

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
Single Audit Reporting Package
For The Year Ended June 30, 2022**

COMMONWEALTH OF PUERTO RICO
AUTNOMOUS MUNICIPALITY OF GUAYNABO
Single Audit Reporting Package
For The Year Ended June 30, 2022

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**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

To the Honorable Mayor and
the Municipal Legislature of the
Autonomous Municipality of Guaynabo
Guaynabo, Puerto Rico

INDEPENDENT AUDITORS' REPORT

Qualified and Unmodified Opinions -

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining funds information of the Autonomous Municipality of Guaynabo (the Municipality), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements, as listed in the table of contents.

Summary of Opinions –

<u>Fund</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified
Debt Service Fund	Unmodified
Workforce Innovation and Opportunity Act Grants Fund	Unmodified
American Rescue Plan Act Funds	Unmodified
Other Governmental Funds	Unmodified

Qualified Opinion on the Governmental Activities

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the *Governmental Activities* of the Autonomous Municipality of Guaynabo, as of June 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on General Fund, Business-Type Activities, Debt Service Fund, Workforce Innovation and Opportunity Act Grants Fund, American Rescue Plan Act Funds, and Other Governmental Remaining Funds

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Business -Type Activities, Debt Service Fund, Workforce Innovation and Opportunity Act Grants Fund, American Rescue Plan Act Funds, and Other Governmental Remaining Fund information of the Autonomous Municipality of Guaynabo as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Autonomous Municipality of Guaynabo, 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 Rise to the Qualified Opinion on Governmental Activities

GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68" and GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)":

The net pension liability and deferred outflows/inflows of resources in governmental activities of the government-wide statement of net position, and pension expense for the current period charge in that liability in governmental activities of the government-wide statement of activities were derived from the application of the proportional share provided by the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) and the Cost-Sharing Multiple-Employer pension plan audited financial information as of June 30, 2021. The ERS has not issued audited financial statements as of and for the fiscal year ended June 30, 2021. The net pension liability and deferred outflows/inflows of resources represent 36% and 2% of the total liabilities and deferred outflows/inflows of resources, respectively, as of June 30, 2022, while pension expense represents 5% of total expenses for the fiscal year then ended. The ERS did not provide the financial and technical information necessary for the proper recognition and reporting of its total pension liability as of June 30, 2022. As a result, management was not able to determine the accurate amount to be reported.

In addition, the ERS has not provided the Municipality with the audited schedules of employment allocations and OPEB amounts by employer as of June 30, 2021, as required by GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB). The OPEB represents .1% of the total liabilities of the Municipality while OPEB expense represents 0.3% of the total expenses of the Municipality.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Autonomous Municipality of Guaynabo's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Autonomous Municipality of Guaynabo's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Autonomous Municipality of Guaynabo'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 and budgetary comparison information on pages 5 through 14 and pages 64 through 66, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Municipality's basic financial statements. The accompanying supplementary information – Financial Data Schedule shown in the pages 68 through 70 is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 Schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

The accompanying supplementary information – Schedule of Expenditures of Federal Awards shown in pages 72 and 73 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2023, on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this 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 the Municipality's internal control over financial reporting and compliance.

Subsequent Events

On August 31, 2022 the Municipality Legislative Board authorized the dissolution of Guaynabo Development Enterprise, Inc. Our opinion is not modified by such authorization.

San Juan, Puerto Rico

August 29, 2023

Stamp No. E544571 was affixed to the original of this report.

A handwritten signature in blue ink that reads "Rodriguez Sanabria & Co., CPAs, PSC". The signature is written in a cursive, flowing style.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022**

The management of the **Autonomous Municipality of Guaynabo** offers this narrative overview and analysis of the financial activities of the Municipality for the fiscal year ended June 30, 2022. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, and much of the information is comparable to prior year. This MD&A should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This MD&A is prepared to comply and, among other purposes, to provide the financial statements users with the following major information:

- a broader basis in focusing important issues;
- acknowledgement of an overview of the Municipality's financial activities;
- provide for an evaluation of its financial condition as of the end of the indicated fiscal year, compared with prior year results;
- identification of uses of funds in the financing of the variety of activities and;
- assets management's ability to handle budgetary functions.

