forward from this baseline, with the New Fiscal Plan approved by the Oversight Board on April 3, 2023 (Eight Fiscal Plan), there must be a reduction of 20% in each successive year, holding appropriations constant at roughly 45-50% of current levels starting in FY 2022 before ultimately phasing out all subsidies in FY 2023.

Economic and Budget Highlights for the Fiscal Year Ending June 30, 2025

Governmental Activities: The general Budget for fiscal 2024-2025 will be $105 million, representing an increase of 4% when compared with fiscal year ended June 30, 2024. These $105 million are composed of $92.6 million from taxes, $5.3 from governmental grants, and $7.1 million from charges from services and other local incomes.

The special revenues funds budget will be $89.1 million. These are composed of $36.1 million of Federal grants, and $32.5 for local revenues and other financial resources. For the repayment of long-term debt, the budget will be $20.5 million. These resources will come from property and sales and usage taxes revenue.

Requests for Information

This report is designed to provide an overview of the Municipality's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to: Autonomous Municipality of Caguas, Office of the Mayor, P.O. Box 907, Caguas, Puerto Rico, 00726-0907, or http://www.caguas.gov.pr.

		GOVERNMENTAL ACTIVITIES
ASSETS:		
Current Assets:		
Cash and Investments	$	69,186,849
Cash with Fiscal Agent		77,530,035
Receivables (Net):		
Sales and Usage Taxes		1,616,921
Volume of Business Taxes		276,274
Due from Government Units		688,948
Federal Grants		20,054,004
Construction Excise Taxes		27,000
Other		610,785
Leases		3,857,879
Total Current Assets		173,848,695
Non-Current Assets:		
Loans Receivables, Net		1,369,688
Notes Receivables, Net		182,815
Land, Improvement and Construction in Progress		127,327,483
Other Capital Assets [Net of Accumulated Depreciation/Amortization]		261,008,518
Housing Units Held for Sale		55,848
Idle Units Held for Future Use		102,567
Total Non-Current Assets		390,046,919
TOTAL ASSETS		**563,895,614**
DEFERRED OUTFLOWS OF RESOURCES:		
Pension Related		22,410,072
TOTAL OUTFLOWS OF RESOURCES		**22,410,072**

continue

	GOVERNMENTAL ACTIVITIES
LIABILITIES:	
Current Liabilities:	
Accounts Payable	17,170,179
Accrued Expense	1,045,995
Accrued Interest	4,527,079
Bonds Payable	19,381,200
Advance Deposits	338,912
Unearned Revenues	44,485,645
Accrued Compensated Absences	4,798,832
Leases	1,160,179
Leases (SBITA's)	1,153,569
Due to Governmental Entities	2,987,601
Total Current Liabilities	97,049,191
Non-Current Liabilities:	
Bonds Payable	135,557,007
Accrued Compensated Absences	11,974,178
Legal Claims	50,000
Due to Governmental Entities	480,889
Retainage Payable	2,246,999
Leases	1,704,831
Leases (SBITA's)	2,030,035
Total Pension Liability	99,132,859
Total OPEB Liability	3,789,350
Total Non-Current Liabilities	256,966,148
TOTAL LIABILITIES	**354,015,339**
DEFERRED INFLOWS OF RESOURCES:	
Lease Related	3,293,951
Pension Related	14,839,873
TOTAL INFLOWS OF RESOURCES	**18,133,824**
NET POSITION:	
Net Investment in Capital Assets	291,475,979
Restricted for:	
Capital Projects	19,082,336
Debt Service	37,325,855
Head Start Program	11,428,815
Other Purposes	25,454,154
Unrestricted (Deficit)	(170,610,616)
TOTAL NET POSITION	**$ 214,156,523**

The accompanying *Notes to the Basic Financial Statements* are an integral part of this statement.

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues
Governmental Activities:					
General Government	$ 39,813,900	$ -	$ 168,218	$ -	$ (39,645,682)
Public Safety	9,634,094	782,955	294,745	807,124	(7,749,270)
Public Works	31,680,751	-	-	1,898,939	(29,781,812)
Culture and Recreation	9,284,902	36,380	-	-	(9,248,522)
Health and Welfare	13,928,609	-	4,846,757	-	(9,081,852)
Economic and Social Development	8,708,957	1,965,353	38,681,785	-	31,938,181
Housing	12,722,100	-	10,742,432	-	(1,979,668)
Sanitation and Environmental	17,248,093	231,880	1,614,792	-	(15,401,421)
Education	25,182,762	-	23,164,462	-	(2,018,300)
Unallocated Interest	10,765,777	-	-	-	(10,765,777)
Total Governmental Activities	**$ 178,969,945**	**$ 3,016,568**	**$ 79,513,191**	**$ 2,706,063**	**(93,734,123)**

General Revenues:	
Taxes:	
PropertyTaxes, levied for General Purposes	29,330,114
PropertyTaxes, levied for Debt Service	22,041,754
Volume of Business Taxes	32,866,855
Sales and Usage Taxes	29,877,475
Construction Excise Taxes	6,879,821
Intergovernmental	4,545,463
Interest	3,590,098
Other General Revenues	3,570,622
Special Item – Donation of Capital Assets	122,141
Total General Revenues and Special Items	132,824,343
CHANGES IN NET POSITION	**39,090,220**
Net Position – Beginning of Year	174,186,738
Restatements – Adjustment for Correction of Errors	879,565
Net Position – Beginning of Year, As Restated	175,066,303
NET POSITION – ENDING OF YEAR	**$ 214,156,523**

The accompanying *Notes to the Basic Financial Statements* are an integral part of this statement.

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	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	HEALTH AND HUMAN SERVICES FUND	SOCIAL AND WELFARE ACTIVITIES FUND	OTHER NON MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:							
Cash and Cash Equivalents	$ 33,957,546	$ 7,498,995	$ -	$ 664,198	$ 19,502,418	$ 7,563,692	$ 69,186,849
Cash with Fiscal Agent	-	35,842,103	41,668,285	-	-	19,647	77,530,035
Receivables:							
Sales and Usage Taxes	1,616,921	-	-	-	-	-	1,616,921
Volume of Business Taxes	276,274	-	-	-	-	-	276,274
Due from Governmental Units	504,299	-	184,649	-	-	-	688,948
Federal Grants	115,098	2,188,014	-	14,230,760	-	3,520,132	20,054,004
Construction Excise Taxes	27,000	-	-	-	-	-	27,000
Due from Other Funds	9,567,346	-	-	-	-	-	9,567,346
Leases	3,857,879	-	-	-	-	-	3,857,879
Others	606,890	-	-	-	-	3,895	610,785
Loans Receivable	-	-	-	-	419,625	950,063	1,369,688
Total Assets	**$ 50,529,253**	**$ 45,529,112**	**$ 41,852,934**	**$ 14,894,958**	**$ 19,922,043**	**$ 12,057,429**	**$ 184,785,729**
LIABILITIES:							
Account Payable	$ 6,317,143	$ 2,852,128	$ -	$ 1,082,456	$ 3,712,809	$ 3,205,643	$ 17,170,179
Bond Payable	-	-	15,175,200	-	-	-	15,175,200
Interest on Bonds Payable	-	-	4,527,079	-	-	-	4,527,079
Due to Governmental Entities	1,461,031	-	-	-	-	-	1,461,031
Due to Other Funds	-	3,385,581	-	1,850,124	1,976,861	2,354,780	9,567,346
Advance Deposits	337,912	-	-	-	-	1,000	338,912
Unearned Revenues	25,494,037	5,132,454	-	317,886	13,541,268	-	44,485,645
Total Liabilities	**33,610,123**	**11,370,163**	**19,702,279**	**3,250,466**	**19,230,938**	**5,561,423**	**92,725,392**
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenues:							
Commonwealth of Puerto Rico	35,320	-	-	-	-	-	35,320
Federal Grants	-	754,391	-	11,428,815	-	3,189,183	15,372,389
Lease Related	3,293,951	-	-	-	-	-	3,293,951
Total Deferred Inflows of Resources	**3,329,271**	**754,391**	**-**	**11,428,815**	**-**	**3,189,183**	**18,701,660**
FUND BALANCES:							
Nonspendable - Loans	-	-	-	-	419,625	950,063	1,369,688
Restricted	1,376,551	33,041,743	22,150,655	427,624	1,405,063	2,537,493	60,939,129
Committed	-	-	-	-	1,694,346	27,279	1,721,625
Assigned	12,201,409	449,032	-	-	-	776,486	13,426,927
Unassigned (Deficit)	11,899	(86,217)	-	(211,947)	(2,827,929)	(984,498)	(4,098,692)
Total Fund Balances	**13,589,859**	**33,404,558**	**22,150,655**	**215,677**	**691,105**	**3,306,823**	**73,358,677**
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 50,529,253**	**$ 45,529,112**	**$ 41,852,934**	**$ 14,894,958**	**$ 19,922,043**	**$ 12,057,429**	**$ 184,785,729**

The accompanying *Notes to the Basic Financial Statements* are an integral part of this statement.

Total Fund Balances – Government Funds (Page 29)		**$ 73,358,677**
Amount reported for Governmental Activities in the Statement of Net Position (Page 27) are different because:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. In the current period, these amounts are:		
Non Depreciable Capital Assets	$ 127,327,483	
Depreciable Capital Assets	740,978,704	
Accumulated Depreciation	(479,970,186)	
Total Capital Assets		388,336,001
Other assets held for sell of idle property held for future use are not financial resources and therefore, are not reported in the funds. In the current period, these amounts are:		
Housing Units Held for Sale	55,848	
Idle Units Held for Future Use	102,567	
Total Other Assets		158,415
Deferred Outflows of Resources in Governmental Activities are not recorded in the funds in the current period.		22,410,072
Notes Receivables from sale of capital assets in Governmental Activities are not recorded in the funds in the current period.		182,815
Some of the Municipality's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds:		
Federal Grants	15,372,389	
MRCC – Property Taxes	35,320	
Total Unavailable Revenues		15,407,709
Deferred Inflows of Resources in Governmental Activities corresponded to future period and therefore are not reported in the funds.		(14,839,873)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
General and Special Obligation Bonds	(139,763,007)	
Total Pension Liability	(99,132,859)	
Total OPEB Liabilty	(3,789,350)	
Compensated Absences	(16,773,010)	
SBITAs Liability	(3,183,604)	
LUMA – Debt	(832,812)	
MRCC Liquidation	(33,758)	
Leases	(2,865,010)	
Puerto Rico Water and Sewer Authority	(1,140,889)	
Claims and Judgments	(50,000)	
Christmas Bonus	(1,045,995)	
Retainage Liability	(2,246,999)	
Total Long-Term Liabilities		(270,857,293)
Total Net Position of Governmental Activities (Page 27)		**$ 214,156,523**

The accompanying *Notes to the Basic Financial Statements* are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	HEALTH AND HUMAN SERVICES FUND	SOCIAL AND WELFARE ACTIVITIES FUND	OTHER NON MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Property Taxes	$ 29,294,794	$ -	$ 22,041,754	$ -	$ -	$ -	$ 51,336,548
Volume of Business Taxes	32,866,855	-	-	-	-	-	32,866,855
Sales and Usage Taxes	24,380,700	-	5,496,775	-	-	-	29,877,475
Construction Excise Taxes	6,879,821	-	-	-	-	-	6,879,821
Federal Grants	1,363,804	3,352,755	-	22,792,880	31,525,133	17,491,405	76,525,977
Fines and Penalties	782,955	-	-	-	-	-	782,955
Intergovernmental	7,079,149	1,606,233	-	-	-	-	8,685,382
Interest	2,826,905	223,746	-	2,022	13,999	513,078	3,579,750
Rent and Other Services	1,262,643	829	-	-	-	20,191	1,283,663
Solid Waste Disposal	231,051	-	-	-	-	-	231,051
Other General Revenues	2,644,829	-	-	293,384	715,551	167,310	3,821,074
Total Revenues	**109,613,506**	**5,183,563**	**27,538,529**	**23,088,286**	**32,254,683**	**18,191,984**	**215,870,551**
EXPENDITURES:							
Current:							
General Government	44,624,302	711,512	275,000	-	2,423,533	256,426	48,290,773
Public Safety	7,435,295	8,639	-	-	1,340,511	555	8,785,000
Public Works	11,432,597	8,896,901	-	-	1,235,219	2,634,292	24,199,009
Culture and Recreation	4,663,222	623,237	-	-	418,151	-	5,704,610
Health and Welfare	4,495,285	104,369	-	1,756,594	7,189,876	152,121	13,698,245
Education	2,859,662	107,204	-	16,690,035	2,874,917	113,913	22,645,731
Sanitation and Environmental	9,410,886	324,761	-	-	7,224,644	35,640	16,995,931
Economic and Social Development	5,313,360	444,150	-	-	1,062,448	5,813	6,825,771
Housing	850,111	31,269	-	-	1,585,496	10,124,214	12,591,090
Capital Outlay	8,014,324	9,830,170	-	3,502,012	8,190,678	7,203,637	36,740,821
Debt Service:							
Principal	1,240,506	23,098	19,819,200	809,640	284,891	113,243	22,290,578
Interest and Other Charges	194,566	3,895	10,437,904	84,117	24,569	20,726	10,765,777
Total Expenditures	**100,534,116**	**21,109,205**	**30,532,104**	**22,842,398**	**33,854,933**	**20,660,580**	**229,533,336**
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	**9,079,390**	**(15,925,642)**	**(2,993,575)**	**245,888**	**(1,600,250)**	**(2,468,596)**	**(13,662,785)**
OTHER FINANCING SOURCES (USES):							
Refunding Bonds Issued	-	-	41,585,000	-	-	-	41,585,000
Payment to Refunded Bonds	-	-	(41,310,000)	-	-	-	(41,310,000)
Proceed of Bonds	-	20,253,000	-	-	-	-	20,253,000
Leases (As Lessee)	29,756	-	-	-	471,752	-	501,508
SBITA Lessee	3,142,089	14	-	225	-	75	3,142,403
Transfers – In	2,969,665	-	5,050,566	-	2,023,980	-	10,044,211
Transfers – Out	(7,074,546)	-	(2,969,665)	-	-	-	(10,044,211)
Total Other Financing Sources (Uses)	**(933,036)**	**20,253,014**	**2,355,901**	**225**	**2,495,732**	**75**	**24,171,911**
Net Change in Fund Balances	**8,146,354**	**4,327,372**	**(637,674)**	**246,113**	**895,482**	**(2,468,521)**	**10,509,126**
Fund Balances – Beginning	5,443,505	29,077,186	22,788,329	(30,436)	(204,377)	5,775,344	62,849,551
FUND BALANCES – ENDING	**$ 13,589,859**	**$ 33,404,558**	**$ 22,150,655**	**$ 215,677**	**$ 691,105**	**$ 3,306,823**	**$ 73,358,677**

The accompanying *Notes to the Basic Financial Statements* are an integral part of this statement.

Net Change in Fund Balances – Government Funds (Page 31)		**$ 10,509,126**
Amount reported for Governmental Activities in the Statement of Activities (Page 28) are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital Outlays	$ 37,771,609	
Donation of Capital Assets	122,141	
Depreciation and Amortization Expense	(17,903,002)	
Excess of Capital Outlays over Depreciation Expense		19,990,748
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Federal Grants	2,021,805	
MRCC – Property Taxes Liquidation	35,320	
Total Revenues		2,057,125
Governmental funds only report the proceeds received in the disposal of assets. In the Statement of Activities, a gain or loss is reported for each disposal. Thus, the change in net position differs from the change in fund balance by the cost of the disposed asset.		(330,258)
Notes receivables classified as long term, because the due date is not current, are recorded in the Statement of Net Position. In the current period the change in note receivables was		10,348
Proceed of Loan provide current financial resources to governmental funds, but issuing debt increase Noncurrent Liabilities in the Statement of Net Position. In the current period, proceeds received was		(20,528,000)
Repayment of long-term principal is expenditure in the governmental funds, but the repayment reduced Noncurrent Liabilities in the Statement of Net Position. In the current period repayments were		22,290,578
Some expenses reported in the Statement of Activities do not require the use of current financial resouces and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in Legal Claims	43,718	
Decrease in Leases (As Lessee)	942,008	
Increase in SBITA Lessee	(2,114,541)	
Increase in Christmas Bonus	(33,146)	
Increase in Puerto Rico Water and Sewer System Authority	(663,889)	
Decrease in LUMA Debt	832,812	
Decrease in Puerto Rico Retirement System Administration	433,674	
Decrease in Total Pension Liability	6,162,702	
Decrease in Total OPEB Liability	293,428	
Increase in Retainage Liability	(667,094)	
Increase in Compensated Absences	(139,119)	
Total Additional Expenses		5,090,553
Change in Net Position of Governmental Activities (Page 28)		**$ 39,090,220**

The accompanying *Notes to the Basic Financial Statements* are an integral part of this statement.

1. FINANCIAL REPORTING ENTITY

The accompanying financial statements present information on the financial activities of the Autonomous Municipality of Caguas of the Commonwealth of Puerto Rico (Municipality) over which the Mayor and the Municipal Legislature, have direct or indirect governing and fiscal control. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

A. Organization

The Municipality was founded in 1775 and operates as a governmental unit of the Commonwealth of Puerto Rico under Act No. 107 of August 14, 2020, known as "Municipal Code of Puerto Rico". The governmental system of the Municipality is composed of the executive and legislative bodies. It is governed by a Mayor and a 16-member Municipal Legislature elected for a four-year term.

The Municipality provides services such as: health, public works, sanitation, aids and services to low-income and elderly citizens, public safety, housing and urban development, culture and recreation, planning, zoning and other general and administrative services. As a government entity, the Municipality is exempt from both Federal and State taxes.

B. Reporting Entity

A reporting entity is comprised of (1) the primary government, (2) component unit organizations for which the primary government is financial accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Municipality and for which the Municipality is financially accountable.

The accompanying basic financial statements include all departments and organizations units whose funds are under the custody and control of the Municipality. In evaluating the Municipality as a reporting entity, management has addressed all the potential component units. GASB Accounting Standards Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure,* requires the inclusion of organizations that raise and hold funds for the direct benefit of the primary government.

GASB Accounting Standards Codification Section 2100, *Defining the Financial Reporting Entity*, describes the criteria for determining which organizations, functions, and activities should be considered part of the Municipality for financial reporting purposes. The primary criteria include appointing a voting majority of an organization's governing body, and the Municipality's ability to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Municipality. Second criteria used in evaluating potential component units is if the nature and significance of the relationship between the organization and a primary government are such that to exclude the organization from the financial reporting entity would render the financial statements misleading or incomplete.

GASB Statement 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34,* provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

continue

1. FINANCIAL REPORTING ENTITY – continuation

A legally separate, tax-exempt organization should be discretely presented as a component unit if all of the following criteria are met: (a) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (b) the primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and; (c) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

There are two methods of presentation of the component unit in the financial statements: blending – the financial data of the component unit's balances and transactions in a manner similar to the presentation of the Municipality's balances and transactions; and discrete – presentation of the component unit's financial data in column separates from the Municipality's balances and transactions. The relative importance of each criterion must be evaluated in light of specific circumstances in order to determine which components units are to be included as part of the reporting entity. Based on these criteria, there are no other organizations which should be included in these basic financial statements.

C. *Going Concern Evaluation*

On an annual basis, as required by Governmental Accounting Standards Board ("GASB") No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, the Municipality performs an evaluation to determine whether there are conditions or events (known and reasonably knowable), considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern within one year for the twelve (12) months beyond the financial statements date, including any currently known information that raise substantial doubt shortly thereafter. Management has concluded that there is no material uncertainty related to the Municipality's ability to continue as a going concern through the date the financial statements were available to be issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements present the respective financial position of the Governmental Activities, each major fund, and the aggregate remaining fund information of the Municipality, as of June 30, 2024, and the respective changes in financial position, and the cash flows, where applicable, thereof for the fiscal year then ended. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, Identifies GASB Statements and Interpretations as sources of accounting and financial reporting guidance in Category A of the hierarchy of generally accepted accounting principles (GAAP) for state and local governments. As presented in those documents, standards of governmental accounting and financial reporting, interpretations, and glossary definitions are approved by the GASB and are authoritative as Category A guidance.

GASB Statement No. 76 also identifies GASB Technical Bulletins, GASB Implementation Guides, and literature of the American Institute of Certified Public Accountants cleared by the GASB as sources of accounting and financial reporting guidance in Category B of the hierarchy of GAAP for state and local governments. As presented in those documents, questions and responses, questions and answers, and glossary definitions are cleared for issuance by the GASB and are authoritative as Category B guidance.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

The more significant of the Municipality's accounting policies are described below.

A. Basic Financial Statement Presentation

The accompanying basic financial statements of the Municipality present the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Municipality, as of June 30, 2024, the respective changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the fiscal year ended June 30, 2024, in conformity with accounting principles generally accepted in the United Stated of America as applicable to local governmental units (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The basic financial statements include both government-wide (based on the Municipality as a whole) and fund financial statements, which provide a more detailed level of financial information. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental type.

The financial information about the Municipality is presented in this report as follows:

Required Supplementary Information – Management's Discussion and Analysis (Unaudited)

Management's discussion and analysis requires supplementary information that introduces the basic financial statements and provides an analytical overview of the Municipality's financial activities.

Government-Wide Financial Statements (GWFS)

While separate government-wide and fund financial statements are presented, they are interrelated. The GWFS (the Statement of Net Position and the Statement of Activities) report information on all the activities of the Municipality. For the most part, the effect of interfund activity has been removed from these financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's Puerto Rico Electric Power Authority function of the government. Elimination of these charges would distort the direct cost and program revenue reported for the various functions concerned.

The focus of GWFS is on the operational accountability of the Municipality as a single economic unit and not on compliance with budgets, regulatory requirements or on the use of available or currently expendable financial resources (referred to as fiscal accountability). Operational accountability is the Municipality's responsibility to report to the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose. It focuses on the Municipality's principal operating objective, which is to provide services to its citizens.

The *Statement of Net Position* is designed to be similar to bottom line results for the Municipality's governmental activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. The *Statement of Net Position* presents the reporting entities' assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net positions are classified as net investment in capital assets, restricted when constraints are placed on them that are imposed by external parties or by laws or regulations, and unrestricted. Designations solely imposed by the Municipality's management are not presented as restricted net position.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each function of the Municipality's Governmental Activities. *Direct expenses* are those that are clearly identifiable with a specific function or segment. In addition, to the extent that indirect costs are allocated to the various functions, the program expenses will include both direct and indirect costs. *Program Revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenues are reported instead as general revenues.

Governmental Funds Financial Statements (GFFS)

The GFFS [the *Balance Sheet*, and the *Statement of Revenues, Expenditures and Changes in Fund Balance*] provide information about the Municipality's funds. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental are aggregated and reported as nonmajor funds. Each fund is a separate accounting entity with a self-balancing set of accounts used to record the financial transactions and balances of that entity. Individual funds have been established as stipulated by legal provisions or by administrative discretion. The Municipality uses fund accounting, which is designed to demonstrate legal compliance and to segregate transactions related to certain government functions or activities.

By definition, the general fund is always considered a major fund. Governmental funds other than the general fund must be reported as major funds if they meet both the ten percent and five percent criterion, defined respectively, (1) An individual governmental fund reports at least ten percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures; (2) an individual governmental fund reports at least five percent of the aggregated total for both governmental funds and enterprise funds of any one of the items for which it met the ten percent criterion. In addition, a fund may be reported as major if it is believed to be of particular importance to financial statement users.

The Municipality reports on the following major governmental funds:

General Fund – This fund is the general operating fund of the Municipality. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund – Capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds, if any. It also includes the Community Development Block Grants (CDBG) which are awarded to develop viable urban communities by providing decent housing and suitable living environment for people of low and moderate income.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Health and Human Services Fund – This fund is used to account for the revenue and expenditures of the Head Start Program and the Elderly Center of the Municipality as well as other related welfare services.

Social and Welfare Activities Fund – This fund started as a major fund during this year. It is used to account for the resources to improve the quality of life in the communities, including funds to mitigate the impact of COVID-19.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

The Municipality periodically undertakes a comprehensive evaluation of its fund structure to ensure that it complies with all aspects that are of importance to users of general purpose external financial reports. Consequently, all superfluous funds and some operational funds currently used by the Municipality in the day-to-day accounting procedures have not been reported as individual governmental funds in the accompanying fund financial statements. Accordingly, the accompanying fund financial statements include only the minimum number of funds consistent with legal and operating requirements and, consequently, certain types of similar operational funds have been combined into single funds in the accompanying fund financial statements.

The financial statements of the governmental funds are the following:

Balance Sheet – Report's information on June 30, 2024, about the current financial resources (assets, liabilities, deferred inflows of resources and fund balances) of each major governmental fund.

Statement of Revenues, Expenditures and Changes in Fund Balances – Report's information about the inflows, outflows and balances of current financial resources of each major governmental fund for the fiscal year ended June 30, 2024.

Since the GFFS are presented in a different measurement focus and basis of accounting than the GWFS, reconciliation is presented and separate explanation for each difference.

During the course of operations, the Municipality has activity between funds for various purposes. Any residual balances outstanding at year end is reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the GWFS. Balances between the funds included in Governmental Activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the Governmental Activities column.

Further, certain activity occurs during the fiscal year involving transfers of resources between funds. In GFFS these amounts are reported at gross amounts as transfers in/out. While reported in GFFS, certain eliminations are made in the preparation of the GWFS. Transfers between the funds included in Governmental Activities are eliminated so that only the net amount is included as transfers in the Governmental Activities column.

The Municipality reports its financial position (*Balance Sheet*) and results of operations [*Statement of Revenues, Expenditures, and Changes in Fund Balance*] in funds, which are considered separate accounting entities. The operations of each fund are accounted for within a set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial, and contractual provisions.

Notes to the Basic Financial Statements

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

Required Supplementary Information – Budgetary Information (Unaudited)

The basic financial statements are followed by a section of Required Supplementary Information. This Section includes a *Schedule of Revenues and Expenditures – Budget and Actual – General Fund – Non-GAAP Budgetary Basis*, which includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the GFFS.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Required Supplementary Information – Employees Retirement System (Unaudited)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the Municipality's fiscal year beginning July 1, 2014, revises existing standards for measuring and reporting pension liabilities for pension plans provided by the Municipality to its employees. After approval of Act No. 106-2017, because the plan is unfunded, a change to a "Pay-As-You-Go" basis resulted in the change in the applicable accounting standard from GASB Statement Nos. 67/68 to GASB 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 Statement 67 and 68*, for employer financial accounting purpose. Also, required supplementary information that includes the Schedule of Proportionate Share of the Net Pension Liability has changed to Total Pension Liability for unfunded Plan. Accordingly, the RSI is now in accordance with GASB Statement No. 73.

Required Supplementary Information – Other Postemployment Benefits (OPEB) (Unaudited)

The contribution requirement of ERS Medical Insurance Plan Contribution (MIPC) is established by Act No. 95-1963. There are no member or employer contributions on behalf of the MIPC. This benefit is financed on a "Pay-As-You-Go" basis from the General Fund of the Commonwealth of Puerto Rico.

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, that replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, changes similar to those implemented on GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* should be made. As of June 30, 2024, the PRGERS issued the actuarial report which presents unaudited date related to deferred outflow/inflow of resources, and Total OPEB Liability after implementation, applicable to the Municipality.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-Wide Financial Statements (GWFS)

The GWFS are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue (including interest on deposits and investments) is generally recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Municipality gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met, other than time requirements. These resources relate to a future period (when the advance is first permitted to be used in accordance with the government-mandated nonexchange transaction or a voluntary nonexchange transaction) and, therefore, should be classified as a deferred inflow of resources until such time as the resources are first permitted to be used. Receipts on any type of revenue source collected in advance for use in the following fiscal year are recorded as unearned revenues.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Governmental Funds Financial Statements (GFFS)

The GFFS are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For these purposes, the Municipality considers revenues to be available if they are collected within sixty (60) days after the end of the current fiscal period. Revenues that the Municipality earns by incurring obligations are recognized in the same period as when the obligations are recognized. On June 30, 2024, all revenues sources met this availability criterion.

Property taxes, volume of business taxes, sales and usage taxes, construction excise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount that is received during the period or within the availability requirements have been met. However, those resources are not available for spending in the current period and, therefore, should be classified as a deferred inflow of resources. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Accordingly, such resources should be reported as unearned revenue in the liability section of the *Balance Shee*t. All other revenue items are considered to be measurable and available only when cash is received by the Municipality.

Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds, the retainage liability is recorded in government wide financial statements. Principal and interest on bonds payable are recorded when they matured (when payment is due), except for principal and interest of bonds due on July 1, 2024, which are recorded as governmental fund liabilities of June 30, 2024, which is the date when resources were available in the debt service fund. Proceeds of general long-term debts and acquisitions under capital leases, if any, are reported as other financing sources.

The accompanying *Balance Sheet – Governmental Funds* generally reflects only assets that will not be converted into cash to satisfy current liabilities. Long-term assets and those assets that will not be converted into cash to satisfy current liabilities are generally not accounted for in the accompanying *Balance Sheet – Governmental Funds*.

The measurement focus of the GFFS is on decreases of net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related governmental fund liability is incurred. Allocation of costs, such as depreciation and amortization, are recorded in the accompanying *Statement of Activities*, but are not recorded in the accompanying GFFS.

All capital assets and unmatured long-term liabilities are recorded only in the government-wide statement of net position. The measurement focusses and the basis of accounting used in the accompanying GWFS differ significantly from the measurement focus and basis of accounting used in the preparation of the accompanying GFFS. Therefore, the Municipality presents reconciliations, as detailed in the accompanying Table of Contents, to better identify the relationship between these statements.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

C. Stewardship, Compliance, and Accountability

Budgetary Information

Act No. 107 of August 14, 2020, Chapter IX—Budget, Article 2.099 (b) (5), (6) and (7), as amended, known as the "Municipal Code of Puerto Rico" for the purpose of establishing the budget of each municipality shall not exceed, but may be less than the certified income in the audited reports or single audit made in compliance with the provisions of Articles 2.105 and 2.107 of this Code, in the items from patent income (Volume of Business Taxes or Municipal License Taxes) and Sales and Use Tax or Municipal Sales and Use Tax and miscellaneous licenses and permits (Licenses and Permits). In these items, the income estimation mechanism may not be used to base the municipality's operational budget, unless the Mayor presents and accredits, in a reliable manner, documents and supplementary information to the budget project, which supports the estimates for the accounts of income mentioned above. This provision shall not apply to the calculations and estimates of those items that are included as income in the municipality's budget and that have not been expressly listed in this Article. Also, in cases where the municipality reflects a surplus in the current budget, the surplus should be used to pay off the accumulated deficit. In cases where the municipality does not have an accumulated deficit, the surpluses may be reserved or used to cover any expense of the Municipality.

The budget is prepared using the modified accrual basis of accounting with encumbrance included as budgetary basis expenditures. Unexpended appropriations at the end of the fiscal year generally lapse. However, they may be re-appropriated for expenditure in the following fiscal year.

The Municipality's Budget Resolution provides transfer authority (1) to the Mayor and the Management and Budget Director, within and between departments and funds, as long as the total budget of the Municipality (net of interfund transfers) is not increased; (2) to the Municipal Management Office to implement grant budgets as the grant applications are accepted by the Municipality; and (3) to the Municipal Management Office to amend (re-appropriate) each new year's budget, to the extent of outstanding encumbrances, and/or unexpended project/grant appropriations at year end.

Municipality's Legislature action is required for (1) use of the budgeted Legislature contingency, and (2) the approval of a supplemental appropriation(s). During the year, several supplemental appropriations were necessary.

For budgetary purposes, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. In addition, under the budgetary basis of accounting, revenues are recorded when cash is received. The unencumbered balance of any appropriation at the end of the year will lapse at the end of such fiscal year. Other appropriations, mainly capital project appropriations, are continuing accounts for which the Municipal Legislature has authorized that an unspent balance from the prior year be carried forward and made available for current spending.

The Municipality follows these procedures, in accordance with law, in order to establish the budgetary data reflected in the *Schedule of Revenues and Expenditures Budget and Actual – General Fund*:

Original Budget

1. Up to June 10 of each fiscal year, the Mayor submits to the Municipal Legislature and the Municipal Management Office a proposed budget for the fiscal year commencing the following July 1 in addition of a budget message.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

2. The budget document is available for public inspection prior to its approval by the Municipal Legislature.

3. The Office of the Commissioner of Municipal Affairs examines the budget to verify if it complied with the law's standards and sends it to the Mayor for any comments or recommendation before the limited date establishes by the Law.

4. Up to June 25, the annual budget is legally enacted through passage of the annual appropriation ordinance by the Municipal Legislature to be effective on July 1.

5. Between July 1 and August 15 of each year, the Municipal Management Office must carry out a detailed examination of the approved budget with the supplementary documents that were used for the preparation of the budget and the evidence of corrective actions. If any other action is deemed necessary for said budget to comply with the provisions of this Code, the Municipal Management Office will notify the Mayor and the Municipal Legislature in writing no later than August 25 of each year.

Since the budgetary basis differs from accounting principles generally accepted in the United States of America (GAAP), actual amounts for the General Fund in the accompanying *Budgetary Comparison Schedule*, is presented on the budgetary basis to enhance comparability.

Final Budget

The final budgetary data presented in the *Schedule of Revenues and Expenditures Budget and Actual – General Fund* reflects the following changes to the original budget:

1. Certain annual appropriations are budgeted on a project basis. If such projects are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, and unexpended grant appropriations, are carried forward to the following year. In certain circumstances, other regular annual appropriations may be carried forward after appropriate approval. Annually appropriate funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

2. Appropriations may be adjusted during the year with the approval of the Mayor and the Municipal Legislature, e.g. supplemental appropriations. Additionally, the Mayor is authorized to make certain transfers of surplus within the departments. Such adjustments are reflected in the final budgetary data.