FINANCIAL HIGHLIGHTS

The following are key financial highlights for the fiscal year:

- As of June 30, 2022, the Municipality's assets exceeded its liabilities by \$877,172,504, compared to an excess of assets over liabilities of \$843,017,386 (as restated) at June 30, 2021;
- The Municipality's total net position increased by \$34,155,118 during fiscal year 2021-2022;
- As of June 30, 2022, the Municipality's governmental funds reported a combined ending fund balance of \$93,275,318, an increase of \$9,813,327 as compared to prior year;
- As of June 30, 2022, the statement of net position presented an unrestricted net position (deficit) of \$125,264,698;
- The Municipality's capital assets inventory decreased \$10,376,502 mostly as a result of the depreciation expense for the year. Capital assets (net of accumulated depreciation) and net position invested in capital assets (net of related debt) as of June 30, 2022, were \$943,198,320.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements focused on both the Municipality as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Municipality's accountability.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Municipality's financial statements. The Municipality's basic financial statements comprise three components: government-wide financial statements; fund financial statements; and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are composed of: (1) the statement of net position and (2) the statement of activities. These financial statements can be found immediately following this MD&A and are designed to provide readers with a broad overview of the Municipality's finances, in a similar manner to a private-sector business.

STATEMENT OF NET POSITION

The purpose of the Statement of Net Position is to attempt to report all assets owned and all liabilities owed by the Municipality. The Municipality reports all its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. For example, the Municipality reports buildings and improvements as assets, even though they are not available to pay the obligations incurred by the Municipality. On the other hand, the Municipality reports compensated absences even though this liability might not be paid until several fiscal years into the future.

The difference between the Municipality's total assets and total liabilities reported in the statement of net position is presented as net position, which is similar to the total owners' equity reported by a commercial enterprise in its financial statements. Although the purpose of the Municipality is not to accumulate net position, as this amount increases or decreases over time, such amount represents a useful indicator of whether the financial position of the Municipality is either improving or deteriorating, respectively.

STATEMENT OF ACTIVITIES

The Statement of Activities presents information showing how the Municipality's net position changed during the fiscal year ended June 30, 2022, by presenting all the Municipality's revenues and expenses. As previously discussed, the items reported in the statement of activities are measured in a similar manner to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied, and expenses are recorded when incurred by the Municipality. Consequently, revenues are reported even when they may not be collected for several months after the end of the fiscal year and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's income statement, the difference is only in format, not substance. Whereas the bottom line in a commercial enterprise represents its net income, the Municipality reports an amount described as net change in net position, which is essentially the same concept.

The focus of the statement of activities is on the net cost of various activities provided by the Municipality. The statement begins with a column that identifies the cost of each of the Municipality major functions. Another column identifies the revenues that are specifically related to the classified governmental functions. The difference between the expenses and revenues related to specific functions/programs identifies the extent to which each function of the Municipality draws from general revenues or is self-financing through fees, intergovernmental aid, and other sources of resources.

This statement also presents a comparison between direct expenses and program revenues for each function of the Municipality.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022**

Both of the government-wide financial statements of the Municipality are principally supported by charges for services and Legislative appropriations. The governmental activities of the Municipality include: payroll and related costs, facilities and payment for public services, purchased services, transportation expenses, professional services, materials and supplies, purchase of equipment, depreciation and other operating expenses.

FUND FINANCIAL STATEMENTS

The Municipality's fund financial statements consist of: (1) the balance sheet and (2) the statement of revenues, expenditures and changes in fund balances. These financial statements report the financial position and the results of operations of the Municipality's governmental funds, with an emphasis on the Municipality's major governmental funds.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Each fund is considered an independent fiscal entity accounted for within a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial and contractual provisions.

GOVERNMENTAL FUNDS

The Municipality's basic services are reported in the government fund financial statements. The government funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than 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.

The Municipality adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information containing budget to actual comparisons for the general and major funds.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022**

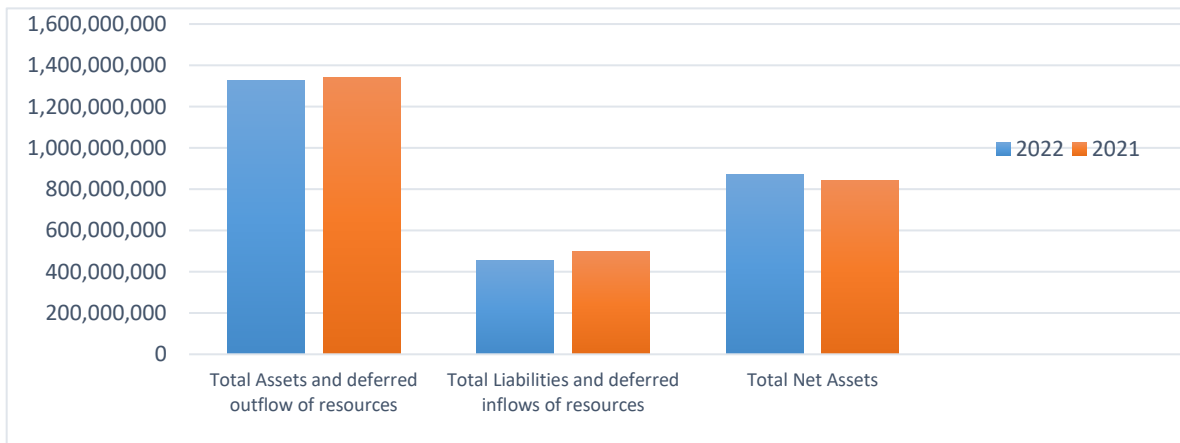
GOVERNMENT-WIDE FINANCIAL ANALYSIS

GOVERNMENTAL NET POSITION

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Municipality, assets exceeded liabilities by \$872,172,504 as of June 30, 2022, versus \$843,017,386 as of June 30, 2021. Our analysis below focuses on the net position (**Table 1**) and changes in net positions of the Municipality's governmental activities.

Table 1
Statement of Net Position

	2022	2021 (As Restated)	Increase (Decrease)	Percentage Change
Current and non-current assets	\$ 223,428,704	\$ 193,478,068	\$ 29,950,636	13.41%
Capital assets	1,099,039,715	1,109,040,761	(10,001,046)	-0.91%
Total assets	1,322,468,419	1,302,518,829	19,949,590	1.51%
Deferred outflows of resources	35,568,988	38,824,837	(3,255,849)	-9.15%
Current liabilities	68,199,058	91,335,253	(23,136,195)	-33.92%
Long-term liabilities	328,051,391	391,899,184	(63,847,793)	-19.46%
Total liabilities	396,250,449	483,234,437	(86,983,988)	-21.95%
Deferred inflows of resources	84,614,454	15,091,843	69,522,611	82.16%
Net positions:				
Net investment in capital assets	944,765,646	954,518,552	(9,752,906)	-1.03%
Restricted	57,671,556	25,398,112	32,273,444	55.96%
Unrestricted	(125,264,698)	(136,899,278)	11,634,580	-9.29%
Total net position	\$ 877,172,504	\$ 843,017,386	\$34,155,118	3.89%



**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022**

The largest portion of the Municipality's net position reflects its investment in capital assets, such as land, buildings and equipment. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Restricted net position amounting to \$57,671,556 represents resources that are subjected to external restrictions as to how they may be used. The additional portion of the Municipality's net position represents unrestricted resources.

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**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022**