   The Annual Appropriation Ordinance adopts the budget at the character level of expenditure within departments. As described above, the Mayor is authorized to make certain transfers of appropriations within departments. Accordingly, the legal level of budgetary control by the Municipal Legislature is the department Level.

The principal differences between the budgetary and GAAP bases are the following:

1. Encumbrances are recorded as expenditures under the budgetary basis and as restricted, committed and assigned fund balances under GAAP.

2. Interfund transactions with the General Fund are not included on the budgetary basis.

3. Certain accrued liabilities and other debts are not included on the budgetary basis.

4. Certain revenues susceptible to accrual, i.e., both measurable and available, are not included in the budgetary data.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

The Special Revenue Fund has not been included in the budgetary comparison because balances are not budgeted. Also, the budget prepared for the Federal Financial Awards Programs included in the Capital Projects and Special Revenue Funds is based on a program period which is not necessarily the same fiscal year. Accordingly, it's not practical to present an annual comparison of budget for such programs.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position / Fund Balance

1) Cash, Cash Equivalents, Cash with Fiscal Agent, and Investment

The Municipality's cash is composed of demand deposits and cash equivalents in commercial banks, demand deposits in the Fiscal Agency and Financial Advisory Authority (FAFAA) (after GDB closed), and cash equivalents in commercial banks. The Municipality has adopted the *Statement of Uniform Investment Guidelines for the Municipalities of the Commonwealth of Puerto Rico*, issued by the GDB as promulgated by Act No. 113 of August 3, 1995. The Finance Director of the Municipality, who follows the guidelines, is responsible for investing the available resources in certificates of deposit and other short-term investments. Investments are made from the available combined funds of the Municipality and, accordingly, it is not practical to disclose certificates of deposit and other short-term investments individually by fund in the combined financial statements.

Interest earned on certificates of deposit and other short-term investments are recognized as revenue in the General Fund in accordance with the amount invested. Cash in the Special Revenue and Capital Project Funds are restricted; accordingly, resources available were not used for pool investments. Cash Equivalents are investments in Certificates of Deposits, which are reported at fair value, any interest generated is recognized in General Fund.

Cash with Fiscal Agent in the Debt Service Fund represents special additional property tax collections retained and deposited in the Popular Bank of Puerto Rico and restricted for the payment of the Municipality's debt service, as established by law. Cash with Fiscal Agent in the Capital Projects and other governmental funds consists of undisbursed proceeds of certain bonds issued with the private banking, and deposited in different private banks in Puerto Rico, for the acquisition and construction of major capital improvements, and other purposes.

Restricted Cash in governmental funds consists of undisbursed lines of credit which are maintained in a cash custodian account by the FAFAA (after GDB closed) with Popular Bank of Puerto Rico. The final use of this cash account should be determined by FAFAA.

2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advance between funds, as reported in the fund financial statements, if any, are offset by a fund balance restricted account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Receivables consist of all revenues earned but not collected on June 30, 2024. These account receivables are shown net to estimated allowances for uncollectible accounts, which are determined upon past collection experience, historical trends, and current economic conditions. Receivables represent mostly contributions from sales and usage taxes corresponding to June revenues collected during July and August 2024. Intergovernmental receivables in the other governmental funds represent amounts owed to the Municipality for reimbursement of expenditures incurred pursuant to federally funded grant and contributions and state appropriations, and the amount in the debt service fund represents the distribution of property tax collected which is restricted for the debt service.

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end.

3) Inventories

The Municipality used the purchase method to account for the purchases of office and printing supplies, gasoline, oil and other expendable supplies held for consumption. This method records items as expenditures, in the appropriate fund, when they are acquired and, accordingly, the inventory is not recorded in the basic financial statements.

4) Capital Assets

Capital assets acquired or constructed, whether owned by governmental activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds' financial statements.

Capital assets include public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Municipality). Capital assets with an individual cost of $40,000 or more are recorded at cost or estimated historical cost if purchased or constructed. Capital assets under this amount are capitalized if the estimated life of assets is extended by more than 25%, the cost results in an increase in the capacity of the asset, the efficiency of the assets is increased by more than 10%, significantly changes the character of the assets or in the case of streets and roads-if the work done impacts the "base" structure. Donated capital assets are recorded at the acquisition value at the date of donation. Equipment and other with a cost of $100 or more are recorded at cost or estimated historical cost.

The cost of normal maintenance and repairs that do not add to the value of the capital asset or extend capital assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Finally, major outlays for capital assets and improvements are capitalized as the projects are constructed.

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in the governmental funds within the capital outlays and included as additions in the roll-forward activity of the capital assets in the GWFS. However, in the *Statement of Activities*, the cost of those assets is allocated over the estimated useful lives and reported as a depreciation expense. As a result, fund balance decreases by the capital outlays balance – the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

CAPITAL ASSETS	YEARS
Facilities and Improvements	10-40
Buildings and Improvements	10-50
Infrastructure	10-50
Equipment and Vehicles	5-20
Right-To-Use Assets	2-6
SBITAs Subscriptions	2-6
Work of Art (Inexhaustible)	N/A

Depreciation and amortization expense of capital assets is recorded as a direct expense of the function/program specifically identified with the asset. Depreciation and amortization of infrastructure is not allocated to various function/programs but reported as a direct expense of the public works function.

The amortization expense related to Right-To-Use Assets was determined using the straight-line method over the remaining contract lease term, or the estimated useful lives of the asset, whichever is shorter.

The accounting policy for Works of Art is that they are capitalized at their historical cost or fair value at date of donation whether they are held as individual items or in a collection. Capitalized collections or individual items that is exhaustible, such as exhibits whose useful lives are diminished by display or educational or research applications, are depreciated over their estimated useful lives. Depreciation is not required for collections or individual items that are inexhaustible. On June 30, 2024, all Work of Art are considered inexhaustible.

The Municipality annually performs an impairment analysis of its capital assets in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* Impaired capital assets that will no longer be used by the Municipality, if any, are reported at the lower carrying value or fair value. Impairment losses on capital assets with physical damage that will continue to be used by the Municipality are measured using the restoration cost approach. Impairments of capital assets that are subject to a change in the manner or duration of use, or assets affected by enactment or approval of laws or regulations or other changes in environmental factors or assets that are subject to technological changes or obsolescence, if any, are measured using the service units' approach. For impairment losses recoverable through disaster assistance programs sponsored by higher levels of government (such as the Federal Emergency Management Agency), the loss is reported separately from the grant awarded for recovery purposes. Any impairment adjustment to the carrying value of a capital asset would be treated as a proportionate reduction of both the reported value of the asset and its accumulated depreciation, based on the notion that impairment represents the effective retirement of a portion of the asset.

The Municipality is prevented legally from entering obligations extending beyond one fiscal year, and most lease agreements entered by the Municipality contain fiscal funding clauses or cancellation clauses that make the continuation of the agreements subject to future appropriations. The Municipality's lease agreements do not include contingent rental payments nor escalation clauses. Accordingly, lease payments are recorded in the GWFS as expense when incurred. In the accompanying GFFS, the lease payments are recorded as expenditures in the governmental fund.

5) Housing Units Held for Sale

Capital assets that have been identified to be for sale are presented as part of the noncurrent assets.

6) Idle Units Held for Future Use

Capital assets that have been temporarily idled and held for future use are presented as part of the noncurrent assets.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

7) Unearned Revenues

In the GWFS, unearned revenues arise only when the Municipality receives resources before it has a legal claim to them. In the GFFS, it arises when the following situations occur potential revenue does not meet both the measurable and available criteria for revenue recognition in the current period.

8) Deferred Outflows/Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are defined in GASB Concept Statement No. 4, *Elements of Financial Statements*, as the acquisitions and consumptions of net assets by the government that is applicable to future periods. Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,"* and GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities",* the Municipality recognizes deferred outflows and inflows of resources.

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

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

Based on this concept, the Municipality reports the following as deferred outflows of resources and deferred inflows of resources.

- The deferred outflows of resources or deferred inflows of resources resulting from GASB Statement No. 73, and GASB Statement No. 75.
- Deferred inflows of resources in the GWFS related to leases.
- Various types of revenues earned but not available within 60 days of fiscal year end.

Notes 13 and 18 provide details on deferred outflows of resources and deferred inflows of resources.

The Municipality has items, which arise only under accrual basis and modified accrual basis of accounting that qualify for reporting in deferred outflows/inflows of resources. Accordingly, the items related to the pension system are reported in the government-wide *Statement of Net Position*, and *unavailable revenue,* is reported only in the governmental funds *Balance Sheet*. The governmental funds report *unavailable revenues* from two sources: Liquidation from Municipal Revenue Collection Center (MRCC), and Federal Grants. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

9) Long-Term Obligations, Bonds Issuance Costs, and Premium or Discount

The liabilities reported in the GWFS include the general and special obligation bonds, long-term notes, other noncurrent liabilities (e.g., vacation, sick leave, claims and judgments, leases, noncurrent liabilities to other governmental entities and third parties, and landfill post closure care costs). Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the effective interest method. Bond's payable is reported net of the applicable bond premium or discount, if any. As per GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Bond Issuance Costs incurred are reported as expense in the fiscal year.

In the GFFS, governmental fund types recognize bond premiums and discounts, if any, as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Expenditures for principal and interest payments for governmental fund general and special obligations bonds are recognized in the Debt Service Fund when due.

10) Compensated Absences

The Municipality accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. After the approval of Act No. 8 of February 6, 2017, the Municipality's employees are granted 24 days of vacations and 12 days of sick leave annually. New employees accumulate retroactively after the first 3 months of employment. Vacations may be accumulated up to a maximum of sixty (60) days and sick leave up to a maximum of ninety (90) days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed at the current rate. Separation from employment prior to use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years of service who are entitled to sick leave pay up to the maximum allowed. The Municipality accrued a liability for compensated absences, which meet the following criteria: (1) the Municipality's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered; (2) the obligation relates to rights that vest or accumulate; (3) payment of the compensation is probable; and (4) the amount can be reasonably estimated.

In accordance with the above criteria and requirements in conformance with GASB Accounting Standards Codification Section C60, *Compensated Absences,* the Municipality has accrued a liability for compensated absences, which has been earned but not taken by Municipality's employees, including its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay using salary rates effective on June 30, 2024. All vacation pay is accrued when incurred in the GWFS. For the GWFS, the current portion is the amount estimated to be used in the following year. For the GFFS, all of the compensated absences are considered long-term and therefore, are not a fund liability and represent a reconciling item between the fund level and government-wide presentations. Also, GFFS record expenditures when employees are paid for leave or the balance due in accrued upon the employee's separation from employment.

11) Reduction of Working Day

Act No. 8 of February 6, 2017 establishes that any employee will have the option of requesting a voluntary reduction of their working day by means of a prior agreement with their employer, for a reduction period equivalent to one day of work.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

12) Claims and Judgments

The estimated amount of the liability for claims and judgments, if any, which is due on demand, such as from adjudicated or settled claims, is recorded in the General Fund when the liability is incurred. Noncurrent Liabilities include an amount estimated as a contingent liability or liabilities with a fixed or expected due date, which will require future available financial resources for its payment.

13) Fair Value

The Municipality follows the provisions of GASB Statement No. 72, *Fair Value Measurements and Application.* The fair value measurements made in the accompanying financial statements assume that transactions take place in the Municipality's principal market, or the Municipality's most advantageous market in the absence of a principal market. Fair values have been measured, assuming that general market participants would act in their economic best interest.

To determine fair value measurements, fair values have not been adjusted for transaction costs and the Municipality has considered the unit of account of the asset or liability. The unit of account refers to the level at which an asset or a liability is aggregated or disaggregated for measurement, recognition, or disclosure purposes as provided by the accounting standards.

The Municipality has used valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair values. The techniques applied are consistent with one or more of the following approaches: (1) the market approach, (2) the cost approach, or (3) the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flow or income and expenses) to a single current (discounted) amount. Valuation techniques have been applied consistently, though a change may be appropriate in certain circumstances.

The fair value measurements applied by management take into account the highest and best use for a nonfinancial asset. A fair value measurement of a liability assumes that the liability would be transferred to a market participant and not settled with the counterparty. In the absence of a quoted price for the transfer of an identical or similar liability and if another party holds an identical item as an asset, the Municipality uses the fair value of that asset to measure the fair value of the liability. The Municipality's financial instruments consist of cash and cash equivalents, accounts and loans receivable, other assets, accounts payable and accrued liabilities, bonds and notes payable and other long-term obligations.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that we can access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for a substantial portion of the full term of the asset or liability.

Level 3 **–** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Based on the criteria set forth above, the Municipality has classified its financial instruments as Level 2 instruments as of June 30, 2024.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Municipality's valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The observability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer would be reported at the beginning of the fiscal year. For the fiscal year ended June 30, 2024, there were no transfers from Level 2 to other categories.

The following methods and assumptions were used to estimate the fair values of the most significant financial instruments on June 30, 2024. There have been no changes in valuation methods.

- For cash in commercial banks and deposits with governmental bank, accounts and loans receivable, other assets and accounts payable and accrued liabilities, their respective estimated fair values approximate their carrying amounts recorded in the accompanying financial statements. The cost or contract value (net realizable value of assets and estimated settlement amounts of liabilities) was used to determine their respective fair values of these assets and liabilities due to their short-term nature and maturity periods.

- For bonds payable, notes payable and other Jong-term obligations, the estimated fair values also approximate carrying amounts. These obligations have been incurred at the prevailing market interest rates and terms for these types of instruments; accordingly, the Municipality determined their fair values using valuation models that use observable market quotes.

Fair value reporting requires management to make estimates and assumptions about the effects of matters that are inherently uncertain. The judgments made in determining the estimated fair value assigned to each financial instrument is significant and can materially impact the changes in net position and fund balances of the Municipality. The valuations are based on information available on June 30, 2024, and are based on expectations and assumptions that have been deemed reasonable by management.

Estimates developed using alternate are subjective, requiring significant judgments such as the amount and timing of future cash flows and the selection of appropriate discount rates that reflect market and credit risk.

The preceding valuation methods described may produce a fair value calculation that may not be indicative of net realizable or reflective of future fair values. Furthermore, while management believes that the Municipality's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

However, the difference between the estimated fair values and carrying values of the Municipality's financial instruments were not considered significant by the Municipality on June 30, 2024.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

14) Accounting for Pension Costs

As further disclosed in Note 19, effective July 1, 2017, a new "Pay-As-You-Go" ("Pay-Go") system was enacted into law by Act No. 106 of 2017 (Act No. 106-2017), significantly reforming the defined benefit plan (the Plan) of the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS). Under the "Pay-Go" system, employers' contributions and other contributions ordered by special laws were all eliminated and substantially all the assets of the Plan were liquidated, and its proceeds transferred to the Commonwealth's General Fund for payment of pension benefits; therefore, since the enactment of Act No. 106-2017, the Commonwealth's General Fund makes direct payments to the pensioners and is then reimbursed for those payments by the participating employers.

Act No. 106-2017 impacts on the benefits provided to ERS members as follows:

- New employees hired July 1, 2017, or later will be participants in a separate defined contribution plan and will not become ERS members.

- Effective July 1, 2017, current ERS members will no longer make any contributions to ERS. Prospectively, active members will participate in a separate defined contribution plan.

In addition, Act No. 106-2017 provides that ERS will be funded on a "Pay-As-You-Go" basis. This funding change resulted in the change in the applicable accounting standard from GASB Statement Nos. 67/68 to GASB 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 Statement Nos.67 and 68*, for employer financial accounting purpose. The following contributions are eliminated by Act No. 106-2017:

- Act No. 116-2011 employer contributions – was 15.525% of payroll in 2016-2017 and was scheduled to increase by 1.25 of payroll per year to an ultimate rate of 20.525% of payroll in 2020-2021 and later.

- Act No. 32-2013 Additional Uniform Contribution.

- Act No. 3-2013 Supplemental Contributions – was $2,000 for each pensioner who was previously benefiting as an Act No. 447-1951 and Act No. 1-1990 member while an active employee. The contribution paid for the Medical Insurance Plan Contribution (up to $1,200 per member), the Christmas Bonus ($200 per member), and Medication Bonus ($100 per member) payable to members who retired prior to July 1, 2013. The excess of these Supplemental Contributions remained in the System to pay down the unfunded actuarial accrued liability.

As ERS is a multiple employer plan and the benefits are no longer funded by a pension trust, GASB Statement No. 73 applies to the pension benefits provided to each participating employer's own employees. The Central Government and its component units are considered to be one employer. Other employers, like Municipality, also participate in ERS (see Note 19).

Also, the Municipality participates in a contributory defined contribution plan named "Programa Head Start Municipio Autónomo de Caguas Money Purchase Plan".

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

15) Other Postemployment Benefits

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, that replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, changes similar to those implemented on GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* should be made.

In addition to the pension benefits described in Note 19, the Commonwealth provides other retirement benefits, such as Christmas Bonus, and postemployment healthcare benefits (OPEB) for its retired employees in accordance with local law. Substantially, all of the employees may become eligible for these benefits if they reach normal retirement age while working for the Commonwealth. There are no member or employer contributions on behalf of the Medical Insurance Plan Contribution (MIPC). This benefit is not funded by an OPEB trust, GASB Statement No. 74 does not apply. It is financed on a “Pay-As-You-Go” basis from the General Fund of the Commonwealth of Puerto Rico and Municipality funds (see Note 20).

16) Net Position/Fund Balance

A) Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the GWFS. The GWFS utilize a net position presentation, which are categorized as follow:

- *Net Investment in Capital Assets* – These consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of bonds payable, notes payable and other debts that are attributed to the acquisition, construction or improvements of those assets. For the purposes of determining the outstanding debt attributed to capital assets, the total long-term debt related to the acquisition, construction or improvements of capital assets has been reduced by any related unspent debt proceeds and any related unamortized debt issuance costs. In addition, the outstanding debt attributed to capital assets does not include accrued interest payable, non-capital accrued liabilities, inter-fund loans and other financial assets.

  For Governmental Activities, Net Investment in Capital Assets is comprised of the following:

Capital Assets, Net of Accumulated Depreciation/Amortization	$ 388,336,001
Outstanding Balance on Related Debt	(109,326,821)
Unspent Capital Debt Proceeds	12,466,799
Net Investment in Capital Assets	$ 291,475,979

- *Restricted Net Position* – These results when constraints placed on net position 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 (Deficit)* – These consists of a net position which does not meet the definition of the two preceding categories. An unrestricted net position is often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position (deficit) often has constraints on resources that are imposed by management but can be removed or modified.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Net Position Flow Assumption

Sometimes the Municipality will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Municipality's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

B) Fund Balance

Fund Balance Classification

Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the Municipality honors constraints on the specific purposes for which amounts in those funds can be spent.

- *Nonspendable* – amounts that cannot be spent because they are either (a) not spendable in form; or (b) legally or contractually required to be maintained intact.
- *Restricted* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulation of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – amounts that can only be used for specific purposes determined by formal action of the Municipality's highest level of decision-making authority (Municipal Legislature) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned* – amounts that are constrained by the Municipality's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose.
- *Unassigned* (*Deficit*) – the residual classification for the Municipality's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund Balance Flow Assumption

Sometimes the Municipality will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the GFFS a flow assumption must be made about the order in which the resources are considered to be applied. It is the Municipality's policy to consider restricted fund balance to have been depleted before using any of the components or unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Fund Balance Policy

The Municipality believes that sound financial management principles require that sufficient funds be retained by the Municipality to provide a stable financial base at all times. To retain this stable financial base, the Municipality needs to maintain a General Fund balance sufficient to fund all cash flows of the Municipality, to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature, to provide funds for the disparity in timing between the collection of property taxes and other main income. The purpose of this policy is to specify the size and composition of the Municipality's financial reserves and to identify certain requirements for replenishing any fund balance reserves utilized.

Restrictions of Fund Balance

Restrictions of fund balance represent portions of fund balances that are legally segregated for a specific future use or are not appropriable for expenditure. The Municipality has implemented the provisions of the GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of July 1, 2010, in which it is required to classify and report amounts in the appropriate fund balance classification by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent.

Policy on Committing Funds

It is the policy of the Municipality that fund balance amounts will be reported as "Committed Fund Balance" only after formal action and approval by Municipal Legislature. The Municipal Legislature has the authority to separate funds for specific purposes. Any separate fund, such as Committed Fund Balance requires the adoption of a resolution by a simple majority of votes. The adoption of the resolution should be carried out before June 30 of the fiscal year to implement. If the actual amount of the commitment is not available through June 30, the resolution should establish the process or formula required to calculate the exact amount as soon as information is available in the following fiscal year.

For example, the Municipal Legislature may approve a resolution prior to year-end financial statements, if available, up to a specified dollar amount as Committed Fund Balance for capital projects. The exact dollar amount to be reported as Committed Fund Balance for capital projects may not be known at the time of approval due to the annual financial audit not yet being completed. This amount can be determined at a later date when known and appropriately reported within the year-end financial statements due to the Municipal Legislature approving this resolution before year-end.

It is the policy of the Municipality that the Municipal Legislature may commit fund balance for any reason that is consistent with the definition of Committed Fund Balance. Examples of reasons to commit fund balance would be to display intentions to use portions of fund balance for future capital projects, stabilization funds, or to earmark special General Fund revenue streams unspent at year-end that are intended to be used for specific purposes.

After approval by the Municipal Legislature, the amount reported as Committed Fund Balance cannot be reversed without utilizing the same process required to commit the funds. Therefore, it is the policy of the Municipality that funds can only be removed from the Committed Fund Balance category after resolution and approval by the Municipal Legislature.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Policy on Assigning Funds

Funds that are *intended* to be used for a specific purpose but have not received the formal approval action at the Municipal Legislature level may be recorded as Assigned Fund Balance. Likewise, redeploying assigned resources to an alternative use does not require formal action by the Municipal Legislature. Having reviewed the requirements for assigning fund balance, therefore, is the policy of the Municipality that the Mayor shall have the authority to assign fund balance of the Municipality based on the intentions of the use of funds by the Municipal Legislature. In addition, the Mayor can delegate to the Finance Director or other employees of the Municipality the authority to assign the funds.

Policy on Unassigned General Fund Balance

It is the goal of the Municipality to achieve and maintain an Unassigned General Fund Balance equal to 15% of budgeted expenditures. The Municipality considers a balance of less than 10% to be a cause for concern, barring unusual or deliberate circumstances, and a balance of more than 20% as excessive. An amount in excess of 20% is to be considered for reservation to accumulate funding for the purchase of machinery and equipment, for capital projects, and/or reduces tax levy requirements, and shall be determined in conjunction with the annual budget process. In the event that the Unassigned General Fund Balance is less than the policy anticipates, the Municipality shall plan to adjust budget resources in the subsequent fiscal years to restore the balance.

Appropriation from Unassigned General Fund Balance shall require the approval of the Municipal Legislature and shall be only for specific disbursements, such as one-time expenditures and capital asset purchases, and not for ongoing expenditures unless a viable plan designated to sustain the expenditures is simultaneously adopted. The Municipality has not met its GASB Statement No. 54 fund balance targets on June 30, 2024.

Prioritization of Fund Balance Use

In circumstances where the payment is for a purpose that quantities are available in multiple classifications of funds balance, the order in which resources will be used shall be as follows: Restricted Fund Balance, followed by Committed Fund Balance, Assigned Fund Balance, and last but not least, Unassigned Fund Balance.

E. Interfund Transactions

Interfund transactions are reflected as loans, reimbursements or transfers. Loans are reported as receivable and payable as appropriate and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. The Municipality has the following types of transactions among funds:

Interfund Transfers – Legally required transfers that are reported when incurred as transfers-in by the recipient fund and as transfers-out by the disbursing fund, with receivables and payables presented as amounts due to and due from other funds. Advances between funds are also presented as amounts due to and due from other funds. However, these advances, transfers, and related amounts receivable and payable are considered internal balances and activities that have been eliminated in the government-wide financial statements.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Intra-Entity Transactions – There are two types of intra-entity transactions: First, the flow of resources between the primary government and its component units, and among the component units. This flow of resources and the related outstanding balances are reported as if they were external transactions. However, flow of resources between the primary government and blended component units are classified as interfund activity, as described above. Second, the intra-entity balances between the primary government and discretely presented component units are tantamount to long-term debt financing.

The primary government's liability is reported in the *Statement of Net Position*, the proceeds in the primary government's funds, and the asset in the discretely presented component units' *Statement of Net Position*. For the fiscal year, there are no intra-entity transactions.

F. Risk Financing

Under Act No. 63 of June 21, 2010, the Legislative Assembly of the Commonwealth of Puerto Rico, authorized the municipalities to procure and manage at their own discretion all insurance policies, including those related to health plans provided to the municipal employees. The Municipality also obtains medical insurance coverage from one health insurance company for its employees. Different health coverage and premium options are negotiated each year by the Municipality. Premiums are paid on a monthly basis directly to the insurance company.

The Municipality carries commercial insurance to cover property and casualty, theft, tort claims and other losses with private insurance companies. Also, principal officials of the Municipality are covered under various surety bonds. Cost of insurance to the Municipality for the year ended June 30, 2024 amounted to $2,392,912, paid in full at the beginning of the fiscal year. The current insurance policies have not been cancelled or terminated.

The Municipality carries insurance coverage for death and bodily injuries caused by the motor vehicles accidents. The insurance is obtained through the Automobile Accidents Compensation Administration (AACA), a component unit of the Commonwealth of Puerto Rico. This insurance is compulsory for all licensed vehicles used on public roads and highways in Puerto Rico. The annual premium is $35 per licensed motor vehicle, which is paid directly to AACA.

The Municipality obtains workers compensation insurance though the State Insurance Fund Corporation (SIFC), a component unit of the Commonwealth of Puerto Rico. This insurance covers workers against injuries, disability or death because of work or employment-related accidents, or because of illness suffered as a consequence of their employment. The cost of insurance allocated to the Municipality and deducted from the gross property tax collections by the MRCC for the year ended June 30, 2024 amounted to $1,635,140.

The Municipality obtains unemployment compensation, non-occupational disability, and drivers' insurance coverage for its employees through various insurance programs administered by the Department of Labor and Human Resources of the Commonwealth of Puerto Rico (DOLHR). These insurance programs cover workers against unemployment and provide supplementary insurance coverage for temporary disability, or death because work or employment-related accidents or non-occupational disability and drivers' insurance premiums are paid to DOLHR on a cost reimbursement basis.

G. Use of Estimates

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

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

H. Reclassifications

Various reclassifications have been made in the accompanying basic financial statements which affect the comparability with the basic financial statements issued for previous fiscal years.

I. Subsequent Events

In preparing the financial statements, the Municipality's management considers events and transactions subsequent to June 30, 2024, that are determined to be significant and material that should be considered for financial statement purposes. Within this process, management consults with its legal counsel and performs monitoring procedures over significant receipts and disbursements and over the Municipal Legislature ordinances and resolutions, among other procedures.

J. New Governmental Accounting Standards Board (GASB) Statements

I. Implementation of Governmental Accounting Standards Board (GASB) Statements

The provisions of the following Governmental Accounting Standards Board (GASB) Statements are effective and have been implemented, when applicable, during the year ended June 30, 2024:

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 practice issues addressed by this Statement are as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

- The requirements related to 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, and all reporting periods thereafter.

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

- 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, and all reporting periods thereafter.

The Municipality implemented GASB No. 99 with no material impact on the basic financial statements.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statements 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.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

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

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

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

The Municipality implemented GASB No. 100 with impact on the basic financial statements.

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*

Question 5.1.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*

Questions 4.1–4.9 and 5.1.
Question 4.10 simultaneously with the requirements of Statement 100.

The Municipality implemented these guides with no material impact on the basic financial statements.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

II. Future Adoption of Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board issued the following pronouncements that have effective dates after June 30, 2024. The Municipality is currently evaluating its accounting practices to determine the potential impact on the financial statements for the GASB Statements.

GASB Statement No. 101, *Compensated Absences*. The primary 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.

RECOGNITION AND MEASUREMENT

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave.

Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

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

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

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

NOTES TO FINANCIAL STATEMENTS

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (FY 2024-2025), and all reporting periods thereafter. Earlier application is encouraged.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

GASB Statement No. 102, *Certain Risk Disclosures*. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Examples include, but are not limited to, the composition of any of the following:

a. Employers
b. Industries
c. Inflows of resources
d. Workforce covered by collective bargaining agreements
e. Providers of financial resources
f. Suppliers of material, labor, or services.

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. Examples include, but are not limited to, the following:

a. Limitations on raising revenue
b. Limitations on spending
c. Limitations on the incurrence of debt
d. Mandated spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024 (FY 2024-2025), and all reporting periods thereafter. Earlier application is encouraged.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

Management's Discussion and Analysis

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions.

Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

Unusual or Infrequent Items

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Major Component Unit Information

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements were reduced, combining statements of major component units should be presented after the fund financial statements.

Budgetary Comparison Information

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025 (FY 2025-2026), and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame.

This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

continue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continuation

Effective Date

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

The Municipality has not yet determined the effect these statements will have on the Municipality's basic financial statements.

3. ANNUAL REVENUES

A. Property Taxes

The Municipal Revenue Collection Center (MRCC) is responsible for the billing of real property taxes and collections of both personal and real property taxes on behalf of all the municipalities of Puerto Rico. The property tax is levied each year on the assessed value of the property at the beginning of the calendar year. Assessed values of real property are determined based on the market value existing as of 1957 and of personal property at the current value at the date of assessment. Prior to the beginning of each fiscal year, the MRCC informs the Municipality of the estimated amount of property taxes expected to be collected for the ensuing fiscal year. Throughout the year, the MRCC advances funds to the Municipality based on the initial estimated collections. The MRCC is required by law to prepare a settlement statement on a fiscal year basis, whereby a comparison is made between the amounts advanced to the Municipality and amounts actually collected from taxpayers.

This settlement has to be completed on a preliminary basis not later than three months after the fiscal year-end, and a final settlement made not later than six months after year-end. If the MRCC remits to the Municipality property taxes advances, which are less than the tax actually collected, a receivable from the MRCC is recorded on June 30. However, if advances exceed the amount actually collected, a borrowing from MRCC is recorded on June 30.

Complete real property tax exoneration is granted by the Commonwealth of Puerto Rico on the first $15,000 of the assessed valuation of owner-occupied residential units. However, the Municipality receives the full amount of the exonerated tax base as of January 1, 1992, except for residential units assessed at less than $3,500 on which a complete exemption is granted. The personal property tax is self-assessed by the taxpayer on a return, which is to be filed and paid in full by May 15 of each year with the MRCC and based on current values as of December 31 of previous year. Complete exemption from personal property taxes up to an assessment of $50,000 is granted to retailers with an annual volume of net sales under $150,000. The Department of the Treasury, instead of the property taxpayer, becomes the source of payment in these cases.

The effective tax rate for the fiscal year ended June 30, 2024 is 10.33% for real property and 8.33% for personal property of which 1.03% of each class of property belongs to the Commonwealth of Puerto Rico. The Commonwealth of Puerto Rico also contributes an annual tax rate of 0.20% of the property tax collected. Taxpayers pay 10.33% for real property and 8.33% for personal property and the remaining 0.20% is paid by the Commonwealth's Secretary of the Treasury as a subsidy. As part of Act No. 83 of August 30, 1991, as amended, the exempt amount to be paid by the Puerto Rico Secretary of the Treasury to the Municipality was frozen as of January 1, 1992. The remaining percentage is distributed as follows:

1) 6.00% and 4.00% for real and personal property, represent the Municipality's basic property tax rate which is appropriate for general purposes and accounted for in the general fund. The basic property tax rate is segregated by MRCC and accounted for an equalization fund together with a percentage of the net revenues of the Puerto Rico electronic lottery and a subsidy from the Commonwealth of Puerto Rico. The equalization fund assures that every municipality receives at least an amount equal to the tax collected to its base year or prior year.

continue

3. ANNUAL REVENUES – continuation

The Commonwealth makes a contribution equivalent to .20% portion of the tax rates to compensate the municipality for a discount granted to the taxpayers. Accordingly, the tax rates imposed to the taxpayer for real and personal property are 10.33% and 8.33%, respectively.

2) 3.5% of each represents the ad valorem tax restricted for debt service and accounted for in the debt service fund.

Since the collection of property taxes, for all of the Municipalities in Puerto Rico, is a responsibility of the MRCC, it shall report to the Municipality the estimated and actual property taxes collections, as well as the operational expense allocation to each local government. During the fiscal year ended June 30, 2024 the allocated expenses to the Municipality amounted to $1,425,311.

Section 5803(b) of Law No. 80 of the MRCC allows the municipalities to develop and carry on activities and programs to expedite the assessments of new constructions and existing properties not yet assessed. Accordingly, along with a covenant with the MRCC, the Municipality engaged into an initiative, in order to increase the tax base of assessed properties over which the tax rate is applied and to expedite the collection of the taxes receivable in arrears at the MRCC (there is no receivable recorded within the Municipality's general ledger). The Municipality contracted an external consulting firm to assist and expedite these services. Among the different types of services offered, the consulting firm has engaged in the process of assisting the MRCC to assess the new construction and other existing properties. These assessments will become then part of the MRCC tax roll register. This is the subsidiary of all properties assessed for tax purposes.

The new assessed properties are submitted for review and validation by the MRCC which proceeds to assign the assessed valuation and the tax to be imposed. Then, the MRCC determines those new properties that would to be added in the tax roll, either because they are from new construction or because are previous existing properties, with betterments identified but not reported previously. This process is performed either through physical inspections, knowledge of existent activities within the Municipality, and comparing the sales volume taxes returns (in case of commercial properties) with the property taxes returns, among other strategies. The updated information is delivered to the MRCC in order to be included within the tax roll for subsequent taxes levies.

Also, the consulting firm provides support to the Municipality by attending to the taxpayers' request for services and by providing follow up on the MRCC taxes receivables in arrears. The purpose of these combined efforts is to improve the efficiency of the tax service and collections.

Ordinance Number 12A-48 was approved for the purpose of reviewing the tax incentives to the jurisdiction of the Municipality and the special development zone and other traditional urban center and authorizes the creation of a new code of socio-economic development incentives.

Personal Property

Incentive Municipal on Personal Property Taxes – New Business

- A 75% exemption on municipal taxes on real property for a period of five years.

- The downtown and development designated areas would enjoy 100% exemption on municipal taxes on personal property for a period of two years, followed by a 90% exemption on municipal taxes on personal property for a period of eight year.

continue

3. ANNUAL REVENUES – continuation

Incentive Municipal on Personal Property Taxes – Established Business

- The exemption only applies to the personal property tax in excess of the average payment for such costs during the three years prior to the date of the application, which is referred to as personal property tax base period.

- The downtown and development designated areas, the personal property tax base period will be adjusted, reducing that amount by twenty percent (20%) annually until it is reduced to zero for the fifth taxable year.

Real Property

Incentive Municipal on Real Property Taxes – New Business

- A 75% exemption on municipal taxes on real property for a period of five years and 40% exemption on municipal taxes on real property for a period of 10 years.

- The downtown and development designated areas would enjoy a 90% exemption on real property for a period of 10 years.

Incentive Municipal on Real Property Taxes – Established Business

- The exemption only applies to the real property tax in the excess of the average payment for such costs during the three years prior to the date of the application, which is referred to as real property tax base period.

- The downtown and development designated areas, the real property tax base period will be adjusted, reducing that amount by twenty percent (20%) annually until it is reduced to zero for the fifth taxable year.

B. Volume of Business Taxes

The Municipality imposes a volume of business tax pursuant to Act No. 113 of July 10, 1974, on all business entities which operate within the Municipality, which are not exempt from the tax pursuant to the Industrial Incentives Act. The tax is based on gross revenues, as defined by law, computed at the rate of 1.50% for financial institutions and savings and loans associations, and .50% for all other business entities.

The minimum gross revenue to file the Volume of Business Tax Declaration is $5,000 and the minimum tax payable is $25. The date to file the Volume of Business Tax Declaration is April 15 each year. Entities with sales volume of $3.0 million or more must include audited financial statements together with the tax return. The Municipality grants a five percent discount, if the taxes are paid on or before April 15. Otherwise, taxes are payable in two equal semi-annual installments on July 1 and January 1 following the date of levy. If they are paid with a declaration on or before the due date, the taxpayer is granted a 5% discount. The volume of business tax receivable represents filed tax returns that were uncollected as of June 30, 2024, from prior years.

The following incentives related to Volume of Business Taxes were implemented with Ordinance 12A-48:

Volume of Business Tax Incentive – New Business

- A 75% exemption for a period of five years or a 40% exemption for a period of 10 years.

continue

3. ANNUAL REVENUES – continuation

Volume of Business Tax Incentive – Business Established

- The exemption only applies to the business volume in excess of the average volume during the three years prior to the date of the application, which is referred to as base volume business. The volume of business tax attributable to the base volume business will be subject to regular tax rates.

- In the down town and development designated areas, the volume of business tax basis will be adjusted, reducing such amount by (20%) annually until it is reduced to zero for the fifth taxable year.

Collections of volume of business tax revenues received mainly in April 15, are accounted as unearned revenues, since such collections have a time requirement and should be used starting July 1st of next fiscal year. In the next fiscal year, the unearned revenue is recognized as revenue, net of any credit or refunds payable to taxpayers.

C. Sales and Usage Taxes

Municipality imposes a Sales and Usage Taxes of 1.0% collected and belong to the Municipality on the sales price of a taxable item or on the purchase price of all usage, storage or consumption of a taxable item (changes as per Act Number 18 of 2014). All merchants required to collect the Sales and Usage Taxes, are required to file a monthly Sales and Usage Taxes Return Form, no later than the 20th of the following month from the month being reported. The Act also provides for restrictions on the use of the resources to be invested in solid waste and recycling programs, capital improvements and health and public safety costs.

The amount collected by the Puerto Rico Secretary of Treasury will be deposited in accounts or special funds in FAFFA, subject to restrictions imposed and distributed as follows:

a. 0.2% will be deposited in a “Municipal Development Fund” to finance costs as restricted by the Act;

b. 0.2% will be deposited in a “Municipal Redemption Fund” to finance loans to municipalities subject to restrictions imposed by the Act; and

c. 0.1% will be deposited in a “Municipal Improvement Fund” to finance capital improvement projects. These funds will be distributed based on legislation from the Commonwealth’s Legislature.

Sales and Usage Taxes receivable represent filed sales tax returns that were collected subsequent to June 30, 2024 but pertaining to the current year period.

As per Act Number 18 of 2014 was created the "Law of Municipal Administration Fund (MAF)" to establish a special fund called the Municipal Administration, authorize municipalities to pledge the funds deposited in the Local Government Fund to which they are to secure the repayment of any loan, bond, note or other evidence of indebtedness, which are the source of repayment funds deposited in the Special Fund and to meet any expenditure budget of the Municipality and the Municipality any activity or project, authorize the Government Development Bank for Puerto Rico to make disbursements for purposes set out in this Act.

This measure is intended, first, to strengthen the financial capacity of the Corporation Tax Fund of Puerto Rico (COFINA, by Spanish acronyms), established under Law No. 91-2006, as amended, known as the "Law Fund of Sales and Usage Taxes", adjusting the sales and usage taxes (SUT) by increasing the state portion to 6.0% while the municipal SUT is reduced to 1.0%, effective February 1, 2014.

continue

3. ANNUAL REVENUES – continuation

Through this legislation, a mechanism under which the SUT collections entitled to receive the Commonwealth of Puerto Rico each fiscal year, after complying with the deposits in the Tax Fund requires by Act No. 91-2006, shall be deposited in a special fund created for the benefit of, and assigned to the municipalities. This special fund is called the "Local Government Fund" ("LGF"), which will be guarded by FAFAA.

Also, on February 1, 2014 was enacted the Act No. 19 that creates the Municipal Financing Corporation (COFIM, by Spanish acronyms). The COFIM, attached to FAFAA, with the power to issue bonds or use other mechanisms to pay or refinance debt incurred by municipalities, the payment of principal and interest is backed by the municipal SUT.

In addition, create the Redemption Fund of COFIM, to which the resources of the existing Municipal Fund Redemption will be transferred effective February 1, 2014, and facilitated the distribution of funds from the Municipal Redemption Fund, the Municipal Development Fund and the Municipal Improvement Fund. Provides that the first proceeds of the municipal SUT of 1% shall be collected by the Puerto Rico Treasury Department and deposited directly into the Redemption Fund of COFIM. Provides that bonds and notes issued by the COFIM be payable and secured by the pledge of a fixed amount, or municipal SUT corresponding to a fixed rate of 0.3% has been collected during the previous fiscal year, whichever is greater.

D. Construction Excise Taxes

Ordinance 11-A-54 provides for a procedure for the administration and collection of construction excise tax, within the Municipality jurisdiction.

The construction excise tax generally is a self-assessed tax imposed over the cost of the project. The tax is paid by the taxpayer before the beginning of the construction project, if a permit is required to begin the construction, the taxpayer should file the tax return 30 days after the submission of the permit; otherwise, the file should be made at least 15 days before the construction activity. The activities covered by this tax and the exemption granted are as follows:

1) All construction will pay 6% of construction excise taxes.

2) Construction projects of detached properties (not part of a housing development), with a cost of $90,000 or less will pay 3% of construction excise taxes. If the cost exceeds $90,000, the applicable rate will be 6% over the $90,000 cost.

3) All construction projects conducted the owner is a bona-fide farmer, certified by the Department of Agriculture, and have full exemption to the construction excise taxes.

4) Major repairs and improvements of detached properties occupied by their owner, for which cost do not exceed $15,000, have full exemption to the construction excise taxes. If related costs exceed $15,000, the excess over this amount will be subject to a 3% construction excise tax.

5) All improvements made to commercial or private property in the down town, as well of major improvements to buildings, parks, prayer centers or studies of philosophic or human nature have full exemption to the construction excise taxes.

6) All construction projects conducted by not-for-profit organizations or educational institutions have full exemption to the construction excise taxes.

continue

4. CASH AND INVESTMENTS

Cash in Banks

Puerto Rico laws authorize governmental entities to invest in direct obligations or obligations guaranteed by the Federal government or the Commonwealth of Puerto Rico (*Statement of Uniform Investment Guidelines for the Municipalities of the Commonwealth of Puerto Rico*, issued by the FAFAA as promulgated by Act No. 113 of August 3, 1995). The Municipality is also allowed to invest in bank acceptances, other bank obligations and certificates of deposit in financial institutions authorized to do business under the federal and Commonwealth laws. During the year, the Municipality invested its funds in interest bearing bank accounts, and certificates of deposit.

Under the laws and regulations of the Government, public funds deposited by the Municipality in commercial banks must be fully collateralized for the amounts deposited in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. All securities pledged as collateral are held by agents designated by the Government's Secretary of the Treasury, but not in the Municipality's name.

The Municipality follows the practice of pooling cash. On June 30, 2024, the pool cash account in commercial banks had a balance of $69.2 million of which $34 million in the General Fund, $7.5 million in the Capital Projects Fund, $664,198 in Health and Human Services Fund, $19.5 million in Social and Welfare Activities Fund, and $7.6 million in Other Non-Major Funds. Any deficiency in the pooled cash account is assumed by the general fund and covered through future budgetary appropriation.

The Municipality held the following certificates of deposits (CD) in the General Fund:

CERTIFICATE OF DEPOSIT ISSUED BY	NUMBER	PRINCIPAL AMOUNT	INTEREST RATE	EXPIRATION DATE
Oriental Bank of Puerto Rico	3101525089	$ 1,500,000	4.42%	08/08/24
Oriental Bank of Puerto Rico	3101853210	1,500,000	4.42%	09/09/24
Oriental Bank of Puerto Rico	3101624039	1,000,000	4.42%	11/11/24
Oriental Bank of Puerto Rico	3101556227	1,500,000	4.42%	12/06/24
Oriental Bank of Puerto Rico	3101228106	1,500,000	4.42%	10/06/24
Oriental Bank of Puerto Rico	3101441641	1,000,000	4.42%	01/09/25
First Bank of Puerto Rico	8048021982	2,000,000	4.45%	11/10/24
First Bank of Puerto Rico	8048021960	2,000,000	4.45%	11/10/24
First Bank of Puerto Rico	8048021971	2,000,000	4.45%	11/10/24
Total		$ 14,000,000		

Cash in with Fiscal Agent

Cash with Fiscal Agent in Popular Bank of Puerto Rico in the debt service fund consists principally of property tax collections and sales and usage taxes amounting to $41.7 million that are restricted for the payment of the Municipality's debt service, as required by law.

Cash with Fiscal Agent in the Capital Projects Fund of $35.8 million, consists of unspent proceed of bonds in private banks in Puerto Rico, and deposited on those banks, and are restricted to improvement of recreational facilities, or purchase of equipment and vehicles. The amount in Other Non-Major Funds consists principally of unspent proceeds of bonds deposited in the private banking, which are restricted for different purposes.

continue

4. CASH AND INVESTMENTS – continuation

Municipality follows the provisions of GASB Accounting Standards Codification Section C20, *Cash Deposit with Financial Institutions*, related with cash deposit and interest-earning investment contract with financial institutions. Accordingly, the following is essential information about credit risk, interest rate risk, custodial credit risk, and foreign exchange exposure of deposits and investments of the Municipality on June 30, 2024:

Concentration of Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. On June 30, 2024, the Municipality invested only in cash equivalents of $69.2 million consisting of interest-bearing accounts in commercial banks, which are insured by the FDIC, generally up to a maximum of $250,000. As previously mentioned, public funds deposited by the Municipality in commercial banks must be fully collateralized for the amounts deposited in excess of the FDIC coverage. No investments in debt of equity securities were made during the Fiscal Year ending June 30, 2024. Therefore, the Municipality's management has concluded that the credit risk related to any possible loss related to defaults by commercial banks on the Municipality's deposits is considered low on June 30, 2024.

Custodial Credit Risk

This is the risk that, in the event of the failure of a depository financial institution, the Municipality will not be able to recover its cash and investments or will not be able to recover collateral securities that are in the possession of an outside party. Pursuant to the Investment Guidelines for the Commonwealth adopted by FAFAA, the Municipality may invest in obligations of the Commonwealth, obligations of the United States, certificates of deposit, commercial paper, banker's acceptance, or in pools of obligations of the municipalities of Puerto Rico, which are managed by FAFAA. On June 30, 2024, the Municipality has balances deposited in commercial banks amounting to $77.5 million which are insured by the FDIC up to the established limit and the excess are fully collateralized as explained above. It is management's policy to only maintain deposits in banks affiliated to FDIC to minimize the custodial credit risk.

Interest Rate Risk

This is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Municipality manages its exposure to declines in fair values by: (1) not including debt or equity investments in its investments portfolio on June 30, 2024, (2) limiting the weighted average maturity of its investments in certificates of deposit to periods of four months or less, and (3) keeping most of its bank's deposits and certificates of deposit in interest bearing accounts generating interest at prevailing market rates. Therefore, on June 30, 2024, the interest risk associated with the Municipality's cash and cash equivalent is considered low.

Foreign Exchange Risk

This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. According to the aforementioned investment guidelines, adopted by the Municipality, the Municipality is prevented from investing in foreign securities or any other types of investments for which foreign exchange risk exposure may be significant. Accordingly, management has concluded that the foreign exchange risk related to the Municipality's deposits is considered low on June 30, 2024.

5. UNEARNED REVENUES

Government-wide *Statement of Net Position* and Governmental Funds Balance Sheet reports *unearned* revenues for resources received before it has a legal claim to them; in connection with cash collected for revenues that are not considered to be available to liquidate liabilities of the current period, which corresponded to the following:

continue

5. UNEARNED REVENUES – continuation

Governmental Funds:	
General Fund:	
Volume of Business Taxes	$ 25,494,037
Capital Projects Fund:	
Federal Grants – Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	5,011,577
Federal Grants – COVID-19 ARP Act	120,877
Total Capital Projects Fund	5,132,454
Health and Human Services Fund:	
Federal Grants – Child Care Development Block Grant	92,624
Federal Grants – Aging Cluster Program	225,262
Total Health and Human Services Fund	317,886
Social and Welfare Activities Fund:	
Federal Grants – COVID-19 ARP Act	13,541,268
Total Unearned Revenues	$ 44,485,645

6. LOANS AND OTHER RECEIVABLES

Loan's receivables recorded in non-major governmental funds consists of various loans issued to qualified participants for home buying and commercial loans provided with federal funds. This amount is presented net of estimated allowances for uncollectible amounts of $1,369,688, which were determined based upon past collection experience.

Other receivables in the amount of $610,785 are related to rent and other charges received after year end.

On October 20, 2014, the Municipality signed a Note Receivable for $1,050,000 in exchange for land, on which an apartment building was constructed. The note is of no-interest bearing, and the full payment will be received on October 24, 2054. In order to recognize the amortization of the present value of the note, the percentage used was 6%, based on bonds issued by the Municipality in 2014.

7. INTERGOVERNMENTAL REVENUES, FEDERAL AND STATE GRANTS AND SUBSIDIES

Intergovernmental revenues consist primarily of funds received from the Commonwealth, "in lieu of tax" payments from the Quasi-Public Corporation, Puerto Rico Electric Power Authority (PREPA), and financial assistance received from state governments. Intergovernmental revenues are accounted for through the General Fund because they are not restricted for specific purposes.

Grants and subsidies received from the Commonwealth and Federal agencies include, among others, a general subsidy for urban development and capital improvements. Intergovernmental revenues are accounted for through the General Fund except for those directly related to urban development and capital improvements, which are accounted for through the Special Revenues and the Capital Project Funds. The Federal Financial Awards are recorded in the General Fund, Special Revenue Fund, Capital Projects Funds, and Health and Human Services Fund.

continue

8. INTER-FUND TRANSACTIONS

A. Due from/to Other Funds

Inter-fund receivables and payables generally reflect temporary loans, billings for services provided and recovery of expenditures. Following is a summary of inter-fund assets and liabilities as of June 30, 2024:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	$ 3,385,581
General Fund	Health and Human Services Fund	1,850,124
General Fund	Social and Welfare Activities Fund	1,976,861
General Fund	Other Governmental Funds	2,354,780
		$ 9,567,346

The purpose of each inter-fund balances is the following:

Health and Human Services Fund – includes expenditures mainly for payroll which were initially disbursed through the General Fund.

Other Governmental Fund – includes expenditures mainly to finance certain public safety, housing and health and welfare projects that involve both the use of federal and municipal funds and which were initially disbursed through the General Fund.

Social and Welfare Activities Fund – includes expenditures mainly for payroll which were initially disbursed through the General Fund.

Capital Projects Fund – includes expenditures mainly for payroll which were initially disbursed through the General Fund.

B. Transfers In/Out

Inter-fund transfers in/out reflect the transfers of resources from one fund to another without the attempt of recovering such revenues. Following is a summary of inter-fund transfers for the year ended June 30, 2024:

Transferred In	Transferred Out	Amount	Purposes
Debt Service Fund	General Fund	$ 5,050,566	Payment of Interest and Principal of Debt
General Fund	Debt Service Fund	2,969,665	Transfer of Equity
Social and Welfare Activities Fund	General Fund	2,023,980	Transfer to provide funds for the "Estorbos Públicos" Project
		$ 10,044,211	

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continue

9. DUE FROM GOVERNMENTAL UNITS

The due from governmental units for the fiscal year ended June 30, 2024 for the General Fund, corresponds to the follows:

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	HEALTH AND HUMAN SERVICES FUND	SOCIAL AND WELFARE ACTIVITIES FUND	OTHER NON MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
Puerto Rico Department of Education	$ 202,150	$ -	$ -	$ -	$ -	$ -	$ 202,150
MRCC Liquidation 2023-2024	235,469	-	-	-	-	-	235,469
Puerto Rico Treasury Department	50,989	-	-	-	-	-	50,989
MRCC Property Taxes – CAE	-	-	184,649	-	-	-	184,649
Other Agencies	15,691	-	-	-	-	-	15,691
Total Due from Governmental Units	$ 504,299	$ -	$ 184,649	$ -	$ -	$ -	$ 688,948

The amount of $202,150 presented in the General Fund is related to the transportation program and school maintenance program with the PR Department of Education; the amount of $235,469 is related to the MRCC Liquidation, and the amount of $50,989 is related to Law 52 program. The amount of $184,649 presented in the Debt Service Fund is from the property taxes revenue, which was received on July 2024.

10. FEDERAL GRANTS RECEIVABLE

The due from Federal grants for the fiscal year ended June 30, 2024, corresponds to the follows:

	GENERAL FUND	CAPITAL PROJECTS FUND	HEALTH AND HUMAN SERVICES FUND	SOCIAL AND WELFARE ACTIVITIES FUND	OTHER NON MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
Homeland Security Grant Program	$ 115,098	$ -	$ -	$ -	$ -	$ 115,098
Community Development Block	-	1,283,485	-	-	-	1,283,485
Community Development Block Grants/ State's Program and Non-Entitlement	-	904,529	-	-	-	904,529
Head Start Program	-	-	13,797,246	-	-	13,797,246
Home Investment Partnership Program	-	-	-	-	3,178,494	3,178,494
Emergency Solutions Grants Program	-	-	-	-	85,492	85,492
Adult Education Program	-	-	-	-	25,165	25,165
Section 8 Cluster Program	-	-	-	-	230,981	230,981
Child and Adult Care Food Program	-	-	433,514	-	-	433,514
Total Due from Federal Grants	$ 115,098	$2,188,014	$ 14,230,760	$ -	$ 3,520,132	$ 20,054,004

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continue

11. CAPITAL ASSETS

A summary of the activity of capital assets for governmental activities group follows:

DESCRIPTION	BALANCE JULY 1, 2023	RESTATEMENT	RECLASSI-FICATION	INCREASE	DECREASE	BALANCE JUNE 30, 2024
Non-Depreciable Capital Assets:						
Land and Improvements	$ 93,591,527	$ -	$ -	$ 128,076	$ -	$ 93,719,603
Construction in Progress	19,425,756	940,976	(15,821,420)	25,587,188	-	30,132,500
Works of Art	3,394,239	-	-	81,141	-	3,475,380
Total Non-Depreciable Capital Assets	116,411,522	940,976	(15,821,420)	25,796,405	-	127,327,483
Depreciable Capital Assets:						
Facilities and Improvements	129,511,500	-	12,557,715	-	-	142,069,215
Right-To-Use – Facilities	2,507,238	-	-	-	-	2,507,238
Subscription Asset (SBITA's)	1,644,011	-	-	3,142,403	-	4,786,414
Buildings and Improvements	121,889,752	-	601,746	-	-	122,491,498
Right-To-Use – Buildings and Improvements	2,955,741	-	-	159,526	-	3,115,267
Infrastructure	416,514,305	-	2,661,959	-	-	419,176,264
Equipment and Vehicles	39,169,634	-	-	8,453,434	(1,670,055)	45,953,013
Right-To-Use – Equipment and Vehicles	537,813	-	-	341,982	-	879,795
Total Depreciable Capital Assets	714,729,994	-	15,821,420	12,097,345	(1,670,055)	740,978,704
Less Accumulated Depreciation/Amortization:						
Facilities and Improvements	(85,675,547)	-	-	(3,471,254)	-	(89,146,801)
Right-To-Use – Facilities	(867,104)	-	-	(520,745)	-	(1,387,849)
Subscription Asset (SBITA's)	(110,787)	-	-	(1,176,864)	-	(1,287,651)
Buildings and Improvements	(70,114,006)	-	-	(1,980,265)	-	(72,094,271)
Right-To-Use – Buildings and Improvements	(1,207,472)	-	-	(779,659)	-	(1,987,131)
Infraestructure	(275,509,341)	-	-	(7,042,714)	-	(282,552,055)
Equipment and Vehicles	(29,669,424)	-	-	(2,736,129)	1,339,797	(31,065,756)
Right-To-Use – Equipment and Vehicles	(253,300)	-	-	(195,372)	-	(448,672)
Total Accumulated Depreciation/Amortization	(463,406,981)	-	-	(17,903,002)	1,339,797	(479,970,186)
Total Depreciable Capital Assets (Net)	251,323,013	-	15,821,420	(5,805,657)	(330,258)	261,008,518
CAPITAL ASSETS, NET	**$367,734,535**	**$ 940,976**	**$ -**	**$ 19,990,748**	**$ (330,258)**	**$388,336,001**

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continue

11. CAPITAL ASSETS – continuation

The Municipality's policy is to transfer construction in progress properly concluded to other classification of capital assets if such capital project is being used. Also, the details of these amounts are presented in the previous table including the activity of the capital assets.

Depreciation / Amortization expense for capital assets of governmental activities was charged to the following functions as follows:

	AMOUNT
Governmental Activities:	
General Government	$ 1,399,297
Public Safety	729,290
Public Works (Mainly Streets)	7,485,863
Culture and Recreation	3,544,710
Health and Welfare	186,275
Economic Development	1,877,672
Housing	142,566
Sanitation and Environmental	369,435
Education	2,167,894
Total Depreciation / Amortization Expenses	$ 17,903,002

12. OTHER NON-CURRENT ASSETS

The Municipality reported during this year property held for future sale as other non-current assets. This property was acquired with the intent of selling it to low income families, constituents of the Municipality. As required by GASB No. 72, the Municipality assessed the fair value of this units on June 30, 2024 for $158,415. The Municipality has the following recurring fair value measurements as of June 30, 2024:

Units Held for Sale or Idle by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Units Held for Sale or Idle	$ 158,415	$ 158,415	$ -	$ -

Also, idle units held for future use were reported during this period given that property included in the schedules of construction in process remained with the same balance since prior year and no additions from construction were reported. Funds assigned to those projects were distributed for other purposes. In addition, reclassification was made from idle units to construction in progress, because during the fiscal year, improvements to the building began.

13. DEFERRED OUTFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the Municipality recognized deferred outflows of resources in the government-wide and fund statements. These items are a consumption of net position by the Municipality that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

continue

13. DEFERRED OUTFLOWS OF RESOURCES – continuation

At the end of the current fiscal year, the Municipality has an item that are reportable on the Government-wide *Statement of Net Position* that are relates to outflows from changes in the Net Pension Liability (Note 19), as follows:

Statement of Net Position:	
Deferred Outflows of Resources	
Pension Related	$ 22,410,072

14. DUE TO GOVERNMENTAL ENTITIES

The due to governmental entities for the fiscal year ended June 30, 2024 for the General Fund, corresponds to the follows:

	AMOUNT
Retirement System Administration	$ 877,290
AEELA	206,240
LUMA Energy	151,783
PR Aqueduct and Sewer System	225,718
Total Due to Governmental Units	$ 1,461,031

15. DEBT MARGIN

On March 9, 2009, the Commonwealth of Puerto Rico approves Act Number 7 that provides for revision of the valuation of property subject to taxation and imposes special property taxes for the Commonwealth. The legal debt margin of the Municipality is equal to 10% of the total property assessment located within the Municipality's jurisdiction.

As discussed on Note 28 to the basic financial statements on pages 123 through 129, Puerto Rico fiscal crisis affects all instrumentalities, including municipalities. Actually, the Commonwealth does not have access to the finance market. The municipalities that obtained loans through the Governmental Development Bank (GDB), actually closed, or Commercial Banks with the endorsement of FAFAA. Under the GDB Restructuring Act the GDB transferred most of its loan assets to the GDB Debt Recovery Authority (DRA). The DRA is a new entity created by the GDB Restructuring Act for the purpose of receiving certain GDB assets, facilitating the restructuring of certain of GDB's indebtedness pursuant PROMESA and issuing new bonds. As part of the process, the DRA engaged AmeriNat as its loan servicer. As loan servicer, AmeriNat is now managing all matters relating to municipalities loans portfolio from DRA, including collection and posting of payments, certification of balances to auditors, and addressing any past due situations in the event the municipalities is unable to make scheduled payments.

Therefore, the determination of the Municipality's debt margin actually depends on the access to the markets, and Commercial Banking loans with the approval of FAFAA based on the following:

The first year of implementation (Fiscal Year 2022-2023) is determined based on the Reserve Fund Balance plus the Projected Additional Special Contribution less the Outstanding and Additional Debt. From the second year onward, it is determined from the Projected Additional Special Contribution plus the Reserve Fund of the Previous Year less the Additional Outstanding Debt of that year. The Reserve Fund cannot fall below $20,000. Based on this analysis, the Municipality's Debt Margin as of June 30, 2024, amounts to $58.1 million.

continue

16. LONG-TERM DEBTS

A. General Obligations Bonds and Special Obligations Bonds

The principal long-term obligations of the Municipality are general obligation bonds and special obligation bonds issued to finance the construction and improvements of public facilities and purchase of machinery and equipment. The Municipality's obligations long-term debt retirements are appropriated and paid from resources accumulated in the Debt Service Fund (See Note 17).

The following is a summary of general and special obligation bonds of the Municipality as of June 30, 2024:

Type of Obligation and Purpose	Issue Date	Original Borrowing	Maturity Date	Interest Rate	Balance Amount
General Obligation Bonds:					
Property Taxes Income:					
General Construction	2000	$ 10,350,000	2027	2.70% to 7.81%	$ 2,115,000
General Construction	2000	3,150,000	2025	2.70% to 7.81%	275,000
General Construction	2002	9,845,000	2026	2.70% to 5.60%	2,295,000
General Construction	2002	125,000	2026	2.70% to 5.60%	15,000
General Construction	2002	1,360,000	2026	2.70% to 5.60%	305,000
General Construction	2004	9,900,000	2028	1.61% to 5.31%	3,040,000
General Construction	2004	1,575,000	2028	2.36% to 5.31%	520,000
General Construction	2005	460,000	2029	2.53% to 5.31%	170,000
General Construction	2005	370,000	2029	2.53% to 5.31%	135,000
General Construction	2005	1,610,000	2024	4.17% to 5.28%	130,000
General Construction	2005	1,640,000	2030	4.50%	572,000
General Construction	2005	500,000	2030	4.75%	177,000
General Construction	2006	11,020,000	2025	0.32% to 5.00%	1,700,000
General Construction	2006	11,015,000	2025	0.52% to 5.00%	1,705,000
General Construction	2007	8,060,000	2031	0.45% to 6.32%	3,695,000
General Construction	2006	2,695,650	2031	4.75%	1,089,650
General Construction	2007	7,575,000	2026	0.36% to 5.54%	1,715,000
General Construction	2008	624,000	2030	4.50%	228,000
General Construction	2012	18,285,000	2036	3.47% to 7.50%	9,508,200
General Construction	2012	245,000	2036	0.37% to 7.50%	127,400
General Construction	2012	279,900	2037	4.50%	185,000
General Construction	2013	3,120,000	2030	4.25%	1,340,000
Purchase of Equipment	2019	900,660	2025	2.75%	140,000
Purchase of Equipment	2022	1,486,000	2028	8.00%	1,170,000
General Construction	2022	5,332,000	2028	8.00%	3,957,000
Refinancing	2022	2,505,000	2030	6.50%	2,255,000
General Construction	2023	15,479,000	2043	10.00%	15,479,000
General Construction	2023	7,073,000	2028	10.00%	5,855,000
Refinancing	2023	7,240,000	2037	10.00%	7,240,000
Refinancing	2023	2,835,000	2029	10.00%	2,835,000
Refinancing	2024	41,585,000	2034	6.55%	41,585,000
General Construction	2024	7,230,000	2028	6.50%	7,230,000
General Construction	2024	13,023,000	2040	6.29%	13,023,000
Subtotal					**131,811,250**

continue

16. LONG-TERM DEBTS – continuation

Type of Obligation and Purpose	Issue Date	Original Borrowing	Maturity Date	Interest Rate	Balance Amount
Special Obligations Bonds:					
General Revenues:					
General Construction	2002	$ 2,065,000	2027	3.66% to 6.41%	$ 455,000
General Construction	2002	5,185,000	2027	3.66% to 6.41%	1,125,000
General Construction	2002	15,385,000	2027	3.66% to 6.41%	3,340,000
General Construction	2006	10,015,000	2025	5.00% to 5.58%	765,000
General Construction	2007	10,075,000	2026	5.84% to 6.07%	1,660,000
General Construction	2008	3,185,000	2032	3.89% to 5.82%	1,515,000
General Construction	2009	6,802,000	2033	1.53% to 7.50%	3,891,000
Subtotal					**12,751,000**
Sales & Usage Taxes:					
General Construction	2009	8,770,000	2033	1.48% to 7.50%	5,032,479
General Construction	2009	542,000	2033	1.48% to 7.50%	195,266
General Construction	2010	4,710,000	2034	4.75% to 7.50%	3,058,212
Operational Purpose	2020	4,805,277	2025	6.00% to 8.00%	2,090,000
Subtotal					**10,375,957**
Total Special Obligations Bonds					**23,126,957**
Total General and Special Obligations Bonds					**$ 154,938,207**

Principal and interest on the bonds are generally paid from amounts withheld by MRCC from the monthly property tax remittances and deposited in FAFAA until the payment to the bond holder.

On July 14, 2017, the Financial Oversight and Management Board for Puerto Rico (Oversight Board) created by Congress authorized the Government Development Bank for Puerto Rico (GDB) to pursue the restructuring of its debts under Title VI of PROMESA and conditionally certified GDB's Restructuring Support Agreement (RSA) under the relevant provisions of Title VI.

The Oversight Board's decision was in response to a Fiscal Agency and Financial Advisory Authority (FAFAA) request, dated June 30, 2017, in which the agency noted that the proposed restructuring, along with certain related settlements contemplated by the RSA, will result in an efficient wind down of GDB's operations and a comprehensive financial restructuring of GDB's obligations. FAFAA noted further that by proceeding under Title VI of PROMESA with the requisite creditor support, GDB believes that it will realize its objective of maximizing value for its stakeholders, while avoiding the delay, expense and uncertainty associated with litigation. Accordingly, under the GDB Restructuring Act the GDB transferred most of its loan assets to the GDB Debt Recovery Authority (DRA). The DRA is a new entity created by the GDB Restructuring Act for the purpose of receiving certain GDB assets, facilitating the restructuring of certain of GDB's indebtedness pursuant PROMESA and issuing new bonds.

As part of the process, the DRA engaged AmeriNat as its loan servicer. As loan servicer, AmeriNat is now managing all matters relating to municipalities loans portfolio from DRA, including collection and posting of payments, certification of balances to auditors, and addressing any past due situations in the event the municipalities is unable to make scheduled payments.

continue

16. LONG-TERM DEBTS – continuation

Variable interest rates on bonds are reviewed periodically by GDB and are based on the fluctuation of GDB's weighted average rate for its commercial paper program. Under this program, GDB issues commercial paper: (1) in the taxable and tax-exempt markets of the USA, and (2) to corporations having tax exemptions under the Puerto Rico Industrial Incentives Acts and, which qualify for benefits provided by the former Section 936 of the US Internal Revenue Code.