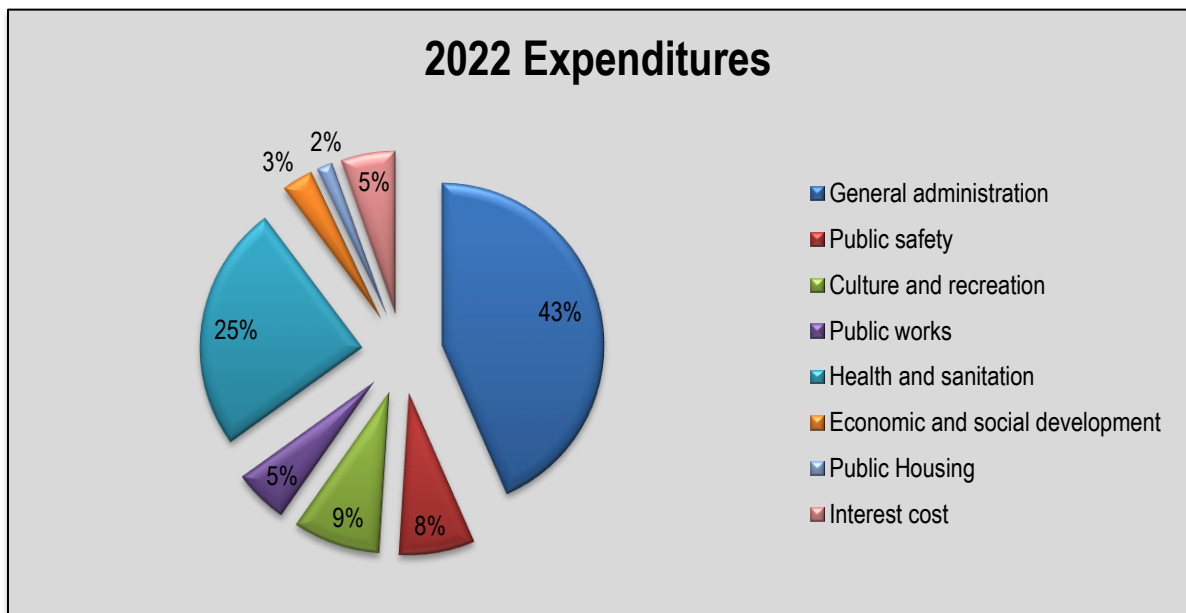
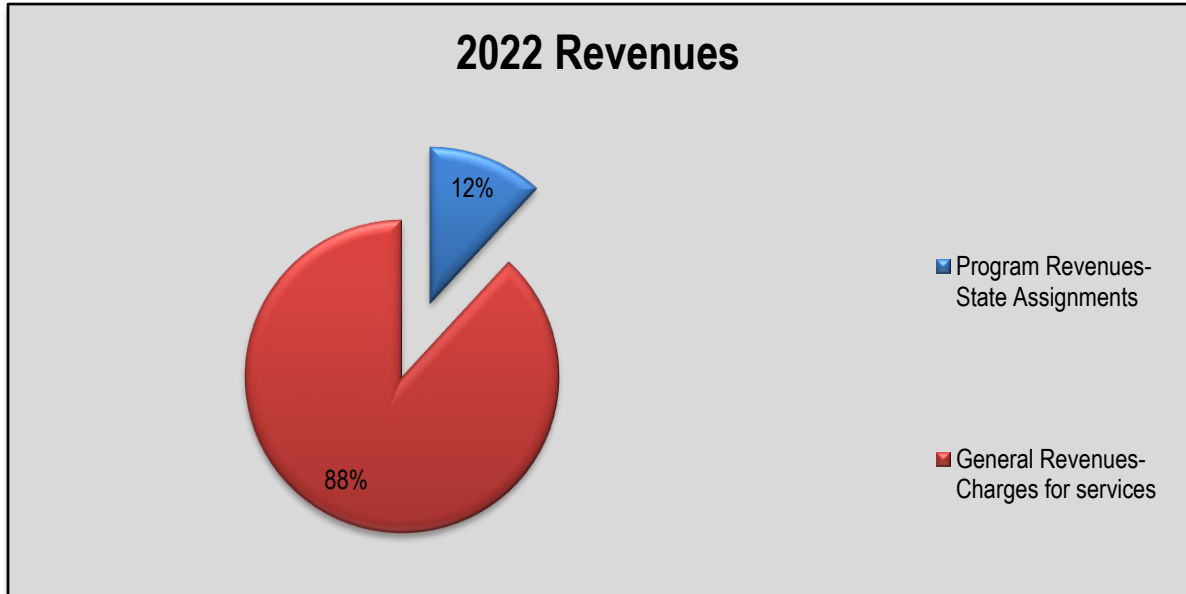
GOVERNMENTAL ACTIVITIES

The cost of all governmental activities this year was \$160,495,137. **Table 2** presents the revenue and cost of the Municipality's programs.