The following is a summary of changes in long-term debts of the Municipality for the year ended June 30, 2024:

DESCRIPTION	BALANCE JULY 1, 2023	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2024	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
Governmental Funds:						
General Obligations Bonds	$ 123,635,450	$ 61,838,000	$ (53,662,200)	$ 131,811,250	$ 14,193,200	$ 117,618,050
Special Obligations Bonds	28,677,957	-	(5,551,000)	23,126,957	5,188,000	17,938,957
Leases Liability (Intangible Right-To-Use)	3,807,018	501,508	(1,443,516)	2,865,010	1,160,179	1,704,831
SBITAs Liability	1,069,063	3,142,403	(1,027,862)	3,183,604	1,153,569	2,030,035
Total Pension Liability	105,295,561	-	(6,162,702)	99,132,859	-	99,132,859
Total OPEB Liability	4,082,778	-	(293,428)	3,789,350	-	3,789,350
Other Obligations	21,505,314	12,283,118	(11,664,969)	22,123,463	7,371,397	14,752,066
TOTAL	**$ 288,073,141**	**$ 77,765,029**	**$ (79,805,677)**	**$ 286,032,493**	**$ 29,066,345**	**$ 256,966,148**

B. Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The Municipality believes it is in compliance with all significant limitations and restrictions. The annual requirements to amortize the noncurrent liabilities outstanding as of June 30, 2024, are as follows:

Year Ending June 30,	General Obligation Bonds Principal Payment	General Obligation Bonds Interest Payment	Special Obligation Bonds Principal Payment	Special Obligation Bonds Interest Payment	Other Obligations Principal Payment	Other Obligations Interest Payment	Total Principal	Total Interest
2025	$ 14,193,200	$ 8,462,270	$ 5,188,000	$ 1,572,102	$ 9,685,145	$ 260,800	$ 29,066,345	$ 10,295,172
2026	14,955,200	8,084,771	4,712,000	1,176,784	1,962,944	154,753	21,630,144	9,416,308
2027	14,005,200	7,072,419	2,973,000	910,504	1,333,496	83,632	18,311,696	8,066,555
2028	12,435,200	6,117,178	1,315,000	749,357	906,541	26,791	14,656,741	6,893,326
2029	11,457,200	5,252,735	1,410,000	650,220	12,776	80	12,879,976	5,903,035
2030-2034	37,471,650	17,767,328	7,165,745	1,526,561	-	-	44,637,395	19,293,889
2035-2039	18,783,600	6,510,327	363,212	18,161	-	-	19,146,812	6,528,488
2040-2044	8,510,000	1,758,657	-	-	-	-	8,510,000	1,758,657
Unmatured	-	-	-	-	117,193,384	-	117,193,384	-
TOTAL	**$ 131,811,250**	**$ 61,025,685**	**$ 23,126,957**	**$ 6,603,689**	**$ 131,094,286**	**$ 526,056**	**$ 286,032,493**	**$ 68,155,430**

C. Arbitrage Rebate Requirement

According to Sections 103 and 148 through 150 of the US Internal Revenue Code and Sections 1.148 through 1.150 of the US Treasury Regulation, the Municipality's tax-exempt bonds are subject to the arbitrage rebate requirements. On June 30, 2024, the Municipality had no federal arbitrage liability on bonds since interest income earned from the investment of unspent bond proceeds were made in bank deposits that generate yields lower than the rates applicable to the debt service payments.

continue

16. LONG-TERM DEBTS – continuation

D. Refunding of Bonds and Issuance of Debt

On August 10, 2023, by Resolution Number 2 Fiscal Year 2023-2024 from the Municipal Legislative Assembly, the Municipality obtained the approval for the issuance of a general obligation bond with Oriental Bank of Puerto Rico, Series A of 2023 in the amount of $41,585,000. This bond is to refinance a general obligation bond from 2013 for $7,385,000, refinance a general obligation bond from 2019 for $15,580,000, refinance a general obligation bond from 2021 for $18,345,000, and bond issue costs; principal and fixed interest at 6.55%, payable semi-annually on the 1st day of January and July of each year through 2034. Loan payments will be from $2,725,000 to $5,045,000.

In addition, on December 7, 2023, by Resolution Number 23, Fiscal Year 2023-2024 from the Municipal Legislative Assembly the Municipality obtained the approval for the issuance of a general obligation bond with Oriental Bank of Puerto Rico, Series F of 2023 in the amount of $7,230,000. This bond is for infrastructure improvements and bond issue costs; principal and fixed interest at 6.5%, payable semi-annually on the 1st day of January and July of each year through 2028. Loan payments will be from $1,230,000 to $1,680,000.

On April 24, 2024, by Resolution Number 42 Fiscal Year 2023-2024 from the Municipal Legislative Assembly, the Municipality obtained the approval for the issuance of a general obligation bond with Popular Bank of Puerto Rico, Series B of 2024 in the amount of $13,023,000. This bond is for construction and improvement projects of buildings and facilities and bond issue costs; principal and fixed interest at 6.29%, payable semi-annually on the 1st day of January and July of each year through 2040. Loan payments will be from $483,000 to $1,280,000.

E. Other Non-Current Liabilities

The following is a summary of changes in other non-current liabilities of the Municipality for the year ended June 30, 2024:

DESCRIPTION	BALANCE JULY 1, 2023	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2024	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
Governmental Funds:						
PR Retirement System Administration	$ 433,674	$ -	$ (433,674)	$ -	$ -	$ -
Claims and Judgments	93,718	50,000	(93,718)	50,000	-	50,000
Puerto Rico Water and Sewer Authority	477,000	1,527,251	(863,362)	1,140,889	660,000	480,889
LUMA - Debt	1,665,624	-	(832,812)	832,812	832,812	-
MRCC Liquidation	33,758	-	-	33,758	33,758	-
Christmas Bonus	1,012,849	1,045,995	(1,012,849)	1,045,995	1,045,995	-
Retainage Liability	1,154,800	1,815,043	(722,844)	2,246,999	-	2,246,999
Compensated Absences	16,633,891	7,844,829	(7,705,710)	16,773,010	4,798,832	11,974,178
TOTAL	**$ 21,505,314**	**$ 12,283,118**	**$ (11,664,969)**	**$ 22,123,463**	**$ 7,371,397**	**$ 14,752,066**

continue

16. LONG-TERM DEBTS – continuation

Due to Municipal Revenue Collection Center

Property Taxes Liquidation for fiscal year 2022-2023 results in a payable to the MRCC in the amount of $33,758.

Accrued Legal Claims

This amount represents the amount accrued for possible claims arising from litigations as recommended by the Municipality's attorneys and classified as due after one year. Only claims presented as due within one year when the Municipal Legislature approved it in the next fiscal year budget.

Christmas Bonus

This amount represents the estimated accrued Christmas bonus accumulated as of June 30, 2024, and payroll related benefits, representing the benefit to employees to be paid during the last week of November 2024.

Retainage Liability

This amount represents the amount retained on construction contracts that should be paid upon termination of the contracted projects.

Compensated Absences

The GWFS, Statement of Net Position, includes approximately $16.7 million for the estimated accrued vacation benefits, accrued sick leave benefits and payroll related benefits, representing the Municipality's commitment to fund such costs from future operations. The General Fund has been used to liquidate the liability for this concept.

LUMA Debt Agreement

On June 30, 2023, the Municipality entered into a repayment agreement with LUMA to pay the total amount of debt related to power grid service. The total amount of debt is $3,158,950 to be paid during 24 months by monthly payment of $69,401.01, after a down payment of $1,493,326.15.

PR Water and Sewer Authority

The GWFS, Statement of Net Position, includes $1,140,889 in the governmental activities for the amount notified by the Authority for which a payment plan was negotiated. During fiscal year 2023-2024, a new negotiation was made for a debt of $1,909,189, to be paid during 28 months by monthly payments of $55,000, after a down payment of $381,837.74. The General Fund has been used to liquidate the liability for this concept.

17. DEBT RETIREMENT

Revenues of the Debt Service Fund consist of the ad-valorem property taxes which are recognized as revenue when collected from taxpayers and reported by the MRCC to the Municipality (See Note 3). These property taxes are accumulated by the MRCC in costs of the general obligation bonds issued by the Municipality (See Note 16). Payments are made to the GDB from such accumulated funds by the MRCC.

continue

17. DEBT RETIREMENT – continuation

As per Act Number 18 of 2014 was created the "Law of Municipal Administration Fund (MAF)" to establish a special fund called the Municipal Administration, authorize municipalities to pledge the funds deposited in the Local Government Fund to which they are to secure the repayment of any loan, bond, note or other evidence of indebtedness, which are the source of repayment funds deposited in the Special Fund and to meet any expenditure budget of the municipality and the municipality any activity or project, authorize the Government Development Bank of Puerto Rico to make disbursements for purposes set out in this Act. This measure is intended, first, to strengthen the financial capacity of the Corporation Tax Fund of Puerto Rico (COFINA, by Spanish acronyms), established under Law No. 91-2006, as amended, known as the "Law Fund of Sales and Usage Taxes", adjusting the sales and usage taxes (SUT) by increasing the state portion to 10.5% while the municipal SUT is reduced to 1.0%, effective February 1, 2014. Through this legislation a mechanism under which the SUT collections entitled to receive the Commonwealth of Puerto Rico each fiscal year, after complying with the deposits in the Tax Fund requires by Act No. 91-2006, shall be deposited in a special fund created for the benefit of, and assigned to the municipalities. This special fund is called the "Local Government Fund" ("LGF"), which will be guarded by the Government Development Bank of Puerto Rico.

Also, on February 1, 2014 was enacted the Act No. 19 that creates the Municipal Financing Corporation (COFIM, by Spanish acronyms). The COFIM, attached to the Government Development Bank (GDB), with the power to issue bonds or use other mechanisms to pay or refinance debt incurred by municipalities, the payment of principal and interest is backed by the municipal SUT. In addition, it created the Redemption Fund of COFIM, to which the resources of the existing Municipal Fund Redemption will be transferred effective February 1, 2014, and facilitated the distribution of funds from the Municipal Redemption Fund, the Municipal Development Fund and the Municipal Improvement Fund. Provides that the first proceeds of the municipal SUT of 1% shall be collected by the Treasury Department and deposited directly into the Redemption Fund of COFIM. Provides that bonds and notes issued by the COFIM be payable and secured by the pledge of a fixed amount, or municipal SUT corresponding to a fixed rate of 0.3% has been collected during the previous fiscal year, whichever is greater.

On July 14, 2017, the Financial Oversight and Management Board for Puerto Rico (Oversight Board) authorized the GDB Restructuring Act under which the GDB transferred most of its loan assets to the GDB Debt Recovery Authority (DRA). The DRA is a new entity created by the GDB Restructuring Act for the purpose of receiving certain GDB assets, facilitating the restructuring of certain of GDB's indebtedness pursuant PROMESA and issuing new bonds. As part of the process, the DRA engaged AmeriNat as its loan servicer. As loan servicer, AmeriNat is now handling all matters relating to municipalities loans portfolio from DRA, including collection and posting of payments, certification of balances to auditors, and addressing any past due situations in the event the municipalities is unable to make scheduled payments.

18. DEFERRED INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the Municipality recognized deferred inflows of resources in the government-wide and fund statements. These items are an acquisition of net position by the Municipality that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

The Municipality has an item that is reportable on the government-wide *Statement of Net Position* that relates to inflows from changes in the Total Pension Liability and Total OPEB Liability (Notes 19 and 20).

18. DEFERRED INFLOWS OF RESOURCES – continuation

Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds *Balance Sheet* report *Deferred Inflows of Resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (unavailable). Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of Deferred Inflows of Resources reported in the basic financial statements were as follows:

Statement of Net Position:	
Deferred Inflows of Resources	
Lease Related	$ 3,293,951
Pension Related	14,839,873
Total Deferred Inflows of Resources	$ 18,133,824

Balance Sheet:	
MRCC - Property Taxes Liquidation	$ 35,320
Lease Related	3,293,951
Federal Grants:	
Capital Projects Fund	754,391
Health and Human Services Fund	11,428,815
Other Governmental Funds	3,189,183
Total Deferred Inflows of Resources	$ 18,701,660

19. PENSION PLANS

After the approval of Act No. 106-2017, with the elimination of the Board of Trustees and the liquidation of plan assets, the GASB 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 Statement 67 and 68*, was implemented instead of GASB No. 68 effective on July 1, 2018. Accordingly, Total Pension Liability, Deferred Outflows / Inflows of Resources is presented. The information related to the Total Pension Liability presented is as measurement date as of June 30, 2023 for reporting period as of June 30, 2024.

A. Employee's Retirement System of the Government of the Commonwealth of Puerto Rico

As summarized in Section Vi, the Puerto Rico Government Employees Retirement System (PRGERS) provides benefits to members, or their beneficiaries, upon:

- Retirement
- Disability
- Vested Withdrawal
- Death
- Nonvested Withdrawal (return of contributions)

These benefits will be referred to as the "Basic System Benefits" throughout this report. Prior to Act No. 106-2017, these benefits were paid from System assets.

For members who retired prior to July 1, 2013, annuity benefits are subject to a $500 monthly minimum. The amount in excess of $200 and less than $300 is a System Administered Benefit (see below) for all employees. The amount in excess of $300 and less than $400 is a System Administered Benefit for Public Corporation and Municipality employees. For Act No. 447-1951 and Act No. 1-1990 members who retire July 1,2013 or later, the accrued benefits as of June 30, 2013, or date of termination if earlier, are subject to a $400 monthly minimum.

continue

19. PENSION PLANS – continuation

Participant Data

	July 1, 2021 Census Data Collection	July 1, 2022 Census Data Collection	Total Changes
Active Members			
Number	37,439	34,380	-3,059
Average Salary	$ 35,636	$ 35,406	$ (230)
Total Annual Salary	$ 1,334,172,033	$ 1,217,252,004	$ (116,920,029)
Terminated Vested Members*			
Number	0	12,451	12,451
Average Monthly Basis System Benefit	$ -	$ 585	$ 585
Retirees			
Number	94,723	95,127	404
Average Monthly Basis System Benefit	$ 1,109	$ 1,105	$ (4)
Average Monthly System Administered Benefit	$ 71	$ 69	$ (2)
Disabled Members			
Number	12,259	11,661	-598
Average Monthly Basis System Benefit	$ 414	$ 419	$ 5
Average Monthly System Administered Benefit	$ 209	$ 207	$ (2)
Beneficiaries			
Number	15,271	15,884	613
Average Monthly Basis System Benefit	$ 392	$ 417	$ 25
Average Monthly System Administered Benefit	$ 25	$ 24	$ (1)

*Effective with the July 1, 2022 census data collection, valuation quality data on terminated vested members was provided by PRGERS.

Change in Plan Provisions since Prior Valuation

There have been no changes in plan provisions since the prior valuation.

Change in Assumptions since Prior Valuation

In accordance with GASB No. 73, the discount rate is based on a bond market index. PRGERS has selected the Bond Buyer General Obligations 20-Bond Municipal Bond Index for this purpose. The index rate and resulting discount rate increase from 3.54% as of June 30, 2023, to 3.65% as of June 30, 2024.

continue

19. PENSION PLANS – continuation

As PRGERS indicated that very few members who retired July 1, 2013 and later [post- Act No. 3 of April 4, 2013 (Act No. 3-2013 retirees)] have elected a joint & survivor annuity, the assumed form of payment for pos-Act No 3-2013 retirees who were indicated as married and not entitled to future benefits payable as a result of Act No. 211 has been revised to a modified cash refund. Previously such retirees were assumed to have a joint and 100% survivor annuity, with a spouse's date of birth imputed based on an assumed age difference of 4 years with males older than females and an adjustment for the probability the spouse has pre-deceased the retiree as of the valuation date.

As valuation quality data on terminated vested members was provided by PRGERS effective with the July 1, 2022, census data collection, the 5% load on the GASB Statement No.73 actuarial accrued liabilities to approximate the value of the liability on behalf of deferred vested participants eliminated.

The Total Pension Liability as of June 30, 2024, decreased by (1) $0.27 billion due to the increase in the discount rate, (2) $0.53 billion due to the change in the assumed form of payment for certain current post-Act No. 3-2013 and (3) $0.04 billion due to reflecting valuation quality data for individual terminated vested members in lieu of loading the actuarial accrued liability.

(1) Summary of Plan Provisions

Act No. 106 of August 23, 2017 (Act No. 106-2017) closed participation in the Defined Benefit Pension Plan for Participants of the Employee's Retirement System of the Government of the Commonwealth of Puerto Rico (PRGERS) to new members effective July 1, 2017, and moved prospective accruals for all current active members to a separate defined contribution plan outside of PRGERS. This summary details the provisions under Act No. 3 of April 4, 2013 (Act No. 3-2013), which was effective July 1, 2013, and under which the benefits to be paid to PRGERS members are determined. Certain provisions are different for the three groups of members who entered PRGERS prior to July 1, 2013, as described below:

- Members of Act No. 447-1951 are generally those members hired before April 1, 1990 (Contributory, Defined Benefit Program)

- Members of Act No. 1 are generally those members hired on or after April 1, 1990 (Act No. 1-1990) and on or before December 31, 1999 (Contributory, Defined Benefit Program)

- Members of Act No. 305 are generally those members hired on or after January 1, 2000, and on or before June 30, 2013 (Define Contributory Hybrid Program or System 2000).

Act No. 106-2017 eliminate the prior statutory employer contributions and changed the funding of PRGERS benefits to Pay-As-You-Go by the Commonwealth., public corporation or municipality. Prior to July 1, 2017, most benefits were paid from system assets while some benefits were paid by the General Fund, public corporation or municipality.

Subsequent to Act No. 106-2017, 2022 Plan of Adjustment eliminated the Act No. 127-1958 high risk death and disability benefits for System 2000, Act No. 3-2013, and Act No. 106-2017 members in high risk positions, eliminated future cost of living adjustment, including those on the Act No. 127-1958 benefits, and eliminated all future PRGERS benefits for System 2000 and Act No. 3-2013 members who were not in payment status as of March 15, 2022.

As directed by the System, the June 30, 2019, through June 30, 2021 valuations included the Act No. 127-1958 death and disability benefits for Act No. 106-2017 employees (e.g. those hired July 1, 2017 and later) in high-risk positions. These benefits are described in items 8b and 9b.

continue

19. PENSION PLANS – continuation

1. Type of Plan

   The System is a contributory, hybrid defined benefit plan.

2. Effective Date

   The System was established in 1951 by Act No. 447 of May 15, 1951, to be effective January 1, 1952. The plan was last amended under the 2022 Plan of Adjustment.

3. Eligibility for Membership

   Members of the Employees Retirement System of the Government of Puerto Rico and its instrumentalities include all regular full-time and non-municipal temporary employees who are not contributing to other Retirement Systems (Articles 1-104 and 1-105) and were hired before July 1,2017 (Act No. 106-2017). Employees include those in the following categories:

   - Police of Puerto Rico,
   - Firefighters of Puerto Rico,
   - Elective Officers of the People of Puerto Rico and the employees of the Legislature,
   - Officers and employees of the Government of Puerto Rico,
   - Officers and employees of public enterprises,
   - Officers and employees, including mayors of the municipalities, and
   - Irregular personnel fulfilling the requirements of regular employees.

   Membership is mandatory, except for the Governor of Puerto Rico, Government Secretaries, heads of public agencies and instrumentalities, the Governor's aides, gubernatorial appointees of commissions and boards, members of the Legislature, the Controller of Puerto Rico, the employees of the Agricultural Extension Service of the U.P.R., the Ombudsman and the Commonwealth Election Board employees (Article 1-105). In addition, membership is optional for eligible employees while working and residing outside the territorial limits of the Commonwealth of Puerto Rico (Act No. 112 of 2004).

   System 2000 and Act No. 3-2013 members who were not in payment status as of March 15, 2022, are no longer entitled to PRGERS benefits based on the provisions of the 2022 Plan of Adjustment.

4. Definitions

   a. Fiscal Year: A Fiscal Year is a 12-month period beginning on July 1 and ending on June 30 (Article 1-104).

   b. General Fund: The General Expenses Budget of the Government of the Commonwealth of Puerto Rico.

   c. Government of Puerto Rico or Government: The Government of the Commonwealth of Puerto Rico, its departments, divisions, bureaus, offices, agencies and dependencies (Article 1-104).

   d. Public Enterprise: Any government instrumentality of the People of Puerto Rico (Article 1-104).

   e. Municipality: The Municipality of San Juan (Article 1-104).

continue

19. PENSION PLANS – continuation

f. Employer: The Government of Puerto Rico, any public enterprise that has elected to participate in the System, or any municipality that has elected to participate in the System (Article 1-104 and 1-110).

g. Employee: Any officer or employee of the Employer is regularly employed on a full time basis (Article 1-104).

h. Creditable Service for Act No. 447-1951 members: The years and months of plan participation, during which contributions have been made, beginning on the later date of hire or January 1,1952 and ending on date of separation from service. For the purposes of calculating Creditable Service, the following schedule shall apply:

Service During a Fiscal Year	Creditable Service Earned
15 days during the same month	1 month
2 months and 15 days to 5 months and 14 days	½ year
5 months and 15 days to 8 months and 14 days	¾ year
8 months and 15 days to 12 months	1 year

Months in which less than 15 days of service are rendered do not count towards Creditable Service (Article 1-106).

In general, Creditable Service may be earned for any period of employment during which no contributions were made if Accumulated Contributions for such periods are paid to the System. The same rules hold for rehired employees who previously received a refund of Accumulated Contributions at separation. (Article 1-106)

Creditable Service also includes purchased service, if any (Article 1-106).

i. Creditable Service for Act No. 1-1990 members: The years and completed months of plan participation, during which contributions have been made, beginning on date of hire and ending on date of separation from service (Articles 1-106 and 2-109). For the purposes of calculating Creditable Service, the following schedule shall apply:

Service During a Fiscal Year	Creditable Service Earned
Less than 3 months	None
3 to 5 months	½ year
6 to 8 months	¾ year
9 months or more	1 year

In general, Creditable Service may be earned for any period of employment during which no contributions were made fi Accumulated Contributions for such periods are paid to the System. The same rules hold for rehired employees who previously received a refund of Accumulated Contributions at separation. (Article 1-106)

Creditable Service also includes purchased service, if any (Article 1-106).

j. Compensation: The gross cash compensation, excluding bonuses and overtime, upon which contributions by a Member to the Fund are based (Article1-104).

continue

19. PENSION PLANS – continuation

k. Average Compensation for Act No. 447-1951 members: The average of the 3 highest years (36 highest months) of compensation that the participant has received for Creditable Service (Article 1-104).

l. Average Compensation for Act No 1-1990 members: the average of the last 5 years of compensation that the participant has received for Creditable Service. If annual compensation in the average period exceeds by more than 10% the annual compensation in the immediately preceding year, the compensation in excess of said 10% shall not be included in the calculation of Average Compensation. (Article 2-108)

m. Contributions: The amount deducted from the compensation of a Member and the employer (Sectio 781).

n. Regular Interest: The interest rate as prescribed by the Board of Trustees (Article 1-104). Prior to July 1, 2017, the rate was 2.50%. Due to Act No. 106-2017, regular interest ceased July 1, 2017.

o. Accumulated Contributions: The sum of all amounts deducted from the compensation of a Member prior to July 1, 2013, with regular Interest (Article 1-104).

p. Actuarial Equivalent: Equality in value such that the present value of the amount under any form of payment is essentially the same as the present value of the amount under the normal form of annuity payment for single participants. Actuarially Equivalent factors are determined based on annuity and mortality tables adopted by the Board of Trustees based on the System's experience and in accordance with the recommendations of the actuary.

   For purposes of converting the Define Contribution Hybrid Contribution Account to a lifetime annuity, the current factors adopted by the Board are the single life annuity factors using an interest rate of 4% and the RP-2000 Healthy Annuitant Mortality Table for ages 50 and over and the RP-2000 Employees Mortality Table for ages under 50, projected to 2025 using Scale AA and blended 50% male / 50% female.

q. Public Officers in High-Risk Positions: The Commonwealth of Puerto Rico Police, the Municipal Police, the Commonwealth Firefighter Corps, the Municipal Firefighter Corps, and the Custody Officers Corps.

r. Social Security Retirement Are (SSRA): The Social Security Retirement Age varies based on the year of birth as indicated in the table below:

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continue

19. PENSION PLANS – continuation

Year of Birth	Social Security Retirement Age
1937 or earlier	65 years
1938	65 years and 2 months
1939	65 years and 4 months
1940	65 years and 6 months
1941	65 years and 8 months
1942	65 years and 10 months
1943 to 1954	66 years
1955	66 years and 2 months
1956	66 years and 4 months
1957	66 years and 6 months
1958	66 years and 8 months
1959	66 years and 10 months
1960 and later	67 years

s. Retirement Savings Account: The individual retirement account established for each member of System 2000 (Article 1-104). Each member has a nonforfeitable right to the value of his Retirement Account(Article 3-107).

t. Credits to Retirement Savings Account: The credits to the retirement savings account include (1) any initial transfer balance for transferred participants, (2) contributions of the members to System 2000, and (3) the investment yield for each semester of the fiscal year based on the investment alternatives elected by the member (Article 3-107).

u. Investment Alternatives for Retirement Savings Account: System 2000 members could choose to allocate their Retirement Savings Account, in multiples of 10%, to the following investment options prior to July 1, 2013. Changes in allocation could have been made annually, effective each July 1.

   i. Fixed income – The yield is equal to the average monthly yield of the Two-Year Constant Maturity Treasuries during each semester of the fiscal year.
   ii. System's investment portfolio – the yield is equal to 90% (75% prior to July 1,2004) of the investment portfolio yield of the System during each semester of each fiscal year minus management fees such as fees payable to administrators of the portfolio.
   iii. Other alternatives are adopted by the Board of the System.

v. Defined Contribution Hybrid Contribution Account: The individual account established for each active member as of July 1, 2013, and for each future member thereafter. Each member has a nonforfeitable right to their contributions to the Defined Contribution Hybrid Contribution Account and, for the System 2000 members, the initial transfer of their Retirement Saving Account as of June 30, 2013.

w. Credit to Defined Contribution Hybrid Contribution Account: The credits to the retirement savings account include (1) the Retirement Savings Account as of June 30, 2013, for System 2000 members, (2) contributions by all members from July 1, 2013 to June 30, 2017 to PRGERS, and (3) the investment yield for each semester of the fiscal year as determined by the Board. The investment yield determined by the Board shall never be less than 80% of the investment portfolio yield of the System during each semester of each fiscal year minus management fees such as, but not limited to, fees payable to administrator of the portfolio, safekeeping of securities and investment counseling. With the move to Pay-As-You-Go funding under Act No. 106-2017, no credits are applied after June 30, 2017.

continue

19. PENSION PLANS – continuation

5. Coordination with Social Security for Act No. 447 Members: Except for police, mayors and employees of the Agricultural Extension Service of the U.P.R., participants may elect to coordinate coverage under the System with Federal Social Security by selecting the lower of two contribution options. Those participants selecting Option (1), the Coordination Plan, are subject to a benefit recalculation upon attainment of Social Security Retirement Age. Those participants selecting Option (2), the Supplementation Plan, will continue to receive the same benefits for life, without any adjustments at SSRA. At any time up to retirement, participants may change from Option (1) to Option (2) by making a contribution including interest to the System retroactive to the later of July 1, 1968, or to the date of plan entry, that will bring their career Accumulated Contributions to the Option (2) level. All police, mayors and employees of the Agricultural Extension Service of the U.P.R. are covered under Option (2), the Supplementary Plan.

6. Retirement Benefits

   a. *Eligibility for Act No. 447-1951 Members*: Act No. 447-1951 members who were eligible to retire as of June 30, 2013, would continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447-1951 members could retire upon (1) attainment of age 55 with 25 years of Credited Service, (2) attainment of age 58 with 10 years of Credited Service, (3) any age with 30 years of Credited Service, and (4), for Mayors, attainment of age 50 with 8 years of Credited Service as a Mayor. In addition, Act No. 447-1951 members who attained 30 years of Credited Service by December 31, 2013, would be eligible to retire at any time.

   Act No. 447-1951 members who were not eligible to retire as of June 30, 2013, and did not attain 30 years of Credited Service by December 31, 2013 would be eligible to retire upon attainment of the retirement eligibility age shown in the following table with 10 years of Credited Service.

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

   b. *Eligibility for Act No. 1-1990 Members:* Act No. 1-1990 members who were eligible to retire as of June 30, 2013, would continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1-1990 members could retire upon (1) attainment of age 55 with 25 years of Credited Service, (2) attainment of age 65 with 10 years of Credited Service, and (3) for Mayors, attainment of age 50 with 8 years of Credited Service as a Mayor.

   Act No. 1-1990 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 65 with 10 years of Credited Service.

   c. *Eligibility for System 2000 Members:* System 2000 members who were eligible to retire as of June 30, 2013, would continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 60.

   System 2000 members who were not eligible to retire as of June 30, 2013, would be eligible to retire upon attainment of the retirement eligibility age shown in the following table.

continue

19. PENSION PLANS – continuation

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

System 2000 members who were not in payment status as of March 15, 2022 are no longer entitled to future benefits from PRGERS based on the provisions of the 2022 Plan of Adjustment.

d. *Eligibility for Members Hired after June 30, 2013:* Attainment of age 67.

Act No.3-2013 members who were not in payment status as of March 15, 2022 are no longer entitled to future benefits from PRGERS based on the provisions of the 2022 Plan of Adjustment.

e. *Eligibility for Public Officers in High Risk Positions*: Public Officers in High Risk Positions are eligible to retire from active service at age 55 and must retire at age 58, regardless of membership law. Two two-ear extensions (delaying retirement until age 62) may be requested by the member from the Superintendent of the Puerto Rico Police, the Chief of the Firefighter Corps, or supervising authority as applicable. Public Officers in High Risk Positions who terminate employment with a vested benefit prior to age 55 are eligible to retire based on the above provisions for the applicable membership law.

f. *Benefit*: An annuity payable for the lifetime of the members equal to the annuitized value of the balance in the Defined Contribution Hybrid Contribution Account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the Accrued Benefit determined as of June 30,2013. If the balance in the Defined Contribution Account is $10,000 or less, the balance in the Defined Contribution Hybrid Contribution Account shall be paid as a lump sum instead of as an annuity.

g. *Accrued Benefit as of June 30, 2013 for Act No. 447-1951 Members*: The accrued benefit as of June 30, 2013 shall be determined based on the Average Compensation for Act No. 447-1951 members, the years of Creditable Service, and the attained age of the member all as of June 30, 2013. For Act No. 447-1951 Mayors, the Highest Compensation as a Mayor is determined as of June 30, 2013.

If the Act No. 447-1951 member had at least 30 years of Credited Service as of June 30, 2013, the accrued benefit equals 65% of Average Compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting to Coordinate Plan, the benefit is re-calculated at the SSRA as 1.5% of Average Compensation up to $6,600 multiplied by years of Credited Service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of Average Compensation in excess of $6,600.

continue

19. PENSION PLANS – continuation

If the Act No. 447-1951 member had less than 30 years of Credited Service as of June 30, 2013, and attains 30 years of Credited Service by December 31, 2013, the accrued benefit equals 55% of Average Compensation if the member was under age 55 as of June 30, 2013 or 60% of Average Compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit is re-calculated at SSRA as 1.5% of average compensation up to $6,600 multiplied by years of Credited Service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of Average Compensation in excess of $6,600. Member contributions received from Act No. 447-1951 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of Credited Service are considered pre-July 1, 2013 contributions; the contributions to the Defined Contribution Hybrid Contribution Account begin after the member attains 30 years of Credited Service.

If the Act No. 447-1951 member had less than 30 years of Credited Service as of December 31, 2013, the accrued benefit equals 1.5% of Average Compensation multiplied by years of Credited Service up to 20 years, plus 2% of Average Compensation multiplied by years of Credited Service in excess of 20 years. The maximum benefit is 75% of the Average Compensation. Except for Commonwealth Police and Commonwealth Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58. For participants selecting the Coordination Plan, the basic benefit is re-calculated at SSRA as 1% of Average Compensation up to $6,600 multiplied by years of Credited Service up to 20 years, plus 1.5% of Average Compensation in excess of $6,600 multiplied by years of Credited Service in excess of 20 years, plus 2.0% of average Compensation in excess of $6,600 multiplied by years of Credited Service in excess of 20 years. Except for Police and Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58.

For Act No. 447-1951 Mayors with at least 8 years of Credited Service as a mayor, the accrued benefit will not be less than 5% of Highest Compensation as a Mayor for each year of Credited Service as a Mayor up to 10 years, plus 1.5% of Highest Compensation as Mayor for each year of non-Mayor Credited Service up to 20 years, plus 2.0% of Highest Compensation as Mayor for each year of non-Mayoral Credited Service in excess of 20 years. Non-Mayor Credited Service includes service earned as a Mayor in excess of 10 years. The maximum benefit is 90% of the Highest Compensation as a Mayor.

h. *Accrued Benefit as of June 30, 2013 for Act No. 1-1990 Members:* The accrued benefit as of June 30, 2013 shall be determined based on the average compensation for Act No. 1 members, the years of Credited Service, and the attained age of the member all as of June 30, 2013. For Act No. 1-1990 Mayors, the Highest Compensation as a Mayor is determined as of June 30, 2013.

   If the Act No. 1-1990 Commonwealth Police or Firefighter had at least 30 years of Credited Service as of June 30, 2013, the accrued benefit equals 65% of Average Compensation if the member was under age 55 as of June 30, 2013 or 75% of Average Compensation if the member was at least age 55 as of June 30, 2013.