Table 2

<u>Statement of Activities</u>	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues:				
Program revenues:				
Charges for Services	\$ 831,780	\$ 5,601,005	\$ (4,769,225)	-85.15%
Operating grants and contributions	21,454,897	37,959,923	(16,505,026)	-43.48%
Capital grants and contributions	-	10,314,319	(10,314,319)	-100.00%
General revenues:				
Property taxes	79,205,723	75,585,517	3,620,206	4.79%
Volume of business taxes	53,472,113	47,491,226	5,980,887	12.59%
Sales and usage taxes	20,494,010	16,747,181	3,746,829	22.37%
Intergovernmental	2,709,053	17,710,743	(15,001,690)	-84.70%
Interest and Investment Income	1,781,987	2,309,685	(527,698)	-22.85%
Other	14,700,692	17,642,258	(2,941,566)	-16.67%
Total revenues	<u>\$194,650,255.00</u>	<u>\$231,361,857.00</u>	<u>\$ (36,711,602.00)</u>	<u>-15.87%</u>
Expenses:				
General Government	\$ 69,742,487.00	\$ 96,039,696.75	\$ (26,297,209.75)	-27.38%
Public Safety	12,087,394	8,158,171	3,929,223	48.16%
Culture and education	13,931,282	13,133,207	798,075	6.08%
Health and sanitation	39,663,132	32,026,695	7,636,437	23.84%
Economic and Social Development	5,043,477	7,936,470	(2,892,993)	-36.45%
Public housing and welfare	2,563,965	1,975,170	588,795	29.81%
Public Work	8,670,296	-	8,670,296	100.00%
Interest on long-term debt	8,793,104	11,335,201	(2,542,097)	-22.43%
Total expenses	<u>\$160,495,137.00</u>	<u>\$170,604,611.00</u>	<u>\$ (10,109,474.00)</u>	<u>-5.93%</u>
Changes in net position	34,155,118	60,757,245	(26,602,127)	-43.78%
Net position-beginning, as restated	<u>843,017,386</u>	<u>782,260,141</u>	<u>60,757,245</u>	<u>7.77%</u>
Net position-ending	<u>\$ 877,172,504</u>	<u>\$ 843,017,386</u>	<u>\$ 34,155,118</u>	<u>4.05%</u>

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022**



Approximately 14% of the Municipality's governmental activities total revenue came from program revenues, while 86% resulted from general revenues. The Municipality's governmental activities expenses included items such as payroll and related costs, facilities, and payment for public services, purchased services, transportation, professional services, materials, supplies and purchase of equipment.

GOVERNMENTAL FUNDS

The focus of the Municipality's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Municipality's

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022**

financing requirements. Particularly, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of its fiscal year.

FINANCIAL ANALYSIS

The focus of the Municipality's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. Such information is useful in assessing the Municipality's financing requirements. Particularly, unreserved fund balance may serve as a useful measure of a Municipality's net resources available at the end of a fiscal year.

As of June 30, 2022, the governmental funds reported combined ending fund balances of \$93,275,318 a net increase of \$9,813,327 in comparison with the prior year. Of total combined fund balances, \$36,041,086 constitutes unassigned fund balance of general fund. The remainder of fund balance is reserved to indicate that is not available for new spending.

For the year ended June 30, 2022, the fund balance of the general fund increased by \$19,276,267 when compared with the prior year.

BUDGETARY HIGHLIGHTS

Budget and actual comparison schedules are provided in the Basic Financial Statements for the General Fund and the State Assignment Fund. The Budgetary Comparison Schedule shows the original adopted budgets, the final revised budget, actual results, and variance between the final budget and actual results. **Table 3** summarizes the results of the Budgetary Comparison Schedule:

Table 3

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Favorable</u>
Total resources	\$ 125,494,907	\$ 125,711,156	\$ 216,249
Total charges to appropriations	<u>125,494,907</u>	<u>123,132,761</u>	<u>2,362,146</u>
Excess or deficiency	<u>\$ -</u>	<u>\$ 2,578,395</u>	<u>\$ 2,578,395</u>

The total actual resources (budgetary basis) for the fiscal year ended June 30, 2022, were \$125,711,156, which is \$216,249 more than the budgeted resources. In addition, the total actual charges to appropriations (budgetary basis) for the fiscal year ended June 30, 2022, were \$123,132,761, which is \$2,362,146 less than the budgeted charges to appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Municipality investment in capital assets for its governmental type activities as of June 30, 2022, amounted to \$1,099,039,715 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, furniture and fixtures, and motor vehicles. **Table 4** presents the major classes of capital assets.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022**

Table 4

Capital Assets	2022	2021
Non-depreciable assets:		
Land and improvements	\$ 686,532,912	\$ 686,447,912
Construction in progress	28,641,360	26,883,549
Works of art and historical treasures	3,685,605	3,679,605
Depreciable assets:		
Building	229,098,575	235,939,848
Infrastructure	141,426,992	144,744,954
Vehicles and Equipment	9,654,271	11,344,893
Total Assets	<u>\$1,099,039,715</u>	<u>\$ 1,109,040,761</u>

The Municipality acquired \$5,043,018 in capital assets during the fiscal year ended June 30, 2022. Other projects related to repair and maintenance of roads (not capitalized) were developed during the fiscal year 2022. More detailed information about the Municipality's capital assets is presented in Note 9 to the financial statements.