   For all other Act No. 1-1990 members, the accrued benefits equal 1.5% of Average Compensation multiplied by years of Creditable Service. The benefit is actuarially reduced for each year payment commences prior to age 65.

continue

19. PENSION PLANS – continuation

For Act No. 1-1990 Mayors with at least 8 years of Credited Service as a mayor, the accrued benefit will not be less than 5% of Highest Compensation as a Mayor for each year of Credited Service as a Mayor up to 10 years, pus 1.5% of Highest Compensation as Mayor for each year of non-Mayoral Credited Service up to 20 years, plus 2.0% of Highest Compensation as Mayor for each year of non-Mayoral Credited Service in excess of 20 years. Non-Mayoral Credited Service includes service earned as a Mayor in excess of 10 years. The maximum benefit is 90% of the Highest Compensation as a Mayor.

7. Termination Benefits

a. *Lump Sum Withdrawal*

Eligibility: A Member is eligible upon termination of service prior to 5 years of service or if the balance in the Define Contribution Hybrid Contribution Account is $10,000 or less.

Benefit: The benefit equals a lump sum payment of the balance in the Defined Contribution Hybrid Contribution Account as of the date of the permanent separation of service.

b. *Deferred Retirement*

Eligibility: A Member is eligible upon termination of service prior to 5 or more years of service(10 years of Credited Service for Act No. 447-1951 and Act No.1-1990 members) prior to the applicable retirement eligibility, provided the member has not taken a lump sum withdrawal of the Accumulated Contribution and the Define Contribution Hybrid Contribution Account.

Benefit: An annuity payable for the lifetime of the member commencing at the applicable retirement eligibility age equal to the annuitized value of the balance in the Defined Contribution Hybrid Contribution Account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the Accrued Benefit determined as of June 30, 2013.

8. Death Benefits

a. *Pre-retirement Death Benefit*

Eligibility: Any current non-retired member is eligible.

Benefit: A refund of the Defined Contribution Hybrid Contribution Account, plus the Accumulated Contributions for Act No. 447-1951 and Act No. 1-1990 members.

b. *High-Risk Death Benefit under Act No. 127-1958*

Eligibility: Police, firefighters, and other employees in specified high-risk positions who die in the line of work due to reasons specified in Act No. 127-1958 (as amended). System 2000, Act No. 3-2013 and Act No. 106-2017 members who were not in payment status as of March 15, 2022 are no longer eligible based on the provisions of the 2022 Plan of Adjustment.

Spouse's Benefit: 50% of the participant's Compensation at date of death, payable as an annuity until death or remarriage (Act No. 127-1958 as amended).

continue

19. PENSION PLANS – continuation

Children's Benefit: 50% of the participant's Compensation at date of death, payable as an annuity, allocated pro-rata among eligible children. The annuity is payable for life for a disabled child, until age 18 for a non-disabled child not pursuing studies, and until age 25 for a non-disabled child who is pursuing studies. (Act No. 127-1958 as amended)

Benefit if no spouse or children: The parents of the member shall each receive 60% of the participant's Compensation at date of death, payable as an annuity for life. (Act No. 127-1958 as amended)

Post-death increases: Effective July 1, 1996, and subsequently every three years, the above death benefits are increased by 3% provided that the beneficiary(ies) had been receiving payments for at least three years. Future COLAs were eliminated effective March 15, 2022. (Act No. 127-1958 as amended)

c. *Post-retirement Death Benefit for Members who retired prior to July 1, 2013*

Eligibility: Any retiree or disabled member receiving a monthly benefit who has not elected a reversionary annuity and whose benefits commenced prior to July 1, 2013.

Benefit: The benefit is as follows (Act No. 105-1969 as amended by Act No. 4-1985).

(i) For those married or with dependent children at the time of death, the annual income to a widow, or widower of dependent children is equal to 60% (50% if the Coordination Plan – 30% prior to January 1, 2004) of the retirement benefit payable for life for a surviving spouse and/or disabled children and payable until age 18 (age 25 if pursuing studies) for non-disabled children. If in the Coordination Plan, the benefit to the surviving spouse does not begin until the spouse's attainment of age 60 and the surviving spouse must have been married to the member for at least 10 years to be eligible for this benefit.

(ii) The benefit, when there is no relation as stated above, is equal to the remaining balance of Accumulated Contributions at the time of retirement after the deduction of lifetime annual income paid and is payable to a beneficiary or to the Member's estate. In no case shall the benefit be less than $1,000. (Article 2-113 and Act No. 524-2004)

d. *Post-retirement Death Benefit for Members who retired after June 30,2013*

Eligibility: Any retiree or disabled member who began receiving a monthly benefit after June 30, 2013.

Spouse's Benefit: If the member elected at the time of retirement to transfer a portion of the annuity to a beneficiary by selecting an actuarially equivalent optional form of payment, the applicable survivor benefits.

For all members, the excess, if any, of the Defined Contribution Hybrid Contribution Account, plus the Accumulated Contribution for Act No. 447-1951 and Act No. 1-1990 members, at the time of retirement over the total annuity payments paid to the member and any beneficiary per the terms of the optional form of payment shall be payable to a beneficiary or the Member's estate.

e. *Beneficiaries receiving occupational death benefits as of June 30,2013 continue to be eligible to receive such benefits.*

continue

19. PENSION PLANS – continuation

9. Disability Benefits

a. *Disability*

Eligibility: All members are eligible upon the occurrence of disability.

Benefit: The balance of the Defined Contribution Hybrid Contribution Account payable as lump distribution, an immediate annuity or a deferred annuity at the election of the participant. Act No. 447-1951 and Act No. 1-1990 members remain eligible to receive the accrued benefit as of June 30, 2013 commencing at the applicable retirement eligibility age.

b. *High Risk Disability under Act No. 127-1958*

Eligibility: Police, firefighters, and other employees in specified high-risk positions who are disabled in the line of work due to reasons specified in Act No. 127-1958 (as amended). System 2000, Act No. 3-2013 and Act No. 106-2017 members who were not in payment status as of March 15, 2022 are no longer eligible based on the provisions of the 2022 Plan of Adjustment.

Benefit: 80% (100% for Act No. 447 members) of Compensation as of date of disability, payable as an annuity. If the member dies while still disabled, this annuity benefit continues to his beneficiaries. Beneficiaries include the surviving spouse and/or disabled children (for life), non-disabled children until age 18 (age 25 if pursuing studies), and the parents if no other beneficiaries. Effective July 1, 1996, and subsequently every three years, the disability benefit is increased by 3% provided that the member (or beneficiary) had been receiving payments for at least three years. Future COLAs were eliminated effective March 15,2022. (Act No. 127-1958 as amended)

c. Members who qualify for occupational or non-occupational disability benefits as of June 30,2013 continue to be eligible to receive such benefits.

10. Minimum Benefits

a. *Past Ad hoc Increases:* The Legislature, from time, increases pensions for certain retirees as described in Act No. 124-1973 and Act No. 23-1983.

b. *Minimum Benefit for Members who Retired before July 1, 2013*: The minimum monthly lifetime income for members who retired or become disabled before July 1, 2013, is $500 per month effective July 1, 2013 ($400 per month effective July 1, 2007 and $300 per month up to June 30, 2007). (Act No. 156-2003, Act No. 35- 2007, and Act No. 3-2013)

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

continue

19. PENSION PLANS – continuation

11. Cost-of-Living Adjustments (COLA) to Pension Benefits: The Legislature, from time to time, increases pensions by 3% for retired and disabled members. Beneficiaries are not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10-1992. Subsequent 3% increases have been granted every third year since 1992, with the latest 3% increase established on April 24, 2007 and effective July 1, 2007 (retroactive to January 1, 2007) for retired and disabled members that were receiving a monthly benefit on or before January 1, 2004 (Act No. 35-2007). In addition, effective July 1, 2008, any retired or disabled member that was receiving a monthly annuity on or before January 1, 2004 less than $1,250 per month received an increase of up to 3% without exceeding the limit of $1,250 per month (Act No. 35-2007).Future COLAs were eliminated effective March 15, 2022. (Various Acts)

12. Medical Insurance Plan Contribution: A payment of up to $100 per month to the eligible medical insurance plan selected by the retiree or disabled member provided the member retired prior to July 1, 2013. (Act No. 483-2004 as amended by Act No. 3-2013)

13. Special "Bonus" Benefits:

    a. *Christmas Bonus:* An annual bonus of $200 for each retiree, beneficiary, and disabled member paid in December provided the member retired prior to July 1, 2013. (Act No. 144-2005 as Amended by Act No. 3-2013)

    b. *Medication Bonus:* An annual bonus of $100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. (Act No. 155-2003, as Amended by Act No. 3-2013)

(2) Allocation Methodology

GASB Statement No. 73 requires that the primary government and the component units that provide pensions through the same defined benefits pension plan of its primary government recognize their proportionate share of the total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (benefit). The employer allocation percentage presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ration of each participating entity's actual benefit payments for allocation to the aggregate total of benefit payments for allocation paid by all participating entities during the year ending on the measurement date. Employer allocation percentages have been rounded for presentation purposes; therefore, the amounts presented in the schedule of pension amounts by employer may result in immaterial differences. The difference between the actual benefits payments' column and the benefits payments for allocation in the schedule of employer allocations represents lump-sum distributions of accumulated benefits that were not considered for allocation purposes.

(3) Total Pension Liabilities and Actuarial Information

The Total Pension Liability of the System was approximately $23.3 billion as of June 30, 2024, and was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2024 (measurement date as of June 30, 2023).

(a) Actuarial Methods and Assumptions

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

continue

19. PENSION PLANS – continuation

Discount Rate

The discount rate for June 30, 2024, was 3.65%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the bond Buyer general Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

The mortality tables used in the June 30, 2024; actuarial valuation was as follows:

– *Pre-retirement Mortality*

For general employees not covered under Act No. 127-1958, the PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. For members covered under Act No. 127-1958, the PubS-2010 employee rates for males and females, projected using MP-2021 on a generational basis. As generational table, they reflect mortality improvements both before and after the measurement date.

100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127-1958.

– *Post-retirement Retiree Mortality*

The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.

– *Post-retirement Disabled Mortality*

The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females, projected using Mortality Improvement Scale MP-2021 on a generational basis. As generational table, it reflects mortality improvements both before and after the measurement date.

– *Post-retirement Beneficiary Mortality*

Prior to the retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As generational table, it reflects mortality improvements both before and after the measurement date.

(b) Total Pension Liability

The information disclosed below is presented in accordance with GASB No 73, after the implementation of Act No. 106-2017. The Municipality's Total Pension Liability was measured as of June 30, 2023. The measurement Date is June 30, 2023, the date as of which the Total Pension Liability is determined. The Reporting Date is for periods ending July 1, 2023 through June 30, 2024.

continue

19. PENSION PLANS – continuation

As June 30, 2024, the Municipality's proportional share of the Total Pension Liability used was as follows (last available information):

Proportion – June 30, 2024	0.42481%
Proportion – June 30, 2023	0.42356%
Change – Increase (Decrease)	0.00125%

As June 30, 2024, the Municipality reported $99,132,859 as Total Pension Liability for its proportionate shares of the Total Pension Liability of ERS.

Total Pension Liability	June 30, 2024	
	Total	Proportional Share (0.42481%)
Total Pension Liability	$ 23,335,683,397	$ 99,132,859
Covered Payroll	$ 1,217,252,004	$ 7,183,645
Total Pension Liability as a % of Covered Payroll	1917.08%	1379.98%

(b) Pension Expense

For the fiscal year ended June 30, 2024, the Municipality recognized pension expense of $7,479,059 of total pension payments of the "Pay-As-You-Go" system.

(c) Deferred Outflows/Inflow of Resources

As of June 30, 2024, the Municipality reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 3,491,640	$ 6,303,204
Changes in assumptions	11,048,337	8,536,669
Subsequent payments made	7,870,095	-
Total	$ 22,410,072	$ 14,839,873

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to Total Pension Liability to be recognized in future periods in a systematic and rational manner.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

continue

19. PENSION PLANS – continuation

Year Ended June. 30,	Amount
2025	$ 2,700,188
2026	2,505,234
2027	2,505,234
2028	(140,457)
2029	-
Thereafter	-
Total	$ 7,570,199

Discount Rate

After June 30, 2017, the Commonwealth enacted legislation that changed the structure of pension administration managed by ERS. For further information regarding such pension legislation, (see Note 2 E. 12). The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

The discount rate on June 30, 2023 and 2024, was as follows:

	June 30, 2023	June 30, 2024
Discount Rate	3.54%	3.65%
20 Year Tax-Exempt Municipal Bond Yield	3.54%	3.65%

Changes in Total Pension Liability

Changes in Total Pension Liability	Increase (Decrease)	
	Total Pension Liability	Proportional Share
Balance as of June 30, 2023	$ 24,859,724,944	$ 105,607,175
Changes for the year:		
Service Cost	19,482,048	82,762
Interest on Total Pension Liability	854,189,254	3,628,701
Effect of Plan Changes	-	-
Effect of Economic/Demographic (Gains) or Losses	(44,468,949)	(188,910)
Effect of Assumptions Changes or Inputs	(840,957,826)	(3,572,492)
Benefits Payments	(1,512,286,074)	(6,424,378)
Balance as of June 30, 2024	**$ 23,335,683,397**	**$ 99,132,859**

(d) Sensitivity of the Proportionate Share of the Total Pension Liability to Changes in the Discount Rate

The following presents the Municipality's proportionate share of the Total Pension Liability calculated using the discount rate, as well as what the Municipality's proportionate share of the Total Pension Liability would be if it were calculated using a discount rate that is 1 – percentage point lower or 1 – percentage point higher than the current rate:

continue

19. PENSION PLANS – continuation

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
Total Pension Liability	$ 110,910,553	$ 99,132,859	$ 89,345,493

"Pay-As-You-Go" Funding

On June 27, 2017, the Treasury Department issued Circular Letter No. 1300-46-17 in order to convey to the central government agencies, public corporations and municipalities the new implementation procedures to adopt, effective July 1, 2017, a new "Pay-As-You-Go" ("Pay-Go") mechanism for the ERS. Subsequently, on August 23, 2017, the Governor signed into law the "Act to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants" (Act No. 106-2017), which reformed the Commonwealth Retirement Systems. Act No. 106-2017 terminated the previously existing pension programs for the ERS's participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017, are now enrolled in a new defined contributions program. Act No. 106-2017 also established by law the "Pay-Go" mechanism for the payment of accumulated pension benefits and eliminated employers' contributions and other analogous contributions. Approximately $2 billion was allocated for the payment of "Pay-Go" benefits in each of the budgets for fiscal years 2018 through 2021.

Furthermore, Act No. 106-2017 modified the ERS's governance. Under Act No. 106-2017, the ERS' Board of Trustees was substituted with a new Retirement Board, which is currently responsible for governing all of the Commonwealth's Retirement Systems.

Act No. 106-2017 also ordered a suspension of the ERS's loan programs and ordered a merger of the administrative structures of the retirement systems. At the Retirement Board's discretion, the servicing of the ERS's existing loan portfolio may be externalized. Pursuant to Act No. 106-2017, the employees of the ERS that are not retained under the new administrative structure will be transferred to other public agencies in conformity with Act No. 8-2017.

At a basic level, ERS will need to hold some level of operating cash to account for any ongoing timing issues between receipt and disbursement of funds. The "Pay-Go" funding needed in a given year is the difference between actual contributions and actual disbursements:

- Contributions to ERS are primarily based on a statutory percentage of payroll.
- Disbursements are comprised of benefit payments, administrative expenses, and Pension Obligation Bond debt service.

Contributions and disbursements will experience natural variation due to emerging demographic experience. Contributions and disbursements can also be greatly impacted by specific management decisions, such as an early retirement incentive program or other workforce reduction. A major issue that needs to be addressed by ERS and the Commonwealth is determining what the process of ERS budgeting for "Pay-Go" funding will be. While the ERS can set an expected "Pay-Go" amount at the time of budgeting for an upcoming fiscal year, both actual contributions and disbursements can vary from expectations during the fiscal year.

continue

19. PENSION PLANS – continuation

- If the budget is set based on expected contributions and disbursements, in the event of adverse experiences during the fiscal year, should provide for additional funds from the sponsoring employers.

- If the ERS be permitted to develop a budget request of a "Pay-Go" amount for the fiscal year that includes a margin to provide a buffer against adverse outcomes.

- And how would the impacts of specific management decisions be handled.

There are certainly many more operational details to be considered. "Pay-Go" operation is a complex issue that requires careful though and planning, constant monitoring, and the ability to respond to emerging events quickly.

The Employee's Retirement System of the Government of the Commonwealth of Puerto Rico provides additional information of the Defined Benefit Program and Hybrid Program. They issue a publicly available financial report that includes financial statements and required supplementary information for ERS, as a component unit of the Commonwealth. That report may be obtained by writing to the Administration at PO Box 42003, Minillas Station, San Juan, PR 00940-2003.

B. Pension Plan of Defined Contributions of the Head Start Program of the Autonomous Municipality of Caguas Money Purchase Plan

Effective January 1, 2002, the Municipality created a retirement plan Head Start Program of the Autonomous Municipality of Caguas Money Purchase Plan (the Plan) for all employees whose salaries were funded with the Head Start Program and which have at least one year of service and are age twenty-one or older. The Plan is part of the Popular Master Defined Contribution Retirement. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and Sections 1081.01 (a) of the Puerto Rico Internal Revenue Code of 2011, as amended. Popular Bank of Puerto Rico serves as the Plan Trustee.

The Municipality is required to contribute three percent (3%) of the employees' annual compensation. The Municipality complied with this required contribution percentage for the current and past two years. Participants may contribute based on after tax contributions amounts representing up to ten percent (10%) of the aggregate compensation paid to the employee, excluding the Christmas Bonus.

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting is based on years of continuous service. For vesting purposes, a year of vesting is defined as a computation period (January 1 to December 31) during which a participant is credited with at least 1,000 hours of service. A participant is 100% vested after seven years of credited service.

continue

19. PENSION PLANS – continuation

On termination of service due to death, disability or retirement, a participant or beneficiary may elect to receive a lump-sum amount equal to the value of the participants vested interest in his/her account, or maintain the funds in the Plan. Also, ten years' annuities are allowed under the plan. The normal retirement age is the latter of the date a participant attains his 65th birthday or the fifth anniversary of the first day of the plan year in which he/she commenced participation in the Plan. Early retirement distributions are not permitted. Under the provisions of the Plan, participants are not permitted to withdraw any amount contributed by the employer from the plan, unless separated from employment.

Total contributions to the Plan for fiscal year ended December 31, 2022 (the last available financial information) were $532,491 and benefits paid were $340,479. Investment revenues were $54,108, realized gain on marketable securities were $134,883, and net appreciation (depreciation) in fair value of investments was ($830,800), for a net decrease in Plan Assets of $449,797. As of December 31, 2022, the Net Fund Assets of the Plan is $4,408,954.

Additional information on the Plan is provided in its financial statements for the year ended December 31, 2021, a copy of which can be obtained from in this report or requests for additional information should be directed to: Autonomous Municipality of Caguas, Office of the Mayor, P.O. Box 907, Caguas, Puerto Rico, 00726-0907, or http://www.caguas.gov.pr.

20. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 19 the Commonwealth provides other retirement benefits, such as Christmas Bonus, and healthcare benefits for its retired employees in accordance with local laws. Substantially, all of the employees may become eligible for these benefits if they reach normal retirement age while working for the Commonwealth.

(1) Plan Description

The Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Employees' Retirement System (the Plan) is an unfunded, defined benefit other postemployment healthcare benefit plan (OPEB). The Plan is administered on a "Pay-As-You-Go" basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). Under the guidance of GASB Statement No. 75, the Commonwealth and its component units are considered to be one employer and are classified for financial reporting purposes as a single employer defined benefit OPEB plan.

Healthcare Benefits

The Plan covers a payment of up to $100 per month to the eligible medical insurance plan selected by each member provided that the member retired prior to July 1, 2013 (Act No. 483, as Amended by Act No. 3-2013).

Christmas Bonus Benefits

The Christmas Bonus was $200 per retiree, beneficiary, and disabled member paid in December provided the member retired prior to July 1, 2013 (Act No. 144, as Amended by Act No. 3-2013).

Medication Bonus

The Plan covers an annual bonus of $100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries. (Act No. 155, as Amended by Act No. 3-2013).

continue

20. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – continuation

(2) Allocation Methodology

GASB Statement No. 75 requires that the primary government and the component units that provide OPEB benefits through the same defined benefits OPEB plan, recognize their proportionate share of the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense (benefit). The employer allocation percentage presented in the schedule of employer allocations and applied to amounts presented in the schedule of OPEB amounts by employer are based on the ration of each participating entity's actual benefit payments for allocation to the aggregate total of benefit payments for allocation paid by all participating entities during the year ending on the measurement date. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer may result in immaterial differences.

(3) Total OPEB Liabilities and Actuarial Information

The Total OPEB Liability was approximately $798.1 million as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2024 (measurement date as of June 30, 2023).

Actuarial Methods and Assumptions

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

Discount Rate

The discount rate for June 30, 2024, was 3.65%. this represents the municipal bond return rate as chosen by the Commonwealth. The source is the bond Buyer general Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

– *Pre-retirement Mortality*

For general employees not covered under Act No. 127-1958, the PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. For members covered under Act No. 127-1958, the PubS-2010 employee rates for males and females, projected using Mortality Improvement Scale MP-2021 on a generational basis. As generational table, they reflect mortality improvements both before and after the measurement date.

100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127-1958.

– *Post-retirement Mortality*

Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

continue

20. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – continuation

– *Post-retirement Disabled Mortality*

Rates which vary by gender are assumed for disabled retirees based on a study of the Plan' experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females, projected using Mortality Improvement Scale MP-2021 on a generational basis. As generational table, it reflects mortality improvements both before and after the measurement date.

– *Post-retirement Beneficiary Mortality*

Prior to the retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As generational table, it reflects mortality improvements both before and after the measurement date.

Relationship Between Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is July 1, 2022. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2023. This is the date on which the Total OPEB Liability is determined. The Reporting Date is the employer's fiscal year date. This report is for measurement of the year July 1, 2022, to June 30, 2023, for reporting period ending June 30, 2024.

Significant Changes

There have been no significant changes between the valuation date and measurement year end.

Total OPEB Liability

The Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB Statement No. 75.

The Municipality's proportionate share of the Total OPEB Liability used was as follows:

Total OPEB Liability	June 30, 2024	
	Total	Proportional Share (0.50844%)
Total OPEB Liability	$ 745,282,507	$ 3,789,350
Covered Payroll	N/A	N/A
Total OPEB Liability as a % of Covered Payroll	N/A	N/A

The Municipality's proportionate share of the Total OPEB Liability used was as follows:

Proportion – June 30, 2024	0.50844%
Proportion – June 30, 2023	0.50864%
Change – Increase (Decrease)	-0.00020%

continue

20. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – continuation

Discount Rate

The discount rate on June 30, 2023 and 2024, was as follows:

	June 30, 2023	June 30, 2024
Discount Rate	3.54%	3.65%
20-Year Tax-Exempt Municipal Bond Yield	3.54%	3.65%

As of June 30, 2024, the ERS issued its audited financial statements as of and for the fiscal year ended June 30, 2024, but did not provide the Municipality with the audited schedules of employment allocations and OPEB amounts by employer as of June 30, 2024 (Municipality's measurement date), necessary to comply with the requirements of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* as of June 30, 2024. As a result, amounts to be reported as Total OPEB Liability, applicable disclosures and required supplementary information have been included with the information reported in the Actuarial evaluation Report, which is unaudited data.

Changes in Total OPEB Liability	**Total OPEB Liability**	**Proportional Share**
Balance as of June 30, 2023	$ 802,689,035	$ 4,082,778
Changes for the year:		
Service Cost	-	-
Interest on Total OPEB Liability	27,132,112	137,826
Effect of Plan Changes	-	-
Effect of Economic/Demographic (Gains) or Losses	(4,904,204)	(16,438)
Effect of Assumptions Changes or Inputs	(6,508,090)	(32,716)
Benefits Payments	(73,126,346)	(382,100)
Balance as of June 30, 2024	**$ 745,282,507**	**$ 3,789,350**

Deferred Inflows and Outflows

Because all participants are inactive, there are no deferred inflows and outflows as any changes due to changes in actuarial assumptions or demographic gains and losses are recognized immediately during the measurement year.

Sensitivity of the Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Municipality's proportionate share of the Total OPEB Liability calculated using the discount rate, as well as what the Municipality's proportionate share of the Total OPEB Liability would be if it were calculated using a discount rate that is 1 – percentage point lower or 1 – percentage point higher than the current rate:

	1% Decrease 2.65%	**Current Discount Rate 3.65%**	**1% Increase 4.65%**
Total OPEB Liability	**$ 4,107,094**	**$ 3,789,350**	**$ 3,514,221**

continue

21. COMMITMENTS

Construction and Improvement Commitments

Fund	Encumbered For	Amount	Reported within Fund Balance Classification
Capital Projects Fund	Roads in Ave. Gautier Benitez	$ 103,500	Restricted for Infrastructure Improvement
	Improvements to the Chess House	109,419	Restricted for Building and Facilities
	Improvements in Muñoz Grillo Street	431,625	Restricted for Infrastructure Improvement
	Studies and Desing of Damage Restoration for three projects in Cañaboncito (Mitigation)	103,954	Restricted for Infrastructure Improvement
	Asphalt in Municipal Streets	4,562,883	Restricted for Infrastructure Improvement
	Improvements to the Roger Mendoza Sport Court	1,488,664	Restricted Improvements to Parks
General Fund	Studies and Desing of Damage Restoration for three projects in Cañaboncito (Mitigation)	103,954	Assigned for Infrastructure Improvement
Other Non-Major Fund	Study and Design of Damage Restoration in the Borinquen Area	519,528	Restricted for Recovery and Reconstruction Projects
		$ 7,423,527	

Solid Waste Disposal Contract

The Municipality formalized a contract for the recollection and disposal and management of solid waste with a private entity (the Company). The original contract was amended effective July 1, 2022 for the following services and is due on June 30, 2027. Such a contract requires the Municipality to pay the Company $7.97 per unit served. The contract provides for a minimum of 48,243 units served. Also, the Company also should collect recyclable material, the monthly fee is $1.97 per unit, which increases annually from 10,000 units from January 2023, up to 28,561 on January 2027.

In addition, the Municipality has agreed to pay an additional $32.00 per tons of solid waste that the Municipality transports and deposits in the Company's recollection center for processing. The fee is also subject to an annual increase of two-point five percent (2.5%). The Municipality agrees to pay an additional $30.00 per ton of solid waste that the Municipality transports and deposits directly in landfill facilities by the Municipality. The fee is also subject to an annual increase of two-point five percent (2.5%).

The Municipality received royalty of $2.21 per ton for direct private collection in the recollection facilities. The royalty is also subject to an annual increase of three percent (3%).

Expenditure for the year ended June 30, 2024 for this service under the terms of this contract amount to approximately $7.2 million.

Other Commitments

On June 30, 2024, the Non-Major Funds had a deficit of $984,498 as follows: Housing Funds $5,382, MASS Transportation Fund $4,030, and Economic Development Activities Fund $975,086. The deficits resulted from the accrual of expenditures without accruing intergovernmental and federal revenues for reimbursement of expenditures. As required by current standards, the Municipality recorded intergovernmental and federal revenues for reimbursement-based (expenditure-driven) grants on GFFS when all applicable eligibility requirements have been met, and the resources are available. Any amount not covered by the corresponding award will be covered with future budgetary appropriations of the general fund, if necessary.

continue

21. COMMITMENTS – continuation

Contributions to Nonprofits Corporations

Act No. 137 of August 9th, 2002 amended Article 17.001 and added Article 17.016 to the 1991 Autonomous Municipalities Law No. 81 of the Commonwealth of Puerto Rico. This amendment authorizes Municipalities "to be part of, participate, support and sponsor nonprofit organizations under the General Law of Corporations of 1995, as amended, and as long as it is organized to promote economic and cultural development or social improvement of a municipality or region of which the municipality is part of and the corporation counts with the participation and engagement of, in addition of the municipalities, the different sectors composed of higher level educational institutions and industrial and commercial enterprises, including associations grouping businesses and industries. Municipalities' participation on the Board of Directors cannot exceed 1/3 of the total members".

Under this Article, the Autonomous Municipality of Caguas, participates in various forms with (1) Corporación de Bellas Artes de Caguas (COBAC); (2) Corporación de Salud Aseguradora por Nuestra Organización Solidaria, Inc. (SANOS); (3) Corporación de Conservación Etnoecológica Criolla, Inc. (CCECI); (4) Iniciativa Tecnológica Centro-Oriental, Inc. (INTECO); (5) Banco de Desarrollo Centro Oriental, Inc. (BADECO); (6) Centro Criollo de Ciencia y Tecnología del Caribe, Inc. (C3TEC); (7) Alianza Municipal Servicios Integrados (AMSI); and (8) Corporación Juvenil para el Desarrollo de Comunidades Sostenibles (CJDCS).

On October 8, 2004 representatives of the Municipality and COBAC signed a 15-year lease contract, transferring the operations of the Fine Arts Center (FAC) to COBAC effective July 1, 2004 for a $1,000 annual rental fee payable to the Municipality. In addition, the Municipality is scheduled to make annual contributions for 5 years at par with the commitments that each representative on the Board has agreed to make. Subsequently, COBAC would obtain and provide the financial resources necessary for its operations from resources other than the Municipality. Finally, the Municipality's representation on the Board of Directors is 4 out of 17 members, or 24% of the voting power. No contributions were made during this fiscal year.

On July 1, 2006 representatives of the Municipality and SANOS signed a 5-year lease contract for the facilities where SANOS is currently located for a $1 annual fee payable to the Municipality. During the fiscal year, the Municipality contributed $772,777 for health care facility enhancements.

On April 18, 2007 representatives of the Municipality and CCECI signed a 10-year lease contract for the land and facilities comprising the Caguas Botanical and Cultural Garden for an annual fee of $1,000 effective April 18, 2007. During the fiscal year 2023-2024, the Municipality made contributions to CCECI for a total of $162,300 to cover operating expenses.

On September 3, 2003 representatives of the Caguas and other Municipalities signed a contractual agreement with INTECO to contribute funds; property; social, human, physical and technological capital from time to time. After the initial contribution, each Municipality would contribute approximately $1 per person annually according to the most recent Census available. The Municipality of Caguas and INTECO have and will enter into contractual agreements for specific projects from time to time. Finally, the Municipality's representation on the Board of Directors does not exceed the 1/3 of the total members. During the fiscal year, the Municipality contributed $710,000 to cover operating expenses of the CIMATEC school administered by INTECO.

An additional amount of $110,000 was provided for the project of "Asset Mapping", a program to create and deploy an accessible web page with an Inventory of Economic Development Assets available in the 12 Municipalities members of INTECO to attract capital investment, resources, and greater flow of new potential projects. Its ultimate purpose is to position the region as an attractive destination for new investment and economic development.

continue

21. COMMITMENTS – continuation

On July 1st, 2010, Banco de Desarrollo Centro Oriental, Inc. (BADECO) came to its existence as the only Regional Community Bank in Puerto Rico. BADECO is a nonprofit organization created and funded by the Autonomous Municipality of Caguas (MAC) as a spinoff of what was known for 27 years as the Community Development Bank of Caguas.

Out of this affiliation, BADECO administers for the MAC the loan programs that were not able to be transferred due to their nature of their funding, which came from Federal Government agencies, such as business loan fund granted by the Economic Development Administration (EDA) and the Energy Efficiency Loan fund for home owners granted by the Federal Department of Energy (DOE). BADECO reports to the MAC the programs' performance and holds all the documentation regarding such programs. These programs are audited yearly by the MAC and are also open to audit procedures for the funding agencies. During fiscal year 2017-2018, BADECO made a loan in the amount of $86,000 from cash deposit in the Bank, in addition, during fiscal year 2018-2019, another loan was made in the amount of $73,490, in fiscal year 2019-2020 a loan of $95,857 was made, in fiscal year 2020-2021 a of $9,265 was made, during fiscal year 2021-2022 a loan was made in the amount of $116,390, during fiscal year 2022-2023 a loan was made in the amount of $109,500, finally, a new loan was made in fiscal year 2023-2024 in the amount of $159,450. These loans are non-interest bearing. No repayments were made during the fiscal year.

On March 26, 2012 representation of Municipality and Board of Directors signed a contractual agreement where the Municipality authorized Centro Criollo de Ciencia y Tecnología del Caribe, Inc. (C3TEC) to manage and operate such property. C3TEC is an interactive educational center intended to awaken curiosity and stimulate interest in Science among children from the elementary level onward. The Municipality's representation on the Board of Directors does not exceed the 1/3 of the total members. As part of the agreement, during fiscal year 2023-2024 the Municipality contribution to C3TEC was $245,416 to cover operating expenses.

On September 24, 2013 representatives of the Municipality and of Integral Service Municipal Alliance (AMSI by Spanish acronyms) signed a one-year contract to contribute funds to cover the rent expense of AMSI for it headquarter offices located in the Municipality of Caguas. This entity was organized under the laws of Puerto Rico over 18 years ago, with the intent of providing services related to the search for employment contributing to a strengthened industry and a workforce that grows. During fiscal year 2023-2024, the Municipality contributed $100,000 to AMSI to cover rent expenses.

On July 13, 2015 representatives of the Municipality and the executive director of Youth Corporation for the Development of Sustainable Communities (CJDCS BY Spanish acronyms) signed an eight-year contract to contribute funds to cover operations expenses. CJDCS is a non-profit organization that was created to have strategies and projects for the promotion of agriculture and food security in our region. During the fiscal year 2023-2024, the Municipality contributed $150,000 to CJDCS to cover operations expenses.

Housing and Rental Contracts

The Section 8 Housing Choice Voucher Program (HCVP) provides rental assistance to help very low-income families afford decent, safe, and sanitary rental housing. The Municipality as a local Public Housing Agency (PHA) is authorized under Federal and State laws to operate housing programs within an area or jurisdiction. The Municipality, as a PHA accepts the application for rental assistance, selects the applicant for admission, and issues the selected family a voucher confirming the family's eligibility for assistance. The family must then find and lease a dwelling unit suitable to the family's needs and desires in the private rental market. The PHA pays the owner a portion of the rent [a housing assistance payment (HAP)] on behalf of the family.

continue

21. COMMITMENTS – continuation

The subsidy provided by the HCVP is considered a tenant-based subsidy because when an assisted family moves out of a unit leased under the program, the assistance contract with the owner terminates and the family may move to another unit with continued rental assistance (24 CFR Section 982.1).

The US Department of Housing and Urban Development (HUD) enters into annual contributions contracts (ACCs) with PHAs under which HUD provides funds to the PHAs to administer the programs locally. The PHAs enter into HAP contracts with private owners who lease their units to assisted families (24 CFR Section 982.151).

During the fiscal year ended June 30, 2024, the Municipality received HAP's assistance payments in the amount of approximately $8.5 million. No significant changes are expected during the subsequent fiscal year.

22. LEASES

Leases Accounting Policies – Lessee

The Municipality determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of an intangible right-to-use assets and lease liabilities on the Statement of Net Position. Right-to-use assets represent the use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Municipality determines lease classification as operating or finance at the lease commencement date. Finance leases, if applicable, are included in capital assets, other current liabilities and other long-term liabilities in our Statement of Net Position.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The right-to-use asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Municipality uses the incremental borrowing rate (IBR) when readily determinable. As most of the leases do not provide an IBR, the Municipality uses the interest rate charged by the Lessor based on the information available at the commencement date to determine the present value of lease payments. IBR used to determine the present value of lease payments derived by reference to the interest rate on the Lessor corresponding to the lease commencement date. Lease assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term.

The lease term is the noncancelable period per the contract. Additionally, the lease term may include options to extend or to terminate the lease that the Municipality is reasonably certain to exercise.

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continue

22. LEASES – continuation

Leases Accounting Policies – Lessor

The Municipality is a Lessor for a noncancellable lease of facilities, buildings and improvements, equipment and vehicles. The Municipality recognizes a lease receivable and a deferred inflow of resources in the GWFS and GFFS, as applicable.

At the commencement of a lease, the Municipality initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Municipality determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Municipality uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Municipality monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lease Assets – Lessee

The Municipality has recorded intangible right-to-use lease assets as a result of implementing GASB Statement No. 87. The lease assets are initially measured at an amount equal to the initial measurement of the related lease liability [plus any lease payments made prior to the lease term and ancillary charges necessary to place the lease into service, less lease incentives], if any. Lease assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term.

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22. LEASES – continuation

Lease asset activity for the Municipality for the year ended June 30, 2024, was as follows:

	BALANCE JULY 1, 2023	INCREASES	DECREASES	BALANCE JUNE 30, 2024
Right-To-Use Assets:				
Facilities	$ 2,507,238	$ -	$ -	$ 2,507,238
Buildings and Improvements	2,955,741	159,526	-	3,115,267
Equipment and Vehicles	537,813	341,982	-	879,795
Total Right-To-Use Assets	6,000,792	501,508	-	6,502,300
Less Accumulated Amortization- Right-To-Use Assets:				
Facilities	(867,104)	(520,745)	-	(1,387,849)
Buildings and Improvements	(1,207,472)	(779,659)	-	(1,987,131)
Equipment and Vehicles	(253,300)	(195,372)	-	(448,672)
Total Accumulated Amortization- Right-To-Use Assets	(2,327,876)	(1,495,776)	-	(3,823,652)
Total Right-To-Use Less Accumulated Amortization	$ 3,672,916	$ (994,268)	$ -	$ 2,678,648

Lease Liability – Lessee

The Municipality has entered into agreements to lease facilities. The lease agreements have been recorded at the present value of the future lease payments as of the date of their inception or, for leases existing prior to the implementation fiscal year at the remaining terms of the agreement, using the facts and circumstances available on July 1, 2023. The following table presents a summary, by capital asset description:

Capital Asset Description	Lease Term	Interst Rate	Oustanding Balance
Head Start Facilities Leases	3.17 to 6.5 Years	5.0%	$ 1,214,607
Betances Street Commercial Buildings Leases	5 Years	5.0%	301,034
Commercial Building at Tapia Street Lease	2.67 Years	5.0%	13,770
Consolidated Medical Plaza Building Lease for Public Housing Office	6 Years	5.0%	494,568
Ricoh Lanier Copiers Lease	2.83 to 5 Years	4.1%	456,268
Property at Baldorioty D-3, Urb. Paradaise (Bajos) for Oficina de la Mujer	2.5 Years	5.0%	7,688
Suite 202 Gastby Building for CEE Satellites Office	5 Years	5.0%	163,092
Property at Muñoz Rivera 20 for COVID Prevention Office	4 Years	5.0%	154,802
Facilities from Centro Criollo de Ciencia y Tecnologia for Proyecto Apoyo Educativo Criollo	1.9 Years	5.0%	35,481
Property for Departamento de Movilidad Ciudadana	2 Years	5.0%	23,700
			$ 2,865,010

Long-Term Liability Roll-Forward Schedule:

DESCRIPTION	BALANCE JUNE 30, 2023	NEW ISSUES	RETIREMENTS AND ADJUSTMENTS	BALANCE JUNE 30, 2024	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE AFTER ONE YEAR
Leases Liability (Intangible Right-To-Use)	$ 3,807,018	$ 501,508	$ (1,443,516)	$ 2,865,010	$ 1,160,179	$ 1,704,831

continue

22. LEASES – continuation

The future minimum payments on this lease as of June 30, 2024, were as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Total
2025	$ 1,160,179	$ 112,693	$ 1,272,872
2026	838,709	65,189	903,898
2027	657,374	26,844	684,218
2028	195,974	4,448	200,422
2029	12,774	80	12,854
2030-2034	-	-	-
TOTAL	**$ 2,865,010**	**$ 209,254**	**$ 3,074,264**

Lease Receivables / Deferred Inflows of Resources – Lessor

Additionally, as Lessor, the Municipality leases and subleases Municipality-owned properties such as facilities and buildings. The related receivables are presented in the Statement of Net Position for the amounts equal to the present value of lease payments expected to be received during the lease term. The total amount of lease revenue, interest revenue, and other lease-related revenues recognized in the current reporting period from leases is $632,885. The following Table presents a summary, by Capital Asset Description:

Capital Asset Description	Lease Term	Interst Rate	Lease Receivable	Deferred Inflow	Lease Revenue	Interest Revenue
Commercial Lot Antiguo Teatro Alcázar Lease	2.33 Years	5.0%	$ -	$ -	$ 1,891	$ 21
Commercial Lot Lincoln Center Plaza Building Leases	2.80 and 6.9 Years	5.0%	1,190,169	1,020,165	260,177	35,449
Edificio Mendez Luna Commercial Lease	11.01 Years	5.0%	79,658	74,663	9,237	4,196
Parking Lot Calle Goyco Lease	2.33 Years	5.0%	-	-	946	10
Parking Lot Calle Ruiz Belvis Lease	2.10 Years	5.0%	-	-	246	2
Plaza del Mercado Commercial Lot Leases	2.80 to 5 Years	5.0%	393,950	347,910	155,720	17,373
Residential Lot Urb. Jose Mercado Lease	10.58 Years	5.0%	215,480	194,039	25,587	11,396
Solid Waste Transfer Station Lease	10.00 Years	5.0%	1,938,964	1,621,564	231,652	106,617
Terminal Francisco Pereira Commercial Lot Lease	5.00 Years	5.0%	34,733	31,147	11,681	2,034
Cafeteria Centro de Gobierno	2 Years	5.0%	4,925	4,463	4,464	288
			$ 3,857,879	**$ 3,293,951**	**$ 701,601**	**$ 177,386**

The Municipality's variable payments clause within its lease arrangements as the lessor, is similar to the arrangements made as lessee. The Municipality did not incur revenue related to residual value guarantees or lease termination penalties. It also does not currently have agreements that include sale-leaseback and lease-leaseback transactions.

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23. SUBCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

A. SBITAs Accounting Policies

The Municipality determines if a contract to use another party's information technology (IT) software qualifies as a subscription-based information technology arrangement (SBITAs) at inception. SBITAs result in the recognition of an intangible right-to-use subscription assets and subscription liabilities on the Statement of Net Position. Right-to-use subscription assets represent the use of an underlying asset for the subscription term, and subscription liabilities represent the obligation to make subscription payments arising from the contract, measured on a discounted basis.

At subscription inception, when the subscription asset is placed into service, the subscription liability is measured at the present value of the subscription payments over the subscription term. The right-to-use subscription asset equals the subscription liability adjusted for any payments made before the subscription term, capitalizable implementation costs, and subscription incentives received before the subscription term. The Municipality uses the incremental borrowing rate (IBR) when readily determinable. As most of the subscription contracts do not provide an IBR, the Municipality uses its most recent borrowing rate based on the information available at the commencement date to determine the present value of lease payments. IBR used to determine the present value of subscription payments were derived by reference to the interest rate on the vendor corresponding to the subscription commencement date. Subscription assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the subscription term.

The subscription term is the noncancelable period per the contract. Additionally, the subscription term may include options to extend or to terminate the subscription that the Municipality is reasonably certain to exercise.

B. Subscription Assets

The Municipality has recorded intangible right-to-use subscription assets as a result of implementing GASB Statement No. 96. The subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability [plus any subscription payments made prior to the subscription term and capitalizable implementation costs, less subscription incentives], if any.

Subscription assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the subscription term.

Subscription asset activity for the Municipality for the year ended June 30, 2024, was as follows:

Subscription Asset	$ 4,786,414
Amortization - Subscription Asset	(1,287,651)
Total Right-To-Use Subscription Assets Less Accumulated Amortization	$ 3,498,763

C. Subscription Liability

The Municipality has entered into agreements for subscription-based information technology. The subscription agreements have been recorded at the present value of the future lease payments as of the date of their inception or, for subscriptions existing prior to the implementation fiscal year at the remaining terms of the agreement, using the facts and circumstances available on July 1, 2023.

continue

23. SUBCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs) – continuation

An agreement was in effect on January 1, 2023, related to a subscription-based information technology through May 2025, requiring 3 yearly payments of $61,230. The subscription liability is measured at the applicable Incremental Borrowing Rate (IBR) of 5.00%. The Municipality uses the incremental borrowing rate (IBR) when readily determinable. As a result of the subscription, the Municipality has a subscription asset with a net book value of $87,541 and a lease liability of $58,314 on June 30, 2024.

Another agreement was in effect on May 1, 2023, related to a subscription-based information technology through May 2025, requiring 3 yearly payments of $513,718. The subscription liability is measured at the applicable Incremental Borrowing Rate (IBR) of 5.0%. The Municipality uses the incremental borrowing rate (IBR) when readily determinable. As a result of the subscription, the Municipality has a subscription asset with a net book value of $899,584 and a lease liability of $490,718 on June 30, 2024.

Effective July 1, 2023, the Municipality entered into a new subscription-based information technology agreement requiring average quarterly payments of $48,195 over a five-year term. The subscription liability is measured at the applicable Incremental Borrowing Rate (IBR) of 5.0%. The Municipality uses the incremental borrowing rate (IBR) when readily determinable. As a result of the subscription, the Municipality has a subscription asset with a net book value of $2,511,638 and a lease liability of $2,634,572 on June 30, 2024.

Long-Term Liability Roll-Forward Schedule:

DESCRIPTION	BALANCE JUNE 30, 2023	NEW ISSUES	RETIREMENTS AND ADJUSTMENT	BALANCE JUNE 30, 2024	AMOUNT'S DUE WITHIN ONE YEAR	AMOUNT'S DUE AFTER NEXT YEAR
Subscription Liability (SBITAS)	1,069,063	3,142,403	(1,027,862)	3,183,604	1,153,569	2,030,035
TOTAL	$ 1,069,063	$ 3,142,403	$ (1,027,862)	$ 3,183,604	$ 1,153,569	$ 2,030,035

The future minimum payments on those subscriptions as of June 30, 2024, were as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Total
2025	$ 1,153,569	$ 148,107	$ 1,301,676
2026	643,346	89,564	732,910
2027	676,122	56,788	732,910
2028	710,567	22,343	732,910
TOTAL	**$ 3,183,604**	**$ 316,802**	**$ 3,500,406**

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24. COMPONENTS OF FUND BALANCES

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	HEALTH & HUMAN SERVICES FUND	SOCIAL AND WELFARE ACTIVITIES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Nonspendable - Loans	$ -	$ -	$ -	$ -	$ 419,625	$ 950,063	$ 1,369,688
Restricted For:							
Commercial and Residential Loans	-	-	-	-	-	142,210	142,210
Child Care Program	-	-	-	3,612	-	-	3,612
Debt Repayments	-	-	22,150,655	-	-	-	22,150,655
Drug Prevention Programs	-	-	-	-	12,377	-	12,377
Economic Development Purposes	-	-	-	-	76,774	3,692	80,466
Educational Assisted Programs	-	-	-	-	211,948	-	211,948
Energy Saving Loans	-	-	-	-	125,768	-	125,768
Head Start and Elderly Programs	-	-	-	15,306	-	-	15,306
Health Services	-	-	-	-	4,014	-	4,014
Housing Assisted Programs	-	-	-	-	-	1,414,150	1,414,150
Hurricane Fiona Emergency	-	-	-	-	-	25,095	25,095
Improvement to the City Hall Building	-	10,906	-	-	-	-	10,906
Improvements to Facilities and Buildings	384,757	3,630	-	-	1,368	-	389,755
Infrastructure Improvements	-	25,057,750	-	-	1,050	6,393	25,065,193
Purchase and Maintenance of Equipment	-	432,413	-	-	-	-	432,413
Improvements to Parks	-	6,924,840	-	-	-	-	6,924,840
Municipal Library Administration	-	-	-	6,341	-	-	6,341
Opioid Program	-	-	-	402,365	-	-	402,365
Recovery and Reconstruction Projects	-	-	-	-	-	805,190	805,190
Recreational Activities	-	22,851	-	-	-	50,121	72,972
Reforestation Initiatives	-	-	-	-	243	9,897	10,140
Safety and Security Programs	-	-	-	-	156,407	5,728	162,135
Social Development Purposes	-	-	-	-	621,026	17	621,043
Sureste Sport Facility Construction	-	589,353	-	-	-	-	589,353
System 911	-	-	-	-	722	-	722
CARES Act Revolving Loan	-	-	-	-	192,682	-	192,682
Transit Improvement Programs	991,794	-	-	-	684	75,000	1,067,478
Total Restricted	1,376,551	33,041,743	22,150,655	427,624	1,405,063	2,537,493	60,939,129
Committed To:							
Economic Development Purposes	-	-	-	-	-	12,080	12,080
Public Nuisances Program	-	-	-	-	229,856	-	229,856
Revitalization of Properties for the Safety and Health	-	-	-	-	1,464,490	-	1,464,490
Transcriollo Transportation Program	-	-	-	-	-	15,199	15,199
Total Committed	-	-	-	-	1,694,346	27,279	1,721,625
Assigned To:							
Improvements to Facilities and Buildings	313,828	-	-	-	-	-	313,828
Purchase and Maintenance of Equipment	244,156	384,148	-	-	-	-	628,304
Improvements to Facilities and Infrastructure	-	-	-	-	-	277,651	277,651
Recovery and Reconstruction Projects	1,370,790	-	-	-	-	10,815	1,381,605
Improvements to Facilities	-	23,638	-	-	-	-	23,638
Hurricane Fiona Emergency	-	-	-	-	-	488,020	488,020
Infrastructure Improvements	1,932,476	41,246	-	-	-	-	1,973,722
Reinvestment and Economic Development Program	958,144	-	-	-	-	-	958,144
Parking Meters Program	139,452	-	-	-	-	-	139,452
Maintenance Buildings and Green Areas	2,351,403	-	-	-	-	-	2,351,403
General Government Expenditures	3,858,816	-	-	-	-	-	3,858,816
Landfill Transfer Unit	1,032,344	-	-	-	-	-	1,032,344
Total Assigned	12,201,409	449,032	-	-	-	776,486	13,426,927
Unassigned (Deficit)	11,899	(86,217)	-	(211,947)	(2,827,929)	(984,498)	(4,098,692)
Total Fund Balances	$ 13,589,859	$ 33,404,558	$ 22,150,655	$ 215,677	$ 691,105	$ 3,306,823	$ 73,358,677

continue

25. CONTINGENCIES

Litigation

The Municipality is a defendant in legal matters that arise in the ordinary course of the Municipality's activities. With respect to pending and threatened litigation, the Municipality has reported liabilities of $50,000 in the government-wide statements for anticipated unfavorable judgments or future disbursements.

The amount presented in the total liabilities of the governmental activities in the statement of net position represents the amount estimated as probable liability, which will require future available financial resources for its payment. The Municipality's administration and legal counsel believes that the ultimate liability in excess of amounts provided would not be significant. In addition, the Municipality is a defendant or co-defendant in several legal proceedings, which are in the discovery stage. Certain of these claims are covered by insurance. Legal counsel with the information currently available cannot determine the final outcome of these claims. As a result, the accompanying general-purpose financial statements do not include adjustments, if any, that could result from the resolution of these legal proceedings.

Federal Financial Assistance

The Municipality receives financial assistance from the federal government in the form of grants or entitlements. The Municipality recognizes federal grant revenues when the related grant agreements are approved and notified by the federal agencies by written communication. All grants are subject to financial and compliance audits by the grantor agencies, which could result in requests for reimbursement by the grantor agencies for expenditures, if disallowed under the terms of the grants. These amounts, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The Municipality's administration believes that such disallowances, if any, will not have a material adverse effect on the financial position of the Municipality.

26. TAX ABATEMENTS

The Municipality provides tax abatements through two programs— the Traditional Urban Center and Special Corridors, and new technology industries; manufacture; service; distribution (local or export); transportation; corporate headquarters, and others. Also, by Resolution 12A-55 the Court of First Instance of Puerto Rico determined that Satellite Television is exempt of Municipal Patents Law.

The Commonwealth of Puerto Rico provides tax abatements in the Municipality through eight programs— the Tax Incentives Act of 1998; Tax Incentives for the Development of Puerto Rico Act; Act to Promote the Export of Services; Green Energy Incentives Act of Puerto Rico; Tax Exemptions for Hospitals; Agricultural Tax Incentives Act of Puerto Rico; Foreign Trade Zones; Puerto Rico Tourism Development Act of 2010; and Young Entrepreneurs Incentive and Financing Act.

Also, the Internal Revenue Code administered by the Treasury Department, provides full exemption to municipal volume of business taxes for rental of low-income families; Law of Cooperative Savings and Credit Societies; Hospitals and Insurance Code of Puerto Rico. In addition, the Puerto Rico Department of Housing administered a law that provides tax abatements in the Municipality for housing projects for elderly people with low incomes; and others.

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26. TAX ABATEMENTS – continuation

Municipality Tax Abatement Disclosure as required by GASB Statement No. 77	Programs Administered by the Department of Economic Development of the Municipality					
	Ordinance No. 12A-48, Serie 2011-2014 Program			Resolution 12A-55, Case DPE 2007-3979 (904) Court of First Instance of Puerto Rico		
1) Purpose of Program.	Review and establish new tax incentives for the jurisdiction of the Municipality and for its special zones of the Traditional Urban Center and Special Corridors.			Resolution 12A-55, Case DPE 2007-3979 (904) Court of First Instance.		
2) Tax being abated.	Real Property Taxes, Volume of Business Taxes, and Construction Excise Taxes.			Volume of Business Taxes.		
3) Authority under which abatement agreements are entered into.	Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law; and Law Number 83 of August 30, 1991, as amended, known as the Municipal Property Tax Act.			Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law.		
4) Criteria to be eligible to receive abatement.	The taxpayer will contribute to maintain and improve the economic and labor stability of the industrial or commercial unit to be established, or any other factor or circumstance that reasonably demonstrates that the concession of tax incentives will result in the best socio-economic interests of the Municipality.			Exempt from payment of municipal patent by Satellite Television, as required by the court.		
5) How recipients' taxes are reduced.	Through a reduction of annual rate on Personal Property Taxes of 75% during five (5) years, or 100% during two (2) years plus 90% during the next eight (8) years, with some limitations; Real Property Taxes of 75% during five (5) years, or 40% during ten (10) years, with some limitations; Volume of Business Taxes of 75% of total amount during five (5) years, or 40% during ten (10) years, with some limitations; and full exemption on Construction Excise Taxes on new construction and expansions.			This Act provide full exemption of Volume of Business Taxes.		
6) How amount of abatement is determined.	The amount of the direct reduction to revenues is based on the calculated certified reasonable property value, volume of business, total investment on construction; the approved percentage is applied to that figure to determine the abatement amounts.			The amount of the direct reduction to revenues is based on the calculated certified reasonable volume of business; the approved percentage is applied to that figure to determine the abatement amounts.		
7) Provisions for recapturing abated taxes.	N/A			N/A		
8) Types of commitments made by the Municipality other than to reduce taxes.	N/A			N/A		
9) Gross dollar amount, on accrual basis, by which the Municipality's tax revenues were reduced as a result of abatement agreement.	**Property Taxes**	**Volume of Business Taxes**	**Construction Excite Taxes**	**Property Taxes**	**Volume of Business Taxes**	**Construction Excite Taxes**
	$2,440,071	**$4,287,695**	**$0**	**$0**	**$15,302**	**Not Applicable**

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26. TAX ABATEMENTS – continuation

<table>
<tr><th rowspan="2">Municipality Tax Abatement Disclosure as required by GASB Statement No. 77</th><th colspan="6">Programs Administered by the Puerto Rico Industrual Development Company</th></tr>
<tr><th colspan="3">Tax Incentives Act of 1998 (Act Number 135 of December 2, 1997 as Amended)</th><th colspan="3">Tax Incentives for the Development of Puerto Rico Act (Act Number 73 of May 28, 2008, as Amended)</th></tr>
<tr><td>1) Purpose of Program.</td><td colspan="3">Stimulate the formation of local capital, promote the development of the air port infrastructure and maritime, promote the export of manufactured articles in Puerto Rico, promote the development of strategic industries, promote the development of small and medium businesses, promote the establishment of regional offices and corporate headquarters and distribution centers in Puerto Rico, promote the creation of jobs and the development of human resources, and promote the development and distribution of technology in Puerto Rico.</td><td colspan="3">Provide an adequate environment and opportunities for the continued development of our local industry; providing an attractive tax proposal that appeals to foreign direct investments and fosters the economic development and social betterment in Puerto Rico.</td></tr>
<tr><td>2) Tax being abated.</td><td colspan="3">Real and Personal Property Taxes, Volume of Business Taxes, and Construction Excise Taxes.</td><td colspan="3">Real and Personal Property Taxes, Volume of Business Taxes, and Construction Excise Taxes.</td></tr>
<tr><td>3) Authority under which abatement agreements are entered into.</td><td colspan="3">Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law; and Law Number 83 of August 30, 1991, as amended, known as the Municipal Property Tax Act.</td><td colspan="3">Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law; and Law Number 83 of August 30, 1991, as amended, known as the Municipal Property Tax Act.</td></tr>
<tr><td>4) Criteria to be eligible to receive abatement.</td><td colspan="3">Any industrial unit whose objective is the production of a manufactured product on a commercial scale; any "bonafide" industrial unit that is established on a permanent basis to produce an article designated under this law; and any service unit that has as its objective the provision on a commercial scale in Puerto Rico of some type of service designed for foreign markets, including markets in the United States.</td><td colspan="3">Any industrial unit whose objective is the production of a manufactured product on a commercial scale; any "bonafide" industrial unit that is established on a permanent basis to produce an article designated under this law; and any service unit that has as its objective the provision on a commercial scale in Puerto Rico of some type of service designed for foreign markets, including markets in the United States.</td></tr>
<tr><td>5) How recipients' taxes are reduced.</td><td colspan="3">Through a reduction of annual rate on Real Property Taxes and Personal Property Taxes of 90%; Volume of Business Taxes of 60% to 100% of total amount; and 60% to 100% of Construction Excite Taxes during the decrete period.</td><td colspan="3">Through a reduction of annual rate on Real Property Taxes and Personal Property Taxes of 90% to 100% up to 15 years; Volume of Business Taxes and Construction Excise Taxes of 60% of total amount for 15 years, 100% for industries dedicated to generation of energy using renewable sources for the first 5 years and then 60% for 15 years.</td></tr>
<tr><td>6) How amount of abatement is determined.</td><td colspan="3">The amount of the direct reduction to revenues is based on the calculated certified reasonable property value, volume of business, total investment on construction; the approved percentage is applied to that figure to determine the abatement amounts.</td><td colspan="3">The amount of the direct reduction to revenues is based on the calculated certified reasonable property value, volume of business, total investment on construction; the approved percentage is applied to that figure to determine the abatement amounts.</td></tr>
<tr><td>7) Provisions for recapturing abated taxes.</td><td colspan="3">N/A</td><td colspan="3">N/A</td></tr>
<tr><td>8) Types of commitments made by the Municipality other than to reduce taxes.</td><td colspan="3">N/A</td><td colspan="3">N/A</td></tr>
<tr><td rowspan="2">9) Gross dollar amount, on accrual basis, by which the Municipality's tax revenues were reduced as a result of abatement agreement.</td><td>Property Taxes</td><td>Volume of Business Taxes</td><td>Construction Excite Taxes</td><td>Property Taxes</td><td>Volume of Business Taxes</td><td>Construction Excite Taxes</td></tr>
<tr><td>$0</td><td>$324,379</td><td>Not Available</td><td>$0</td><td>$2,278,517</td><td>Not Available</td></tr>
</table>

continue

26. TAX ABATEMENTS – continuation

<table>
<tr><th rowspan="2">Municipality Tax Abatement Disclosure as required by GASB Statement No. 77</th><th colspan="6">Programs Administered by the Puerto Rico Industrual Development Company</th></tr>
<tr><th colspan="3">Act to Promote The Export of Services (Act Number 20 of January 17, 2012 as Amended)</th><th colspan="3">Green Energy Incentives Act of Puerto Rico (Act Number 83 of July 19, 2010 as Amended)</th></tr>
<tr><td>1) Purpose of Program.</td><td colspan="3">Provide provide the adequate environment and opportunities to develop Puerto Rico as an international service center, encourage local professionals to stay and return, and attract foreign capital, thus promoting the economic development and social betterment of Puerto Rico.</td><td colspan="3">To achieve the diversification of energy sources and energy technology infrastructure by reducing our dependency on energy sources derived from fossil fuels such as petroleum; reducing and stabilizing our energy costs; controlling electricity price volatility in Puerto Rico; reducing the flight of capital caused by the import of fossil fuels; preserving and improving our environment, natural resources and quality of life; promoting the conservation of energy and social wellbeing through various mechanisms such as setting and achieving goals within a mandatory timetable, and economic and tax incentives to stimulate the generation of electric power through sustainable renewable and alternative renewable energy source.</td></tr>
<tr><td>2) Tax being abated.</td><td colspan="3">Real and Personal Property Taxes, and Volume of Business Taxes.</td><td colspan="3">Real and Personal Property Taxes, Volume of Business Taxes, and Construction Excise Taxes.</td></tr>
<tr><td>3) Authority under which abatement agreements are entered into.</td><td colspan="3">Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law; and Law Number 83 of August 30, 1991, as amended, known as the Municipal Property Tax Act.</td><td colspan="3">Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law; and Law Number 83 of August 30, 1991, as amended, known as the Municipal Property Tax Act.</td></tr>
<tr><td>4) Criteria to be eligible to receive abatement.</td><td colspan="3">Any entity with an office or bona fide establishment located in Puerto Rico which carries out or may carry out, eligible services that are, in turn, considered services for export or promoter services shall be considered an eligible business.</td><td colspan="3">Any business engaged in the production and sale, at a commercial level, of green energy for consumption in Puerto Rico, whether as the owner and direct operator of the production unit or as owner of a production unit operated by another person, in which case, both the owner and the operator shall be deemed to be businesses engaged in an eligible activity for the purposes of this Act; Green energy producer, as defined in Section 1.4, for consumption in Puerto Rico, provided that this is his/her main business; Assembly of green energy generation equipment, including the installation of such equipment at the facilities of the green energy user to be produced by such equipment; Property engaged in the generation of green energy.</td></tr>
<tr><td>5) How recipients' taxes are reduced.</td><td colspan="3">Through a reduction of annual rate on Real Property Taxes and Personal Property Taxes of 90% up to 20 years; and Volume of Business Taxes of 60% of total amount for 20 years.</td><td colspan="3">Through a reduction of annual rate on Real Property Taxes and Personal Property Taxes of 90% for 25 years; Volume of Business Taxes and Construction Excise Taxes of 60% of total amount for 25 years.</td></tr>
<tr><td>6) How amount of abatement is determined.</td><td colspan="3">The amount of the direct reduction to revenues is based on the calculated certified reasonable property value, volume of business; the approved percentage is applied to that figure to determine the abatement amounts.</td><td colspan="3">The amount of the direct reduction to revenues is based on the calculated certified reasonable property value, volume of business; the approved percentage is applied to that figure to determine the abatement amounts.</td></tr>
<tr><td>7) Provisions for recapturing abated taxes.</td><td colspan="3">N/A</td><td colspan="3">N/A</td></tr>
<tr><td>8) Types of commitments made by the Municipality other than to reduce taxes.</td><td colspan="3">N/A</td><td colspan="3">N/A</td></tr>
<tr><td rowspan="2">9) Gross dollar amount, on accrual basis, by which the Municipality's tax revenues were reduced as a result of abatement agreement.</td><td>Property Taxes</td><td>Volume of Business Taxes</td><td>Construction Excite Taxes</td><td>Property Taxes</td><td>Volume of Business Taxes</td><td>Construction Excite Taxes</td></tr>
<tr><td>$0</td><td>$581,736</td><td>Not Available</td><td>$0</td><td>$1,132</td><td>Not Available</td></tr>
</table>

continue

26. TAX ABATEMENTS – continuation

Municipality Tax Abatement Disclosure as required by GASB Statement No. 77	**Programs Administered by the Puerto Rico Industrual Development Company**		
	Agricultural Tax Incentives Act of Puerto Rico (Act Number 225 of December 1, 1995, as Amended)		
1) Purpose of Program.	To set the public policy in the agricultural sector and other related economic sectors; establish the requirements to qualify "bona fide" farmers and exempt them from payment of any kind of taxes on personal and real property, municipal volume of business, income, excise taxes and any municipal and/or state tax.		
2) Tax being abated.	Real and Personal Property Taxes, Volume of Business Taxes, and Construction Excise Taxes.		
3) Authority under which abatement agreements are entered into.	Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law; and Law Number 83 of August 30, 1991, as amended, known as the Municipal Property Tax Act.		
4) Criteria to be eligible to receive abatement.	Any natural or legal person who during the taxable year for which he claims deductions, exemptions or benefits provided by this law has a current certification issued by the Secretary of Agriculture, in consultation with the Secretary of the Treasury, which certifies that during said year was dedicated to the exploitation of an activity that qualifies as an agricultural business, as said term is defined in subsection (b) of this section, and which derives fifty percent (50%) or more of its gross income from a agricultural business as operator, owner or lessee, as recorded in yourtheir income tax return, shall be considered an eligible business.		
5) How recipients' taxes are reduced.	This Act, as amended, provide full exemption of Real Property Taxes and Personal Property Taxes; Volume of Business Taxes and Construction Excise Taxes.		
6) How amount of abatement is determined.	The amount of the direct reduction to revenues is based on the calculated certified reasonable property value, volume of business; the approved percentage is applied to that figure to determine the abatement amounts.		
7) Provisions for recapturing abated taxes.	N/A		
8) Types of commitments made by the Municipality other than to reduce taxes.	N/A		
9) Gross dollar amount, on accrual basis, by which the Municipality's tax revenues were reduced as a result of abatement agreement.	**Property Taxes**	**Volume of Business Taxes**	**Construction Excite Taxes**
	$0	**$8,472**	**Not Available**

continue

26. TAX ABATEMENTS – continuation

<table>
<tr><th rowspan="2">Municipality Tax Abatement Disclosure as required by GASB Statement No. 77</th><th colspan="6">Programs Administered by the Puerto Rico Industrual Development Company</th></tr>
<tr><th colspan="3">Foreign Trade Zones (Act Number 131 of June 17, 1999)</th><th colspan="3">Young Entrepreneurs Incentive and Financing Act (Act Number 135 of August 7, 2014, as Amended)</th></tr>
<tr><td>1) Purpose of Program.</td><td colspan="3">To promote the export activity generated by companies located in a Foreign Trade Zone, including the income generated by the products used in the process of manufacturing, mixing or packaging made within the area, established in accordance with the provisions of the Zone Act of Foreign Trade of 1934 (19 USC 81C (a)), by an entity incorporated under the laws of the Government of Puerto Rico or by a company authorized to do business in Puerto Rico.</td><td colspan="3">To promote the retention of Puerto Rican talent and foster the return of young professionals who have left the Island.</td></tr>
<tr><td>2) Tax being abated.</td><td colspan="3">Personal Property Taxes and Volume of Business Taxes.</td><td colspan="3">Personal Property Taxes and Volume of Business Taxes.</td></tr>
<tr><td>3) Authority under which abatement agreements are entered into.</td><td colspan="3">Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law; and Law Number 83 of August 30, 1991, as amended, known as the Municipal Property Tax Act.</td><td colspan="3">Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law; and Law Number 83 of August 30, 1991, as amended, known as the Municipal Property Tax Act.</td></tr>
<tr><td>4) Criteria to be eligible to receive abatement.</td><td colspan="3">It grants an exemption from the payment of personal property taxes and municipal patents exclusively to the merchandized and the volume of business derived from the export of those companies whose operations are in the Foreign Trade Zones.</td><td colspan="3">This Act offers various competitive advantages for young professionals to work and establish themselves in Puerto Rico. Firstly, full income tax exemption is provided for the first forty thousand dollars ($40,000) earned by young persons between the ages of sixteen (16) and (26) on account of wages, rendered services, or self-employment, shall be considered an eligible business.</td></tr>
<tr><td>5) How recipients' taxes are reduced.</td><td colspan="3">Through a reduction of annual rate on Personal Property Taxes of 100%; and Volume of Business Taxes of 100%.</td><td colspan="3">This Act provide full exemption of Personal Property Taxes and Volume of Business Taxes for the first $500,000 of volume earned for a period of 3 years.</td></tr>
<tr><td>6) How amount of abatement is determined.</td><td colspan="3">The amount of the direct reduction to revenues is based on the calculated certified reasonable property value, volume of business; the approved percentage is applied to that figure to determine the abatement amounts.</td><td colspan="3">The amount of the direct reduction to revenues is based on the calculated certified reasonable property value and volume of business; the approved percentage is applied to that figure to determine the abatement amounts.</td></tr>
<tr><td>7) Provisions for recapturing abated taxes.</td><td colspan="3">N/A</td><td colspan="3">N/A</td></tr>
<tr><td>8) Types of commitments made by the Municipality other than to reduce taxes.</td><td colspan="3">N/A</td><td colspan="3">N/A</td></tr>
<tr><td rowspan="2">9) Gross dollar amount, on accrual basis, by which the Municipality's tax revenues were reduced as a result of abatement agreement.</td><td>Property Taxes</td><td>Volume of Business Taxes</td><td>Construction Excite Taxes</td><td>Property Taxes</td><td>Volume of Business Taxes</td><td>Construction Excite Taxes</td></tr>
<tr><td>$418,901</td><td>$1,003,614</td><td>Not Applicable</td><td>$0</td><td>$284,342</td><td>Not Available</td></tr>
</table>