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**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022**

LONG-TERM DEBT

As of June 30, 2022, the Municipality had a total of \$383,784,169 in outstanding long-term debts, as shown below:

Table 5

Governmental Activities	2022	2021	Dollar Change	Percentage Change
Bonds payable	\$ 155,953,362	\$ 173,066,362	\$ (17,113,000)	-9.89%
Notes payable- Law 42	-	4,169,936	(4,169,936)	-100%
Notes payable- Law 46	-	1,390,125	(1,390,125)	-100%
Net pension liability	174,093,996	178,683,400	(4,589,404)	-2.57%
OPEB liability	6,272,297	6,604,223	(331,926)	-5.03%
Capital leases	3,035,910	7,107,751	(4,071,841)	-57.29%
Compensated absences	17,419,613	17,476,974	(57,361)	-0.33%
Landfill obligation	7,185,839	7,503,640	(317,801)	-4.24%
COFIM	-	1,972,813	(1,972,813)	-100%
Total governmental	\$ 363,961,017	\$ 397,975,224	\$ (34,014,207)	-8.55%
Business-Type Activities				
Revenue bond payable	19,823,152	20,163,152	(340,000)	-2.00%
Total	\$ 383,784,169	\$ 418,138,376	\$ (34,354,207)	-8.00%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Local, national and international economic factors influence the Municipality's revenues. Positive economic growth is correlated with increased revenues charges for services, as well as state grants. Economic growth in the local economy may be measured by a variety of indicators such as employment growth, unemployment, new construction, assessed valuation, and other revenues. All these factors were considered in preparing the Municipality's budget for the 2022 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Municipality's finances for all those with an interest in the government's finances. If you have any questions concerning any of the information provided in this report or requests for additional information, contact the Municipality Finance Department at (787) 720-4040.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
STATEMENT OF NET POSITION
AS OF JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Primary Government
ASSETS			
Cash and cash equivalents	\$ 145,471,758	\$ 3,326,935	\$ 148,798,693
Cash with fiscal agent	33,520,189	-	33,520,189
Accounts receivable:			
Property tax	4,371,234	-	4,371,234
Sales and use tax	4,410,711	-	4,410,711
Leases	27,895,504	-	27,895,504
Other	277,361	-	277,361
Inventories	2,626,383	-	2,626,383
Due from other government	4,023,867	-	4,023,867
Due from other funds	831,697	(831,697)	-
Capital assets, net	1,099,039,715	18,255,826	1,117,295,541
Total Assets	\$ 1,322,468,419	\$ 20,751,064	\$ 1,343,219,483
Deferred outflows of resources:			
Contributions to employee's retirement plan	35,568,988	-	35,568,988
Total assets and deferred outflows of resources	\$ 1,358,037,407	\$ 20,751,064	\$ 1,378,788,471
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Accounts payable and accrued expenses	\$ 4,380,907	\$ 24,310	\$ 4,405,217
Accrued interest	3,931,033	-	3,931,033
Due to other governments	23,867,462	-	23,867,462
Unearned revenue	110,030	-	110,030
Long-term debts:			
Due within one year	35,909,626	400,000	36,309,626
Due in more than one year	328,051,391	19,423,152	347,474,543
Total Liabilities	\$ 396,250,449	\$ 19,847,462	\$ 416,097,911
Deferred inflows of resources:			
Leases related	27,552,494	-	27,552,494
Deferred municipal license	47,060,887	-	47,060,887
Pension related	10,001,073	-	10,001,073
Total deferred inflows of resources	\$ 84,614,454	\$ -	\$ 84,614,454
Total liabilities and deferred inflows of resources	\$ 480,864,903	\$ 19,847,462	\$ 500,712,365
Net Position:			
Net investment in capital assets, net of related debt	\$ 944,765,646	\$ (1,567,326)	\$ 943,198,320
Restricted for:			
Debt service	22,457,108	-	22,457,108
General government	23,736,321	-	23,736,321
Culture and education	625,243	-	625,243
Health and sanitation	2,748,508	-	2,748,508
Public safety	1,431,525	-	1,431,525
Public housing	2,492,818	-	2,492,818
Other purposes	4,180,033	-	4,180,033
Unrestricted	(125,264,698)	2,470,928	(122,793,770)
Total Net Position	\$ 877,172,504	\$ 903,602	\$ 878,076,106

The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
STATEMENT OF ACTIVITIES
AS OF JUNE 30, 2022

FUNCTIONS AND PROGRAMS	Program Revenue				Net (Expenses Revenues and Changes in Net Position)		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
Governmental activities:							
General Government	\$ (69,742,487)	\$ 831,780	\$ 1,002,278	\$ -	\$ (67,908,429)	\$ -	\$ (67,908,429)
Public Safety	(12,087,394)	-	807,374	-	(11,280,020)	-	(11,280,020)
Public Housing	(2,563,965)	-	1,957,448	-	(606,517)	-	(606,517)
Culture and recreational	(13,931,282)	-	10,134,612	-	(3,796,670)	-	(3,796,670)
Health and welfare	(39,663,132)	-	3,483,467	-	(36,179,665)	-	(36,179,665)
Economic Development	(5,043,477)	-	4,069,718	-	(973,759)	-	(973,759)
Public work	(8,670,296)	-	-	-	(8,670,296)	-	(8,670,296)
Interest on long-term debt	(8,793,104)	-	-	-	(8,793,104)	-	(8,793,104)
Total governmental activities	(160,495,137)	831,780	21,454,897	-	(138,208,460)	-	(138,208,460)
Business-Type Activities:							
Los Filtros Toll	(1,760,906)	2,311,320	-	-	-	550,414	550,414
Guaynabo Development Enterprise	(31,357)	66,550	-	-	-	35,193	35,193
	(1,792,263)	2,377,870	-	-	-	585,607	585,607
Total primary government	\$ (162,287,400)	\$ 3,209,650	\$ 21,454,897	\$ -	\$ (138,208,460)	\$ 585,607	\$ (137,622,853)
General revenue:							
Taxes:							
Property taxes					79,205,723	-	79,205,723
Municipal tax					53,472,113	-	53,472,113
Sales and use taxes					20,494,010	-	20,494,010
Construction excise tax					3,944,215	-	3,944,215
Grants and entitlements					2,709,053	-	2,709,053
Rent					2,056,619	-	2,056,619
Interest income					1,781,987	2,727	1,784,714
Other					8,699,858	-	8,699,858
Total general revenues					172,363,578	2,727	172,366,305
Changes in net position					34,155,118	588,334	34,743,452
Net position at beginning, as restated					843,017,386	315,268	843,332,654
Net position at end					\$ 877,172,504	\$ 903,602	\$ 878,076,106

The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022

	GENERAL FUND	DEBT SERVICE FUND	WIOA FUND	ARPA FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash in bank	\$ 102,346,640	\$ 5,525,868	\$ 27,137	\$ 4,461,596	\$ 33,110,517	\$ 145,471,758
Cash with fiscal agent	-	33,520,189	-	-	-	33,520,189
Receivable:						
Property taxes	4,371,234	-	-	-	-	4,371,234
Rent, licenses, and permits	277,361	-	-	-	-	277,361
Sales and use tax	4,410,711	-	-	-	-	4,410,711
Lease	27,895,504	-	-	-	-	27,895,504
Due from other agencies	809,783	3,214,084	-	-	-	4,023,867
Due from other funds	2,428,842	-	-	-	-	2,428,842
Inventories	2,626,383	-	-	-	-	2,626,383
Total assets	\$ 145,166,458	\$ 42,260,141	\$ 27,137	\$ 4,461,596	\$ 33,110,517	\$ 225,025,849