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continue

26. TAX ABATEMENTS – continuation

Municipality Tax Abatement Disclosure as required by GASB Statement No. 77	**Programs Administered by the Puerto Rico Turism Company**		
	Puerto Rico Tourism Development Act of 2010 (Act Number 74 of July 10, 2010, as Amended)		
1) Purpose of Program.	To set the public policy to make Puerto Rico a world-class tourist destination, propitiate the right conditions to ensure the continued development and competitiveness of the hotel industry in Puerto Rico, provide the environment for the continuous training of local and foreign capital for investment in tourism projects, tempering the incentives offered to the Puerto Rican tourism industry to the evolution of better tourism products, to the challenges we face and to the opportunities that our current world offers us, mitigate the high costs of construction and of operation of tourist businesses in Puerto Rico; to make more flexible the sources of income that the associations of condominiums that are part of an exempt business may have according to the Tourism Development Law of Puerto Rico of 1993 and the Tourism Development Act of Puerto Rico of 2010, and the associations of owners of timeshare owners and vacation clubs.		
2) Tax being abated.	Real and Personal Property Taxes, Volume of Business Taxes, and Construction Excise Taxes.		
3) Authority under which abatement agreements are entered into.	Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law; and Law Number 83 of August 30, 1991, as amended, known as the Municipal Property Tax Act.		
4) Criteria to be eligible to receive abatement.	Any hotels, condo hotels, Puerto Rican hostels, agro-housing, guest houses, timeshare rights plans and vacation clubs, hostels that belong to the "Posadas de Puerto Rico" program, those certified as "Bed and Breakfast (B & B)" and any other from time to time are part of programs promoted by the Tourism Company, theme parks, golf courses operated by, or associated with, a hotel that is an exempt business under this Act, the Tourism Development Act of Puerto Rico of 1993 or any another similar law of an analogous nature, or golf courses included within a destination or tourist complex (resort), tourist marinas, facilities in port areas for tourism purposes, agrotourism, nautical tourism (provided, however, that any marina in the Islands Municipalities of Vieques and Culebra will be considered as tourist marine for purposes of this Law), medical tourism and other facilities or activities that, due to the special attraction derived from its usefulness as a source of active, passive or fun entertainment, shall be considered an eligible business.		
5) How recipients' taxes are reduced.	Through a reduction of annual rate on Real Property Taxes and Personal Property Taxes of 90% for 10 years; Volume of Business Taxes of 100% to new business for 10 years, and existing business of 90% for 10 years; and Construction Excise Taxes of 100% of total amount of new construction for 10 years.		
6) How amount of abatement is determined.	The amount of the direct reduction to revenues is based on the calculated certified reasonable property value, volume of business; the approved percentage is applied to that figure to determine the abatement amounts.		
7) Provisions for recapturing abated taxes.	N/A		
8) Types of commitments made by the Municipality other than to reduce taxes.	N/A		
9) Gross dollar amount, on accrual basis, by which the Municipality's tax revenues were reduced as a result of abatement agreement.	**Property Taxes**	**Volume of Business Taxes**	**Construction Excite Taxes**
	$0	**$132,051**	**Not Available**

continue

26. TAX ABATEMENTS – continuation

Municipality Tax Abatement Disclosure as required by GASB Statement No. 77	Programs Administered by the Puerto Rico Department of Treasury					
	Section 1101 (a) (6) of Internal Revenue Code of Puerto Rico			Section 1101 (a) (6) of Internal Revenue Code of Puerto Rico		
1) Purpose of Program.	Promote low-income families access to rental housing at reasonable prices.			Promote non-profit organization.		
2) Tax being abated.	Volume of Business Taxes.			Volume of Business Taxes.		
3) Authority under which abatement agreements are entered into.	Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law.			Law Number 81 of August 30, 1991, as amended, known as the Autonomous Municipalities Act of the Commonwealth of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law.		
4) Criteria to be eligible to receive abatement.	The taxpayer will be a low-income family to be eligible.			The taxpayer will be a non-profit organization to be eligible.		
5) How recipients' taxes are reduced.	This Act provide full exemption of Volume of Business Taxes.			This Act provide full exemption of Volume of Business Taxes.		
6) How amount of abatement is determined.	The amount of the direct reduction to revenues is based on the calculated certified reasonable volume of business; the approved percentage is applied to that figure to determine the abatement amounts.			The amount of the direct reduction to revenues is based on the calculated certified reasonable volume of business; the approved percentage is applied to that figure to determine the abatement amounts.		
7) Provisions for recapturing abated taxes.	N/A			N/A		
8) Types of commitments made by the Municipality other than to reduce taxes.	N/A			N/A		
9) Gross dollar amount, on accrual basis, by which the Municipality's tax revenues were reduced as a result of abatement agreement.	**Property Taxes**	**Volume of Business Taxes**	**Construction Excite Taxes**	**Property Taxes**	**Volume of Business Taxes**	**Construction Excite Taxes**
	Not Applicable	**$15,778**	**Not Applicable**	**$0**	**$23,626**	**Not Applicable**

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continue

26. TAX ABATEMENTS – continuation

Municipality Tax Abatement Disclosure as required by GASB Statement No. 77	**Programs Administered by the Puerto Rico Treasury Department**					
	Law on Cooperative Savings and Credit Societies (Act Number 225 of October 28, 2002)			**Tax Exemptions for Hospitals (Act Number 168 of June 30, 1968, as Amended)**		
1) Purpose of Program.	To facilitate and advance the growth and strengthening of savings and credit cooperatives organized under this Act, to encourage broad and full participation in the financial services markets and to promote the expansion of the philosophy and cooperative principles.			To grant incentives to people dedicated to the operation of hospitals and / or homes of health in Puerto Rico and adjacent facilities; and to establish the conditions under the hospitals will enjoy said incentives, as well as to exempt from the payment of contributions bonds, promissory notes or other obligations and fifty		
2) Tax being abated.	Real and Personal Property Taxes, Volume of Business Taxes, and Construction Excise Taxes.			Real and Personal Property Taxes, Volume of Business Taxes, and Construction Excise Taxes.		
3) Authority under which abatement agreements are entered into.	Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law; and Law Number 83 of August 30, 1991, as amended, known as the Municipal Property Tax Act.			Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law; and Law Number 83 of August 30, 1991, as amended, known as the Municipal Property Tax Act.		
4) Criteria to be eligible to receive abatement.	"Cooperative" means any cooperative savings and credit cooperative of first or second degree constituted and organized in accordance with this Act. Those cooperatives whose partners are cooperative entities shall be considered as second degree cooperatives. "Closed cooperatives" means any first-tier savings and credit cooperative whose members are limited to a particular company or group to the exclusion of other groups. "Insured Cooperative" means any cooperative that receives the stock and deposit insurance that the Corporation will provide. "Adequate Condition Cooperative" means that credit and savings cooperative that has an adequate financial and managerial condition, to be determined according to objective and uniform parameters that the Corporation will define through regulations.			Any people dedicated to the operation of hospitals and/or homes of health in Puerto Rico and adjacent facilities, shall be considered an eligible business.		
5) How recipients' taxes are reduced.	This Act, as amended, provide full exemption of Real Property Taxes and Personal Property Taxes; Volume of Business Taxes and Construction Excise Taxes.			This Act, as amended, provide full exemption of Real Property Taxes and Personal Property Taxes; Volume of Business Taxes and Construction Excise Taxes.		
6) How amount of abatement is determined.	The amount of the direct reduction to revenues is based on the calculated certified reasonable property value, volume of business, total investment on construction; the approved percentage is applied to that figure to determine the abatement amounts.			The amount of the direct reduction to revenues is based on the calculated certified reasonable property value, volume of business; the approved percentage is applied to that figure to determine the abatement amounts.		
7) Provisions for recapturing abated taxes.	N/A			N/A		
8) Types of commitments made by the Municipality other than to reduce taxes.	N/A			N/A		
9) Gross dollar amount, on accrual basis, by which the Municipality's tax revenues were reduced as a result of abatement agreement.	**Property Taxes**	**Volume of Business Taxes**	**Construction Excite Taxes**	**Property Taxes**	**Volume of Business Taxes**	**Construction Excite Taxes**
	$0	**$383,404**	**Not Applicable**	**$0**	**$134,930**	**Not Available**

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continue

26. TAX ABATEMENTS – continuation

Municipality Tax Abatement Disclosure as required by GASB Statement No. 77	**Programs Administered by the Puerto Rico Department of Treasury** **Insurance Code of Puerto Rico (Act Number 77 of June 19, 1957)**		
1) Purpose of Program.	Promote to maintain a main office of insurer in Puerto Rico.		
2) Tax being abated.	Volume of Business Taxes and Personal Property Taxes.		
3) Authority under which abatement agreements are entered into.	Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law.		
4) Criteria to be eligible to receive abatement.	Maintain a main Office in Puerto Rico.		
5) How recipients' taxes are reduced.	This Act provide full exemption of Volume of Business Taxes and Personal Property Taxes.		
6) How amount of abatement is determined.	The amount of the direct reduction to revenues is based on the calculated certified reasonable volume of business and personal property taxes; the approved percentage is applied to each figure to determine the abatement amounts.		
7) Provisions for recapturing abated taxes.	N/A		
8) Types of commitments made by the Municipality other than to reduce taxes.	N/A		
9) Gross dollar amount, on accrual basis, by which the Municipality's tax revenues were reduced as a result of abatement agreement.	**Property Taxes**	**Volume of Business Taxes**	**Construction Excite Taxes**
	$0	**$10,034**	**Not Applicable**

Municipality Tax Abatement Disclosure as required by GASB Statement No. 77	**Programs Administered by the Puerto Rico Department of Housing** **Act Number 165 of August 23, 1996**		
1) Purpose of Program.	Housing Rental Program for the Elderly with Low Income properties.		
2) Tax being abated.	Real Property Taxes, Volume of Business Taxes, and Construction Excise Taxes.		
3) Authority under which abatement agreements are entered into.	Act No. 107 of August 14, 2020, as amended, known as the Municipal Code of Puerto Rico; Law Number 113 of July 10, 1974, as amended by Law Number 82 of August 30, 1991, known as the Municipal Patents Law, and Law Number 83 of August 30, 1991, as amended, known as the Municipal Property Tax Act.		
4) Criteria to be eligible to receive abatement.	The taxpayer will rent residential property to elderly with low-income to be eligible.		
5) How recipients' taxes are reduced.	This Act provide 90% exemption of Real Property Taxes, Volume of Business Taxes, and Construction Excise Taxes.		
6) How amount of abatement is determined.	The amount of the direct reduction to revenues is based on the calculated certified reasonable volume of business; the approved percentage is applied to that figure to determine the abatement amounts.		
7) Provisions for recapturing abated taxes.	N/A		
8) Types of commitments made by the Municipality other than to reduce taxes.	N/A		
9) Gross dollar amount, on accrual basis, by which the Municipality's tax revenues were reduced as a result of abatement agreement.	**Property Taxes**	**Volume of Business Taxes**	**Construction Excite Taxes**
	$0	**$4,329**	**Not Applicable**

continue

26. TAX ABATEMENTS – continuation

On July 1, 2019, the Commonwealth of Puerto Rico approved the new Puerto Rico Incentive Code, to consolidate the dozens of existing decrees, incentives, subsidies, reimbursements, or tax or financial benefits; promote the environment, the opportunities and the adequate tools to promote the sustainable economic development of Puerto Rico; establish the legal and administrative framework that will govern the request, evaluation, concession or denial of incentives by the Commonwealth of Puerto Rico; promote the effective and continuous measurement of the costs and benefits of the incentives that are granted to maximize the impact of the investment of public funds; give stability, certainty and credibility to the Commonwealth of Puerto Rico in everything related to private investment; and improve Puerto Rico's economic competitiveness.

27. NET POSITION RESTATEMENT

The following schedule reconciles the June 30, 2023, Net Position as previously reported to Beginning Net Position, as restated, July 1, 2023:

	GOVERNMENTAL ACTIVITIES
Net Position, as Previously Reported, At June 30, 2023	$ 174,186,738
Correction of Error in Retainage Liability	(61,411)
Adjustment to Construction in Progress	940,976
Beginning Net Position, as Restated, At July 1, 2023	**$ 175,066,303**

- Adjustment to Capital Assets is related to amounts construction in progress projects not previously recognized.
- Adjustments to Retainage Payable corresponded to an error in retainage liability from prior years.

28. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA)

The Puerto Rico Oversight, Management, and Economic Stability Act, Pub. Law 114-187 ("PROMESA" or the "Act"), was enacted into law on June 30, 2016. The Senate had passed PROMESA on June 29, 2016, and President Obama signed the Act into law on June 30, 2016, one day before the Commonwealth of Puerto Rico was expected to, and did, default on substantial payment obligations.

Fiscal responsibility is of a high standard. It is the foundation of Puerto Rico's recovery, the mandate of PROMESA to enable Puerto Rico to prosper, and the essence of effective government. Puerto Rico can and will meet this standard.

The Puerto Rico Government and the Financial Oversight and Management Board for Puerto Rico (the Oversight Board) together have made significant progress in achieving fiscal responsibility, stabilizing Puerto Rico's finances, substantially reducing its debt burden, and making significant strides to reform its civil service. Fiscal responsibility, however, is more than completing the debt restructuring and stabilizing Puerto Rico's finances.

Fiscal responsibility includes reforms that are critical to ensure budgetary discipline in the future, some of which may require legislative action. Fiscal responsibility requires clear spending priorities. No government can pay for everything it wants to do – every government and every legislature must first determine what needs to be done, prioritizing healthcare, education, and economic development.

continue

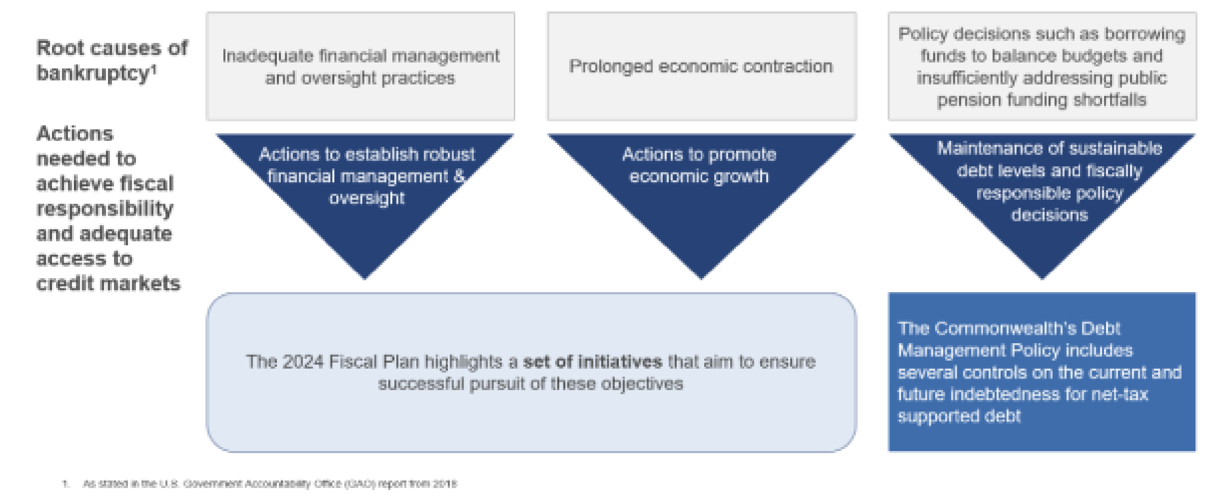
28. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) – continuation

When U.S. Congress passed the bi-partisan Puerto Rico Oversight, Management, and Economic Stability Act of 2016 (PROMESA) that created the Oversight Board, the Governor of Puerto Rico had declared the debt unpayable, and the Government was in default. Decades of economic decline and chronic financial mismanagement left Puerto Rico in crisis, soon exacerbated by natural disasters, including Hurricanes Irma and María in 2017, earthquakes, and the global COVID-19 pandemic in 2020.

According to a U.S. Government Accountability Office (GAO) report from 2018, the causes of the crisis were:

- Inadequate financial management and oversight practices, such as the overestimation of potential revenues and persistent spending in excess of appropriated amounts;
- Prolonged economic contraction, impacted by outmigration and resulting diminished labor force, the high cost of energy and importing goods, regulatory challenges to doing business, the phaseout of the possessions tax credit, and banking and housing struggles; and
- Policy decisions, such as allowing the use of debt proceeds to balance budgets, insufficiently addressing public pension funding shortfalls, and inadequately managing the financial condition of the Puerto Rico Electric Power Authority (PREPA).

EXHIBIT 1: ROOT CAUSES OF THE FISCAL CRISIS AND ACTIONS TO ACHIEVE FISCAL RESPONSIBILITY AND ADEQUATE ACCESS TO CREDIT MARKETS



Prior to PROMESA and for each of the first 16 consecutive years of this century, from fiscal years 2000 to 2016, Government spending exceeded recurring Government revenues. Controls and guardrails, to the extent they existed, were insufficient to prevent overestimation of revenues, excessive borrowing, overspending, and the deficits that eroded Puerto Rico's economic stability. Before PROMESA, Government pensions were not sufficiently funded, putting pension payments for current and future retirees at risk.

As result of these practices, the consolidated Commonwealth's outstanding debt and pension liabilities had grown to over $120 billion – with more than $70 billion in financial debt and more than $50 billion in pension liabilities – an amount almost twice the size of Puerto Rico's economy.

Puerto Rico has come a long way. Today, Puerto Rico is stable, and the Commonwealth government is solvent. The massive debt is almost completely restructured, a critical element of fiscal responsibility and access to market access. This Fiscal Plan, as mandated by PROMESA, defines the path to complete the journey from bankruptcy to prosperity and to reverse decades of fiscal mismanagement. Completing this path will lead Puerto Rico to sustainable economic growth and opportunity for the people of Puerto Rico right here, in Puerto Rico.

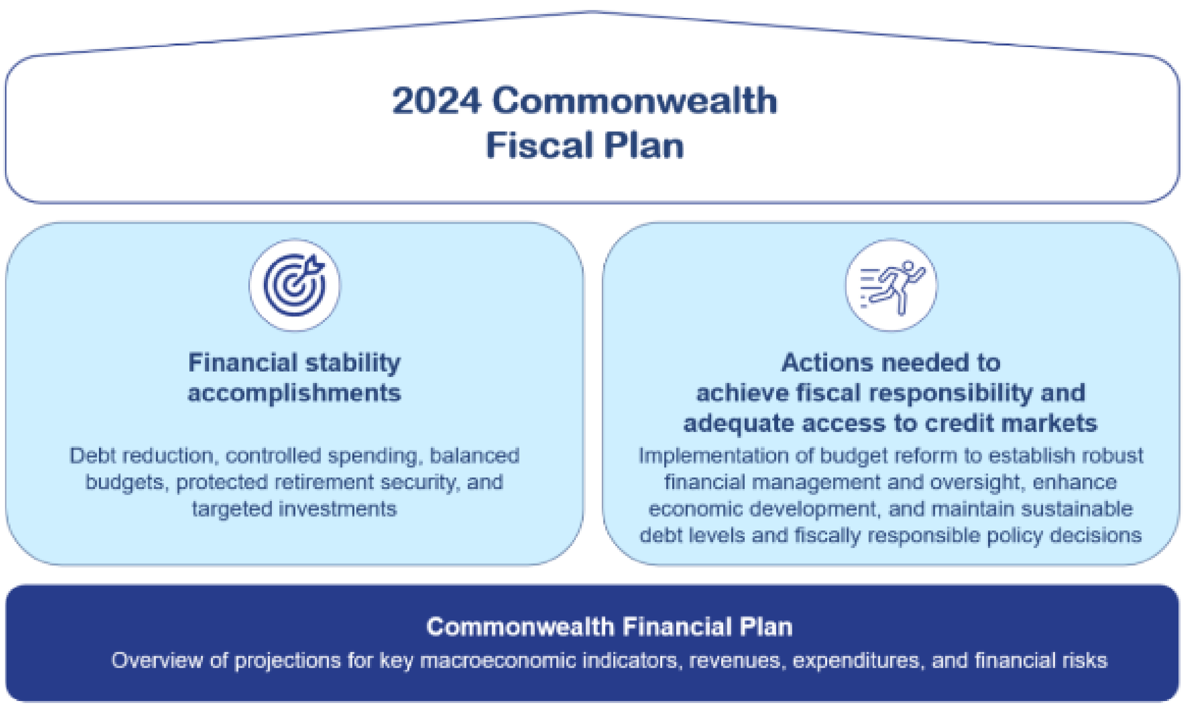
continue

28. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) – continuation

The 2024 Fiscal Plan provides the principles and priorities for Puerto Rico so the Government and the Oversight Board together can fulfill the purpose of PROMESA to achieve fiscal responsibility and adequate access to credit markets, so Puerto Rico will never repeat the mistakes that made PROMESA necessary and has access to investments that will help build a solid infrastructure to improve the quality of life in Puerto Rico and foster economic growth.

This 2024 Fiscal Plan has four parts: (1) Puerto Rico's progress in stabilizing government finances, (2) the Commonwealth's current financial conditions and risks, (3) details of the actions required to achieve fiscal responsibility and adequate access to credit markets, and (4) description of the actions the Oversight Board and the Government must take to complete PROMESA's mandate.

EXHIBIT 2: THE OVERSIGHT BOARD'S PRINCIPAL AREAS OF FOCUS



Financial Stability Accomplishments

The Oversight Board was successful in significantly reducing Puerto Rico's debt burden through restructuring agreements and plans that were confirmed by the U.S. District Court for the District of Puerto Rico. The Commonwealth of Puerto Rico's debt has been drastically reduced and made affordable. Through the concerted efforts of the Oversight Board and the Government described below, the debt burden is on course to be reduced to $31 billion. Prior to the debt restructuring, 25 cents of every tax dollar Puerto Rico raised was needed to pay debt service. The lower debt service on the post-restructuring debt obligations now accounts for approximately 6% of debt policy revenues compared to roughly 25% before the restructuring. All said, the Oversight Board led debt restructuring will save the people of Puerto Rico approximately $70 billion in principal and interest payments to creditors.

Puerto Rico must not fall back. Stability must turn into recovery. The change that helped Puerto Rico overcome the fiscal crisis must be permanent. Budget reform is essential.

Under the Fiscal Plans and PROMESA certified budgets, Puerto Rico has moved from structural deficits to fiscal stability. The Oversight Board developed a comprehensive process to evaluate budget changes throughout the year to ensure sufficient funding sources are available to support operating needs.

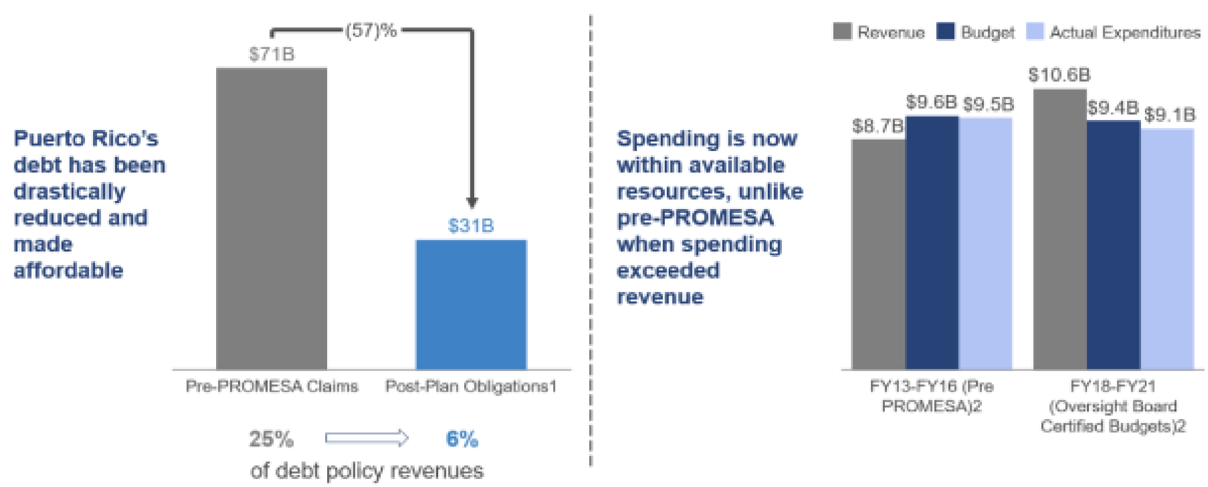
continue

28. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) – continuation

Through the Fiscal Plan, the Government and the Oversight Board made significant investments even as the government budget was rightsized through fiscal year 2022, to fit available resources. Select investments include funding to expand healthcare services, facilities, and infrastructure; police officer and teacher salary increases and new positions for school nurses and psychologists, expanding the Earned Income Tax Credit (EITC) program that benefits low-income households.

The current Government administration has engaged in critical reform initiatives, including the implementation of the Uniform Remuneration Plan across Puerto Rico's civil service, the introduction of private operators to the management of electricity generation and distribution, and the implementation of a uniform time and attendance policy for Government employees.

EXHIBIT 3: SINCE PROMESA, CONSIDERABLE PROGRESS HAS BEEN MADE TOWARDS ACHIEVING FINANCIAL STABILITY



This has enabled the protection of the retirement security of public sector employees and targeted investments in strategic Government priorities

1. In addition to the restructured debt obligations, approximately $10.6 billion in unused cash from prior fiscal years was paid in accordance with the terms set forth in the Commonwealth Plan of Adjustment
2. Amounts are 4-year averages of revenue, budget, and actual expenditures

Section 1 of the 2024 Fiscal Plan

Actions Needed to Achieve Fiscal Responsibility and Adequate Access to Credit Markets

The Oversight Board, in partnership with the Government, has achieved several critical milestones to tend to the symptoms of Puerto Rico's fiscal crisis, yielded billions in surpluses and ensured that the Government and covered entities' expenditures are in line with revenues. However, the Government must still undertake significant work to put in place the practices needed to ensure that this progress is sustained beyond the longevity of the Oversight Board. In particular, the Government must establish robust financial management and oversight practices, while also making targeted investments to promote sustainable and inclusive economic development.

The 2024 Fiscal Plan highlights a set of initiatives that aim to ensure the successful pursuit of these objectives. The initiatives are designed to cascade throughout the Government of Puerto Rico and serve as an overarching guide to allocating the resources needed to achieve the Commonwealth's long-term fiscal and economic outcomes.

continue

28. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) – continuation

Actions to Establish Robust Financial Management and Oversight

The 2024 Fiscal Plan identified eight areas of focus to achieve long-term fiscal responsibility. Success in these areas is critical for Puerto Rico to fully recover from bankruptcy and to fulfil the mandate of PROMESA to achieve fiscal responsibility. The 2024 Fiscal Plan includes initiatives across these eight areas, which aim to address the most crucial financial management challenges that Puerto Rico faces.

EXHIBIT 4: LIST OF FOCUS AREAS TO ACHIEVE LONG-TERM FISCAL RESPONSIBILITY

Focus area	Description
Improved economic and revenue forecasting	The Government should assemble its revenue, economic, and budget functions and create a coordinated process to produce and maintain one integrated set of economic and revenue projections over both the short- and long-term.
Budget best practices	The Government must establish a comprehensive framework budget that includes procurement, budgeting, revenue administration, and performance management, and the Office of Management and Budget (OMB) must ensure that all entities adopt best practices in budget preparation.
Comprehensive capital delivery program	The Government must develop and adopt a multi-year capital plan for all its agencies and instrumentalities. The plan would use standardized project prioritization criteria to ensure all investments are aligned with the Government's strategic objectives and with the capacity of Puerto Rico's private sector to absorb investments.
Improved management of education resources	The Government must support high-quality education to Puerto Rico's school children and higher-education students through equitable, fiscally sustainable, and transparent processes.
Improved government service delivery & labor relations	The Government must undertake significant reforms to improve public services in Puerto Rico by building a more efficient civil service and addressing challenges regarding labor relations.
Outcome-based, data-driven, and controlled healthcare spending	The Government must take an active role to support the improvement of public health outcomes and ensure the financial sustainability of Puerto Rico's healthcare system. A plan to address challenges in the health care system is required including an assessment of regulatory and statutory obstacles that contribute to shortcomings in access and quality.
Improved, transparent financial reporting	The Government must address the fiscal management deficiencies and implement procedures and practices that will continue to exist in the post-PROMESA. It must track and report key information about Puerto Rico's financial condition, such as the performance of revenues and expenditures.
Optimized municipal fiscal management	The Government must work with the Oversight Board and municipalities to implement a restructured grant and transfer system that will provide municipalities with a transparent process for the awarding of specific service grants that augment existing municipal service delivery. This envisioned system will also improve performance and enhance accountability through the monitoring of outcome metrics.

continue

28. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) – continuation

Actions to Promote Economic Growth

With the debt restructurings near completion, the confusion and uncertainty that has plagued the economy for much of the last decade has subsided. To generate revenues that are resilient even when the current influx of federal funding subsides, fiscal stability alone will not suffice. The Government will also need to execute targeted investments and implement profound structural reforms to produce sustainable growth, support Government revenues, and prevent debt-financed operating expenditures. The 2024 Fiscal Plan describes an effort to develop an integrated plan that will serve as a roadmap to unlock future growth. While that plan is developed, the Oversight Board and the Government will continue to support specific priorities through a first wave of economic growth initiatives that aim to address the most crucial challenges that Puerto Rico faces.

EXHIBIT 5: LIST OF FOCUS AREAS TO PROMOTE ECONOMIC GROWTH

Focus area	Description
Integrated framework for economic growth	A robust effort that assesses the current situation and positioning of Puerto Rico, consolidates its identified opportunities, and allows for a coordinated integration of economic development efforts, supported by the Oversight Board, the Government, and stakeholders.
Human capital, focused on robust, highly-skilled, and healthy workforce	*Highly skilled workforce:* Government must identify the appropriate funding level and manage existing resources responsibly to reform K-12 education to give all Puerto Ricans the opportunity to develop core competencies in areas such as information synthesis, creativity, problem-solving, communication, and teamwork. *Healthy workforce:* Government must engage key stakeholders to create a roadmap for the improvement of healthcare in Puerto Rico and develop a deep understanding of the situation of the healthcare workforce to appropriately address the shortage of healthcare professionals that Puerto Rico has historically faced. *Robust workforce:* The Government must prioritize initiatives to boost labor force participation, rolling out targeted re-skilling programs for high-growth occupations and creating an environment that encourages public assistance program recipients to work in the formal sector.
Economic strategies, focused on improved ease of doing business	The Government must create an environment that encourages innovation and entrepreneurship, attracts investment, and promotes exports. To increase the ease of doing business in Puerto Rico.
Economic policies, focused on reforms of Puerto Rico's tax system	The Government must reduce the structural complexity of Puerto Rico's tax system, thus reducing the cost of administration and the cost of compliance for private businesses and enhance the transparency of the system by reducing exemptions and the use of special tax regimes.
Infrastructure, focused on reduced cost and increased reliability of energy, transportation, and internet connectivity	Government must prioritize infrastructure initiatives to build resilient and sustainable infrastructure that reduces the cost of energy, transportation, and internet connectivity. Moreover, the Government must optimize the management of existing infrastructure assets, e.g., by improving the regulation of the electric power sector and by consolidating public transportation assets into mode-aligned entities.

continue

28. PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) – continuation

Completing the Oversight Board's PROMESA Mandate

Prolonged financial stability, necessary to ensure that a debt default and crisis does not happen again in Puerto Rico, will require addressing the root causes described in the 2018 GAO report through the establishment of robust financial management and oversight practices as well as the execution of targeted investments to enhance economic development. The Government must also implement the key structural reforms and confront the reality that the record level of federal fiscal support is waning. Revenue collections appear to have crested, and growth has moderated, highlighting the need for Puerto Rico to focus on accelerating economic growth using its own resources, assets, and capabilities.

Successfully restructuring the vast majority of Puerto Rico's debt is only one step towards achieving fiscal responsibility. It is not enough to declare the mandate completed. The debt was a symptom of a much larger problem: the lack of fiscal responsibility. To complete our mandate, sound fiscal management practices must be accepted and implemented over the long term. For now, only the Oversight Board's presence prevents Puerto Rico from falling back into budget deficits. By the time the Oversight Board terminates, the government must be able to pass and maintain a balanced budget with a long term multiyear financial plan that is in balance to prevent future deficits and the painful adjustments that are so difficult to implement by any elected government.

That is why the Fiscal Plan and the Oversight Board's efforts are now focused on partnering with the Government to complete the reforms required to achieve fiscal responsibility over the long term as required under PROMESA, including the implementation of robust financial management and oversight practices as well as structural reforms, economic growth plans, the advancement and completion of critical projects, and improving the Government's overall economic conditions.

A key element of this Fiscal Plan is to transfer the responsibility to safeguard this balance to Puerto Rico's elected leaders, through significantly strengthened budget processes and guardrails to ensure budgetary discipline enshrined in practice, regulation, and law.

The Oversight Board has consistently been clear that its mandate is finite, and it should only exist until the Oversight Board and the Commonwealth fulfill the requirements of PROMESA. This Fiscal Plan shows the progress the Government has made to fulfill these conditions, the gaps that remain, and the actions the Oversight Board is taking to help the Government close these gaps. Taken together, the actions included in this Fiscal Plan, if thoughtfully implemented, can set the stage for increased growth and opportunity for all in Puerto Rico and the termination of the Oversight Board.

Puerto Rico has come a long way. It is well positioned to take advantage of its current fiscal recovery and the economic upswing to restore sustainable growth and prosperity. Completing the mandate of PROMESA will help to regain trust and restore confidence in the future, and signal to the world the tremendous comeback of Puerto Rico as the shining star of the Caribbean. This Fiscal Plan is the road map to finishing the job.

29. SUBSEQUENT EVENTS

The Municipality has evaluated subsequent events through March 27, 2025, the date which the financial statements were available to be issued. Except for the subsequent events mentioned above, no additional events were identified that should be disclosed or adjusted in the Financial Statements or its Notes.

END OF NOTES

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Required Supplementary Information

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SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND – NON-GAAP BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with
	Original	Final	(See Notes 1 and 2)	Final Budget
Resources (Inflows):				
Property Taxes	$ 28,862,753	$ 28,862,753	$ 29,472,562	$ 609,809
Volume of Business Taxes	28,190,000	28,190,000	33,425,313	5,235,313
Sales and Usage Taxes	23,990,000	25,122,222	24,728,662	(393,560)
Construction Excise Taxes	7,610,630	7,610,630	7,022,445	(588,186)
Intergovernmental Revenues	5,347,689	5,347,689	4,188,922	(1,158,767)
Interest	318,000	318,000	2,385,471	2,067,471
Rent and Other Resources	5,316,820	5,316,820	3,159,667	(2,157,153)
Fines and Penalties	900,000	900,000	388,230	(511,770)
Total Resources (Inflows)	100,535,892	101,668,114	104,771,272	3,103,158
Charges to Appropriations (Outflows):				
General Government	50,378,928	60,817,855	59,090,551	1,727,304
Public Safety	9,022,555	7,976,814	7,875,213	101,601
Public Works	12,433,481	12,054,480	11,828,778	225,702
Culture and Recreation	4,494,509	4,413,960	4,306,506	107,454
Health and Welfare	2,350,227	2,062,492	1,988,476	74,016
Economic and Social Development	4,150,936	3,798,366	3,681,909	116,457
Housing	934,065	903,098	879,183	23,915
Sanitation and Environmental	14,796,693	7,833,625	7,711,220	122,405
Education	1,974,498	1,807,425	1,760,997	46,428
Total Charges to Appropriations	100,535,892	101,668,114	99,122,833	2,545,281
Excess of Appropriations Over Resources	**$ -**	**$ -**	**$ 5,648,439**	**$ 5,648,439**

The notes to the required supplementary information are an integral part of this schedule.

Unaudited

1. RECONCILIATION OF BUDGET/GAAP

The schedule presents comparisons of the legally adopted budget with actual data on a budget basis. Because accounting principles applied for purposes of developing data on a budget basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of perspective, timing, and basis of accounting differences in the net change in fund balance for the year ended June 30, 2024 is presented below for the general fund.

2. EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

	General Fund
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Available for Appropriation" from the Budgetary Comparison Schedule (See Page 131)	$ 104,771,272
Basis of Accounting:	
Net Change in Assets and Deferred Inflow of Resources	(2,944,470)
Perspective Difference:	
Non Budgetary Items – Revenues of Other Funds and Transfers	7,786,704
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance (See Page 31)	$ 109,613,506
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Charges to Appropriation" from the Budgetary Comparison Schedule (See Page 131)	$ 99,122,833
Difference – Budget to GAAP:	
Perspective Difference:	
Non Budgetary Items – Expenditures of Other Funds	16,474,564
Timing Difference:	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary reporting purposes	(1,759,727)
Payments of encumbrances of prior year that are expenditures for financial reporting purposes but are not outflows for budgetary purposes	4,288,684
Transfers to Other Funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(17,592,238)
Total Expenditures as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance (See Page 31)	$ 100,534,116

END OF NOTES

REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF PROPORTIONATE SHARE OF TOTAL PENSION LIABILITY FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	2024	2023	2022	2021	2020	2019	2018
Proportion of theTotal Pension Liability *	0.42481%	0.42356%	0.46124%	0.45892%	0.43100%	0.43457%	0.47978%
Proportionate Share of the Collective Total Pension Liability	$ 99,132,859	$ 105,295,561	$ 141,632,359	$ 145,432,662	$ 120,792,619	$ 119,972,258	$ 154,055,408
Covered - Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Proportionate Share of the Collective Total Pension Liability as Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

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

* Covered payroll is no longer applicable since contributions are not longer based on payroll and were eliminated pursuant to Act No. 106-2017.

** The Modified Eight Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. ("2022 Plan of Adjustment") confirmed by the U.S. District Court for the District of Puerto Rico on January 18, 2022, eliminated the Act No. 127-1958 high risk death and disability benefits for System 2000, Act No. 3-2013, and Act No. 106-2017 members in high risk positions, eliminated future cost of living adjustment, including those on the Act No. 127-1958 benefits, and eliminated all future PRGERS benefits for System 2000 and Act No. 3-2013 members who were not in payment status as of March 15, 2022. These changes reduced the Total Pension Liability as of June 30, 2022 by $2.0 billion. The reduction is recognized by the Municipality as a plan change and included in the FY2023 financial statements as stated by GASB No. 73..

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

The accompanying Notes to Required Supplementary Information are an integral part of this schedule.

REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF PROPORTIONATE SHARE OF TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Proportion of Total Other Post-Employment Benefit Liability *	$ 3,789,350	$ 4,082,778	$ 4,914,295	$ 5,232,844	$ 5,016,612	$ 5,061,029	$ 5,515,908	$ 7,100,340
Proportionate Share of Total Other Post-Employment Benefit	0.50844%	0.50864%	0.53046%	0.51772%	0.52054%	0.51884%	0.51671%	0.51662%
Covered - Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Proportionate Share of Total Other Post-Employment Benefit Liability as Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

Notes to Schedule:

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

* Covered payroll is no longer applicable since contributions are not longer based on payroll and were eliminated pursuant to Act No. 106-2017.

Note: Fiscal year 2018 was the first year that the new requirements of GASB Statement No. 75 were implemented by the Municipality. This schedule is required to ilustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

The accompanying Notes to Required Supplementary Information are an integral part of this schedule.

Unaudited

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

2. The data provided in the schedule is based as of the measurement date of the total pension liability and total other postemployment benefits liabilities, which is as of the prior fiscal year ended June 30th.

3. On August 23, 2017, was enacted the Act No. 106, known as the "Act to Guarantee Payment to Our Retirees and Establish a New Plan for Defined Contributions for Public Employees". This Act determined and declared that the ERS, JRS and TRS are in a financial emergency. Also, by this Act is hereby created the Account for the Payment of Accumulated Pensions, a trust account, separated from the general assets and accounts of the Government, designated to pay the Accumulated Pensions by the ERS, JRS and TRS under the "*Pay-As-You-Go*" scheme, as established in Chapter 2 of this Act. Once Retirement Systems exhaust their assets, the Accumulated Pension Payment Account, which will be largely nourished by the General Fund, as provided in this Act, will assume and guarantee the payment of the Accumulated Pensions as established in this Act. However, the Municipalities, the Legislative Branch, the Public Corporations, the Government and the Administration of the Courts will be obliged to pay the "Pay-Go" Charge as appropriate to each one to nurture the Account for the Payment of the Accumulated Pensions.

END OF NOTES

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Supplementary Information Required by U.S. Department of Housing and Urban Development

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Line Item No. Assets		Value 14.879 Mainstream Voucher Program	14.871 Housing Choice Voucher	TOTAL
	Current Assets – Cash:			
111	Cash – Unrestricted	$ -	$ 1,358,825	$ 1,358,825
113	Cash – Other Restricted	-	-	-
115	Cash – Restricted for Payment of Current Liabilities	-	-	-
100	**Total Cash**	**-**	**1,358,825**	**1,358,825**
	Receivables:			
121	Accounts Receivable – PHA Projects	-	9,749	9,749
122	Accounts Receivable – HUD Other Projects	47,605	183,376	230,981
128	Fraud Recovery	-	78,599	78,599
128.1	Allowance for Doubtful Accounts – Fraud Recovery	-	(78,599)	(78,599)
144	Inter Program Due From	-	36,187	36,187
120	**Total Receivables, Net of Allowancesfor Doubtful Accounts**	**47,605**	**229,312**	**276,917**
150	**Total Current Assets**	**47,605**	**1,588,137**	**1,635,742**
	Fixed Assets:			
164	Furniture, Equipment & Machinery – Administration	-	900,469	900,469
166	Accumulated Depreciation	-	(711,978)	(711,978)
160	**Total Capital Assets, Net of Accumulated Depreciation**	**-**	**188,491**	**188,491**
190	**Total Assets**	**47,605**	**1,776,628**	**1,824,233**
200	Deferred Outflow of Resources	-	-	-
290	**Total Assets and Deferred Outflow of Resources**	**$ 47,605**	**$ 1,776,628**	**$ 1,824,233**

continue

Line Item No. Assets		Value 14.879 Mainstream Voucher Program	14.871 Housing Choice Voucher	TOTAL
	Liabilities:			
	Current Liabilities:			
312	Accounts Payable <=90 days	$ -	$ 23,805	$ 23,805
322	Accrued Compensated Absences – Current Portion	-	52,302	52,302
331	Accounts Payable – HUD PHA Programs	-	-	-
332	Accounts Payable – PHA Projects	-	-	-
333	Accounts Payable – Other Government	-	73,929	73,929
343	Current Portion of Long-Term-Debt – Capital	-	56,576	56,576
347	Inter Program Due To	36,187	-	36,187
310	**Total Current Liabilities**	**36,187**	**206,612**	**242,799**
	Non-current Liabilities:			
351	Long-Term Debt, Net of Current – Capital Projects / Mortgage Revenue Bonds	-	112,622	112,622
354	Accrued Compensated Absences – Non-Current	-	201,997	201,997
350	**Total Non-Current Liabilities**	**-**	**314,619**	**314,619**
300	**Total Liabilities**	**36,187**	**521,231**	**557,418**
400	Deferred Inflow of Resources	-	-	-
	Equity:			
508.4	Net Investment in Capital Assets	-	19,293	19,293
511.4	Restricted Net Position	-	-	-
512.4	Unrestricted Net Position	11,418	1,236,104	1,247,522
513	**Total Equity / Net Position**	**11,418**	**1,255,397**	**1,266,815**
600	**Total Liabilities, Deferred Inflow of Resourses and Equity – Net Assets / Position**	**$ 47,605**	**$ 1,776,628**	**$ 1,824,233**

See accompanying notes to Financial Data Schedule.

Line Item No. Revenues		Value 14.879 Mainstream Voucher Program	14.871 Housing Choice Voucher	TOTAL
70600	HUD PHA Operating Grants	$ 370,285	$ 9,262,758	$ 9,633,043
71100	Investment Income – Unrestricted	748	70,487	71,235
71400	Fraud Recovery	-	51,244	51,244
71500	Other Revenue	-	172,464	172,464
70000	**Total Revenues**	**371,033**	**9,556,953**	**9,927,986**
Expenses	**Administrative:**			
91100	Administrative Salaries	-	572,494	572,494
91200	Auditing Fees	-	12,000	12,000
91400	Advertising and Marketing	-	780	780
91500	Employee Benefit Contributions – Administrative	-	105,093	105,093
91600	Office Expenses	48,750	118,988	167,738
91800	Travel	-	52	52
91900	Other	-	35,991	35,991
91000	**Total Operating – Administrative**	**48,750**	**845,398**	**894,148**
	Utilities:			
93200	Electricity	-	6,691	6,691
93000	**Total Utilities**	**-**	**6,691**	**6,691**
	Insurance:			
96130	Workmen's Compensation	-	18,970	18,970
96100	**Total Insurance Premiums**	**-**	**18,970**	**18,970**
	General Expenses:			
96720	Interest on notes payable	-	10,617	10,617
96000	**Total General Expenses**	**-**	**10,617**	**10,617**
96900	**Total Operating Expenses**	**48,750**	**881,676**	**930,426**
97000	**Excess of Operating Revenue over Operating Expenses**	**322,283**	**8,675,277**	**8,997,560**
97300	Housing Assitance Payments	312,003	8,197,475	8,509,478
97350	HAP Portability-In	-	144,866	144,866
97400	Depreciation Expense	-	62,365	62,365
97500	Fraud Losses	-	-	-
90000	**Total Expenses**	**360,753**	**9,286,382**	**9,647,135**
10000	**Excess (Deficiency) of Total Revenue Over (Under) Total Expenses**	**$ 10,280**	**$ 270,571**	**$ 280,851**
	Memo Account Information:			
*11030	Beginning Equity	$ 1,138	$ 984,826	$ 985,964
*11040	Prior Period Adjustments, Equity Transfers	$ -	$ -	$ -
*11170	Administrative Fee Equity	$ 11,418	$ 1,255,397	$ 1,266,815
*11180	Housing Assistance Payments Equity	$ -	$ -	$ -
*11190	Unit Months Available	900	15,960	
*11210	Number of Unit Months Leased	626	14,316	
*11640	Furniture & Equipment – Administrative Purchases		$ 1,842	

See accompanying notes to Financial Data Schedule.

1. GENERAL

The accompanying Financial Data Schedules (FDS) includes the Housing Voucher Cluster Programs activities of the Autonomous Municipality of Caguas of the Commonwealth of Puerto Rico (Municipality). This cluster included the activities for the Section 8 Housing Choice Vouchers Program, COVID-19 Section 8 Housing Choice Vouchers Program, and the Mainstream Voucher Program activities. The information in the FDS is presented in accordance with the requirements of *HUD's Uniform Financial Reporting Standards for HUD Housing Programs.* Because the FDS presents only a selected portion of the operations of Municipality, it is not intended to and does not present the financial position or change in net position of the Municipality.

Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Municipality reporting entity is defined in Note (1) (A) to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assets, Liabilities, Net Assets, Revenues and Expenses reported on the FDS, are reported on the full accrual basis of accounting. They are recognized following the *HUD's Uniform Financial Reporting Standards for HUD Housing Programs.*

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Assets, Liabilities and Net Assets/Position are presented in the Municipality's *Statement of Net Position*. Revenues and Expenses are reported in the *Statement of Activities*.

END OF NOTES

PART II

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE

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Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Assistance Listing Number*	*Pass-Through Entity Identification Number*	*Pass-Through To Subrecipients*	*Total Federal Expenditures*
U.S. DEPARTMENT OF AGRICULTURE PROGRAM:				
Puerto Rico Department of Education – Child and Adult Care Food Program (CACFP)	10.558	CCC-003	$ -	$ 1,314,452
Total U.S. Department of Agriculture Program			**-**	**1,314,452**
U.S. DEPARTMENT OF COMMERCE PROGRAM:				
COVID-19 – Economic Adjustment Assistance	11.307		-	531,607
Total US Department of Commerce Program			**-**	**531,607**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS:				
COVID-19 – Community Development Block Grant/State Entitlements Grants	14.218		-	313
Community Development Block Grants/Entitlements Grants	14.218		96,207	1,831,010
Total Community Development Block Grants/Entitlements Grants			96,207	1,831,323
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers Program	14.871		-	9,321,751
Mainstream Voucher Program (MV)	14.879		-	360,753
Total Housing Voucher Cluster			-	9,682,504
Other Programs:				
COVID-19 – Emergency Solutions Grant Program	14.231		193,657	205,907
Emergency Solutions Grant Program	14.231		114,810	152,739
Total Emergency Solutions Grant Program			308,467	358,646
Home Investment Partnership Program (HOME)	14.239		-	254,786
Puerto Rico Housing Department – Community Development Block Grant/States Program and Non Entitlements Grants in Hawaii	14.228	N/A	-	1,044,585
COVID-19 – Puerto Rico Housing Department – Community Development Block Grant/States Program and Non Entitlements Grants in Hawaii	14.228	N/A	-	143,415
Total Community Development Block Grant/States Program and Non Entitlement Grants in Hawaii			-	1,188,000
Total U.S. Department of Housing and Urban Development Programs			**404,674**	**13,315,259**
U.S. DEPARTMENT OF JUSTICE PROGRAM:				
Puerto Rico Department of Justice – Crime Victim Assistance	16.575	2019-V2-CAGUA-01	-	99,406
Total U.S. Department of Justice Program			**-**	**99,406**

continue

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Pass-Through To Subrecipients*	*Total Federal Expenditures*
U.S. DEPARTMENT OF TRANSPORTATION PROGRAMS:				
Federal Transit Programs Cluster:				
COVID-19 – Puerto Rico Highway and Transportation Authority – Federal Transit-Formula Grants (Urbanized Area Formula Program)	20.507	N/A	$ -	$ 1,044,686
Federal Transit-Formula Grants (Urbanized Area Formula Program)	20.507		-	1,666,927
Bus and Bus Facilities Formula and Discretionary Program (Bus Program)	20.526		-	129,400
Total Federal Transit Programs Cluster			-	2,841,013
Highway Safety Cluster:				
Puerto Rico Traffic Safety Commission – National Priority Safety Program	20.616	N/A	-	9,789
Total Highway Safety Cluster			-	9,789
Other Program:				
Public Transportation Emergency Relief Program	20.527		-	812,052
Total U.S. Department of Transportation Programs			**-**	**3,662,854**
U.S DEPARTMENT OF TREASURY PROGRAMS:				
COVID-19 – Coronavirus State and Local Fiscal Recovery Fund	21.027		772,777	26,220,183
Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA) – COVID-19 – Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	-	345,948
Total U.S. Department of Treasury Programs			**772,777**	**26,566,131**
NATIONAL ENDOWMENT OF THE HUMANITIES PROGRAM:				
Puerto Rico Department of Education - Grants to States	45.310	DEPR-UAF-20-002-046	-	11,558
Total U.S. Environmental Protection Agency Program			**-**	**11,558**
U.S. ENVIRONMENTAL PROTECTION AGENCY PROGRAM:				
Puerto Rico Environmental Quality Board – Capitalization Grants for Clean Water State Revolving Funds	66.458	C-72-082-08	-	231,619
Total U.S. Environmental Protection Agency Program			**-**	**231,619**
U.S. DEPARTMENT OF EDUCATION PROGRAMS:				
Puerto Rico Department of Education:				
Adult Education – Basic Grants to States	84.002	A000710	-	113,913
Twenty-First Century Community Learning Centers	84.287	2022-AF0091	-	783,720
Total U.S. Department of Education Programs			**-**	**897,633**

continue

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Pass-Through To Subrecipients*	*Total Federal Expenditures*
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS:				
Head Start Programs Cluster:				
Head Start	93.600		$ -	$ 17,966,470
Head Start Disaster Recovery from Hurricanes Harvey, Irma, and Maria	93.356		-	3,022,723
Total Head Start Programs Cluster			-	20,989,193
Aging Programs Cluster:				
Puerto Rico Office of the Ombudsman for the Elderly:				
Special Programs for the Aging – Title III, Part B—Grants for Supportive Services and Senior Centers	93.044	180169R1	-	482
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	180205R1	-	153,630
COVID-19 – Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	180205R1	-	139,278
Nutrition Services Incentive Program	93.053	180206R1	-	102,299
Total Aging Programs Cluster			-	395,689
Others Programs:				
Puerto Rico Department of Familiy:				
Temporary Assistance for Needy Families (TANF)	93.558	PCOC_2022-04177	-	121,970
COVID-19 – Child Care and Development Block Grant	93.575	G2001PRCCDD	-	63,500
Child Care and Development Block Grant	93.575	G2001PRCCDD	-	1,057,556
Total Child Care and Development Block Grant			-	1,121,056
Family Violence Prevention and Services/State Domestic Violence Shelter and Supportive Services	93.671	G2102PRFVPS	-	152,567
Total U.S. Department of Health and Human Services Programs			**-**	**22,780,475**
U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (CNCS) PROGRAM:				
Puerto Rico Governor's Commission for Volunteerism and Community Service – AmeriCorps State and National	94.006	21AC236917	-	23,483
Total U.S. Corporation for National and Community Service (CNCS) Program			**-**	**23,483**
U.S. DEPARTMENT OF HOMELAND SECURITY PROGRAMS:				
Puerto Rico Central Office of Recovery and Reconstruction – Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-DR-4339-PR	-	12,796,044
Puerto Rico Office of Public Safety – Homeland Security Grant Program (HSGP)	97.067	EMW-2021-SS-00024-S01	-	767,011
Total U.S. Department of Homeland Security Programs			**-**	**13,563,055**
Total Expenditures of Federal Awards			**$ 1,177,451**	**$ 82,997,532**

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

1. REPORTING ENTITY

The Autonomous Municipality of Caguas of the Commonwealth of Puerto Rico (Municipality) was founded in 1775 and operates as a governmental unit of the Commonwealth of Puerto Rico under the Law No. 81 of August 30, 1991, known as the "Autonomous Municipalities Laws of the Commonwealth of Puerto Rico". It is governed by a Mayor and a 16-member Municipal Legislature elected for a four-year term.

2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activities of the Autonomous Municipality of Caguas of the Commonwealth of Puerto Rico (Municipality) under programs of the Federal government for the fiscal year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Expenditures reported on the Schedule are reported on the modified 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.

B. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

C. Pass-through entity identifying numbers are presented where available.

D. The Municipality has elected not to use the 10 percent de minimis indirect cost rate, instead is using approximately 4% of one of the grants under Head Start; the total expenditure included in the SEFA as Head Start program includes $47,980 of Indirect Costs.

4. SCHEDULE NOT IN AGREEMENT WITH OTHER FEDERAL AWARD REPORTING

The information included in the Schedule may not fully agree with other Federal award reports submitted directly to federal granting agencies.

5. ASSISTANCE LISTING NUMBER

The Assistance Listing Number, formerly known as the Catalog of Federal Domestic Assistance (CFDA) Number, is a five-digit number assigned in the awarding document for all Federal assistance award mechanisms, including Federal grants and cooperative agreements.

continue

6. RELATIONSHIP TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND

Expenditures of federal awards are reported in the Municipality's *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund* as follows: General Fund - $767,011, Capital Projects Fund – $2,177,271, Health and Human Services Fund – $22,670,063, Social and Welfare Activities Fund – $31,453,466 and Other Governmental Funds $24,619,751.

The amount of $531,607 was included as expenditure in the SEFA, under the program Economic Adjustment Assistance (11.307) that are not expenditure. In accordance with program regulation, the amount of expenditure to be reported in the SEFA, should consider the principal loan balance outstanding at year end ($331,907), plus any cash balance available for loan purposes ($199,700), and finally, any administrative expenditures incurred during the fiscal year, if any.

The Municipality receives FEMA reimbursement funds from the Central Recovery and Reconstruction Office of Puerto Rico (COR3). COR3 is a division of the Puerto Rico Public Private Authority created through Executive Order 2017-65 to manage all efforts for the recovery of the Commonwealth of Puerto Rico (Commonwealth) after the passage of Hurricanes Irma and María. COR3 was authorized by the Governor to receive all disaster recovery grants of FEMA. During fiscal year 2023-2024, COR3 approved projects under the ALN 97.036, related to Hurricane Fiona. The amount of $5,498,211 was recognized in the SEFA, which are related to expenditures incurred in prior year and the project worksheet was approved and received during this current year.

The Municipality received grants under the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii – CDBG-DR, from the Puerto Rico Housing Department (PRHD). In accordance with the program regulation, these funds are the matching portion for allowable costs incurred for projects approved by the PRHD, related to the Disaster Grants – Public Assistance (Presidentially Declared Disasters) expenditures.

END OF NOTES

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"ENHANCING THE QUALITY OF ACCOUNTING, AUDITING AND ATTESTATION SERVICES"

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 Honorable Mayor and
Members of the Municipal Legislature
Autonomous Municipality of Caguas of the
Commonwealth of Puerto Rico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Autonomous Municipality of Caguas of the Commonwealth of Puerto Rico** (**Municipality**), as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise **Municipality**'s basic financial statements, and have issued our qualified report thereon dated March 27, 2025. Our report on governmental activities was qualified because we were unable to obtain sufficient appropriate audit evidence about the amounts reported as deferred outflows/inflows of resources, liability, expenses and related notes disclosure with respect to its participation in the employees' retirement pension and other postemployment benefits plans.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Municipality**'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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Municipality**'s internal control. Accordingly, we do not express an opinion on the effectiveness of **Municipality**'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the **Municipality**'s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 **Municipality**'s financial statements are free of 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 **Municipality**'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 **Municipality**'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CPA d M, CSP

CPA DIAZ-MARTINEZ, CSP
Certified Public Accountants & Consultants
License Number 12, expires on December 1, 2025

Caguas, Puerto Rico
March 27, 2025

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Autonomous Municipality of Caguas

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"ENHANCING THE QUALITY OF ACCOUNTING, AUDITING AND ATTESTATION SERVICES"

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

To the Honorable Mayor and
Members of the Municipal Legislature
Autonomous Municipality of Caguas of the
Commonwealth of Puerto Rico

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Autonomous Municipality of Caguas of the Commonwealth of Puerto Rico** (**Municipality**)'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Municipality**'s major Federal programs for the fiscal year ended June 30, 2024. **Municipality**'s major Federal programs are identified in the Summary of Auditors' Result Section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the **Municipality** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 **Municipality** 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 ana appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of the **Municipality**'s compliance with the compliance requirements referred to above.

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, status, regulations, rules, and provisions of contracts or grant agreements applicable to the **Municipality**'s Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the **Municipality**'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *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 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 **Municipality**'s compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether do 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 **Municipality**'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 **Municipality**'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 **Municipality**'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 internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

CPA D M, CSP

CPA DIAZ-MARTINEZ, CSP
Certified Public Accountants & Consultants
License Number 12, expires on December 1, 2025

Caguas, Puerto Rico
March 27, 2025

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PART III

FINDINGS AND QUESTIONED COSTS

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SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report on whether the Financial Statements Audited were prepared in accordance with US GAAP:	[X]	Unmodified Opinion		
		Modified:	[X]	Qualify Opinion
			[ ]	Adverse Opinion
			[ ]	Disclaimer Opinion
Internal control over financial reporting:				
• Significant deficiency (ies) identified?	[ ]	Yes	[X]	No
• Material weakness (es) identified?	[ ]	Yes	[X]	No
Noncompliance material to financial statements noted?	[ ]	Yes	[X]	No

Federal Awards

Any audit finding disclosed that are required to be reported in accordance with 2 CRF 200.516(a)?	[ ]	Yes		[X]	No
Type of auditor's report issued on compliance for each Major Federal Programs:	[X]	Unmodified Opinion			
		Modified:		[ ]	Qualify Opinion
				[ ]	Adverse Opinion
				[ ]	Disclaimer Opinion
Internal control over Major Federal Programs::			**Questioned Costs**		
• Significant deficiency (ies) identified?	[ ]	Yes		[X]	No
• Material weakness (es) identified?	[ ]	Yes		[X]	No
• Known Questioned Costs Greater than $25,000 for a Compliance Requirement on a Major Program?	[ ]	Yes	$ -	[X]	None Reported
• Known Questioned Costs Greater than $25,000 on an Nonmajor Program?	[ ]	Yes	$ -	[X]	None Reported
• Known or Likely Fraud Affecting a Federal Award?	[ ]	Yes	$ -	[X]	None Reported

Identification of Major Federal Programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
14.228	COVID-19 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
20.507 / 20.526	Federal Transit Programs Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B Programs:	$2,489,926			
Auditee qualified as low-risk auditee?	[ ]	Yes	[X]	No

continue

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed no findings that are required to be reported herein under the *Government Auditing Standards*.

continue

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed no findings that are required to be reported herein under the *Uniform Guidance*.

END OF SCHEDULE

(1) Audit Findings that have been Fully Corrected:

NONE

(2) Audit Findings not Corrected or Partially Corrected:

FISCAL YEAR 2023

Findings Related to the Federal Programs:

Finding Reference Number	**2023-001**	**Noncompliance / Significant Deficiency – Eligibility**
Assistance Listing Number	14.871	Section 8 Housing Choice Vouchers Program
Statement of Condition		During our audit procedures over eligibility, from our sample selected, we noted that in four (4) instances, the participant didn't provide evidence of the utilities. According to the participants' contracts, the rent to the owner does not include utilities such as water and electricity, therefore the participants must provide evidence to the Municipality that they are paying the bills. In addition, one participant didn't provide the Negative Certificate of Penal Record to validate criminal record and the School Certification to validate that the children are attending school.
Recommendations		We recommend management verify the required information for the participants in order to ensure compliance with this requirement.
Questioned Cost	Not Applicable.	
Current Status	No final determination has been received from awarding agency.	

FISCAL YEAR 2022

Findings Related to the Federal Programs:

Finding Reference Number	**2022-001**	**Noncompliance / Significant Deficiency – Reporting**
Assistance Listing Number	14.218	Community Development Block Grants/Entitlement Grants
Statement of Condition		As part of our audit procedures, the Municipality includes information from contractors instead of subrecipient in the report submitted June 30, 2022.
Recommendations		We recommend that the Municipality provide training and technical assistance to the personnel that prepare and submit the contracts that meet the requirements to be reported on the FSRS portal. In addition, controls should be in place in order to be able to keep track of the type of contract they need to report.
Questioned Cost	Not Determined.	
Current Status	No final determination has been received from awarding agency.	

continue

(2) Audit Findings not Corrected or Partially Corrected: – continuation

Finding Reference Number	**2022-002**	**Noncompliance / Significant Deficiency – Reporting**
Assistance Listing Number	21.027	Coronavirus State and Local Recovery Funds
Statement of Condition		During the performance of our audit procedures regarding reporting, we obtained copies of the reports submitted for the periods of March to December 2021, January to March 2022 and April to June 2022 for the evaluation of the reporting requirements. Due to that the reports presented accumulated information; we selected the report for the period of April to June 2022 for reporting requirement evaluation. After the evaluation of the report and its supporting documentation we noticed the following situations: 1. In one of the projects the total amount of current period and cumulative obligations does not agree with the total amounts of obligations recognized in the accounting system for the same project and period. 2. In one of the projects the total current period and cumulative expenditures does not agree with the total amounts of expenditures recognized in the accounting system for the same project and period.
Recommendations		We recommend that the Municipality establish an adequate procedure to verify and trace the amounts included in the report to the amounts in the accounting records of the Municipality, by using more than one type of report from the accounting system so the personnel in charge of preparing the report can trace to more than one source of information that the amounts reported are in accordance with the accounting records.
Questioned Cost	None	
Current Status	No final determination has been received from awarding agency.	

(3) Corrective action taken is significantly different from corrective action previously reported:

NONE

(4) Audit findings is no longer valid:

FISCAL YEAR 2021

Finding Reference Number	**2021-001**	**Noncompliance / Significant Deficiency – Reporting**
Assistance Listing Number	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Statement of Condition		During our audit procedures of the Schedule of Expenditures of Federal Awards (SEFA) prepared by the Municipality, we identified misstatements related to this program reported in the SEFA. Expenditures from the program, incurred in the audit's fiscal year and previously, were not included in the SEFA, as required by FEMA. Adjustments were proposed in order to reconcile the information included. 1. The Municipality did not recognize under the program accounting codes on SAP all transactions reported and approved by the Pass-Through Entity. During the audit, additional procedures and reports were needed to provide sufficient audit evidence related to the correct expenditures charged to the program and reported on the SEFA.

continue

(4) Audit findings is no longer valid: **– continuation**

2. The financial records used by the Municipality were developed and maintained by third parties (consultants) and the information was not kept by the financial staff of the Municipality.

Recommendations

We recommend that the Municipality provide adequate training on Federal program compliance requirements and reporting to the staff. Also, a formal process must be established for reconciling the official accounting record (SAP) with the Federal program reports.

Questioned Cost None

Current Status More than two years have passed without final determination from awarding agency.

END OF SCHEDULE