The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022

	GENERAL FUND	DEBT SERVICE FUND	WIOA FUND	ARPA FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Liabilities:						
Accounts payable and accrued expenses	\$ 3,265,956	\$ -	\$ 475,375	\$ 81,000	\$ 558,574	\$ 4,380,905
Bond payable	-	15,872,000	-	-	-	15,872,000
Interest payable	-	3,931,033	-	-	-	3,931,033
Due to other funds	-	-	189,649	-	1,407,498	1,597,147
Advances from federal agencies	-	-	-	-	110,030	110,030
Due to other government	23,867,462	-	-	-	-	23,867,462
Total liabilities	<u>\$ 27,133,418</u>	<u>\$ 19,803,033</u>	<u>\$ 665,024</u>	<u>\$ 81,000</u>	<u>\$ 2,076,102</u>	<u>\$ 49,758,577</u>
Deferred inflows of resources:						
Deferred municipal license	47,060,887	-	-	-	-	47,060,887
Leases related	27,552,494	-	-	-	-	27,552,494
Unearned revenue	7,378,573	-	-	-	-	7,378,573
	<u>\$ 81,991,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,991,954</u>
Fund balances:						
Non expendable	\$ 2,626,383	\$ -	\$ -	\$ -	\$ -	\$ 2,626,383
Restricted for:						
Debt service	-	22,457,108	-	-	-	22,457,108
General government	-	-	-	-	23,736,321	23,736,321
Culture and education	-	-	-	-	625,243	625,243
Health and sanitation	-	-	-	-	2,748,508	2,748,508
Public safety	-	-	-	-	1,431,525	1,431,525
Public housing	-	-	-	-	2,492,818	2,492,818
Unassigned	33,414,703	-	(637,887)	4,380,596	-	37,157,412
Total fund balances	<u>36,041,086</u>	<u>22,457,108</u>	<u>(637,887)</u>	<u>4,380,596</u>	<u>31,034,415</u>	<u>93,275,318</u>
	<u>\$ 145,166,458</u>	<u>\$ 42,260,141</u>	<u>\$ 27,137</u>	<u>\$ 4,461,596</u>	<u>\$ 33,110,517</u>	<u>\$ 225,025,849</u>

The accompanying notes are an integral part of these financial statements.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
As Of JUNE 30, 2022**

Fund balances in governmental funds	\$ 93,275,318
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,099,039,715
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Amount presented in the statement of net position, but not in fund balance due to different basis of accounting:

Deferred outflows of resources related to pension	35,568,988
Deferred inflows of resources related to pension	(10,001,073)

Municipality's revenues do not collect soon enough to pay current period's expenditures and therefore are not available in the funds	7,378,573
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Long-term liabilities and accrual expenses are not due and payable in the current period and therefore are not reported in the governmental funds:

Bonds payable	(140,081,362)
Capital lease obligations	(3,035,910)
Compensated absences	(17,419,613)
Landfill liability	(7,185,839)
Net pension liability	(174,093,996)
OPEB liability	<u>(6,272,297)</u>

Net position of governmental activities	<u>\$ 877,172,504</u>
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The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	GENERAL FUND	DEBT SERVICE	WIOA FUND	ARPA FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:						
Taxes:						
Property taxes	\$ 44,182,927	\$ 30,651,562	\$ -	\$ -	\$ -	\$ 74,834,489
Municipal taxes	53,472,113	-	-	-	-	53,472,113
Sale and use taxes	14,014,410	3,472,261	-	-	-	17,486,671
Construction excise taxes	3,944,215	-	-	-	-	3,944,215
Grants and entitlements	4,036,088	-	3,659,800	-	17,016,231	24,712,119
Rental income	2,056,619	-	-	-	758,655	2,815,274
Interest income	1,781,987	-	-	-	-	1,781,987
Other	5,108,699	-	-	9,328	4,413,611	9,531,638
Total Revenues	\$ 128,597,058	\$ 34,123,823	\$ 3,659,800	\$ 9,328	\$ 22,188,497	\$ 188,578,506
Expenditures:						
General administration	\$ 53,739,121	\$ -	\$ -	\$ 14,179,457	\$ 3,712,072	\$ 71,630,650
Public safety	10,247,565	-	-	-	756,357	11,003,922
Public work	8,216,696	-	-	-	-	8,216,696
Culture and recreational	3,876,856	-	-	-	8,805,674	12,682,530
Health and welfare	27,079,784	-	-	-	9,028,082	36,107,866
Economic development	119,913	-	4,096,706	-	374,778	4,591,397
Public housing	-	-	-	-	2,334,140	2,334,140
Debt service:						
Principal	8,520,237	15,872,000	-	-	-	24,392,237
Interest	-	7,805,741	-	-	-	7,805,741
Total expenditures	\$ 111,800,172	\$ 23,677,741	\$ 4,096,706	\$ 14,179,457	\$ 25,011,103	\$ 178,765,179
Excess (deficiency) of revenue over expenditures	16,796,886	10,446,082	(436,906)	(14,170,129)	(2,822,606)	9,813,327
Other financing sources (uses):						
Operating transfer in	2,479,381	-	-	-	-	2,479,381
Operating transfer out	-	(2,479,381)	-	-	-	(2,479,381)
Total other financing sources (uses)	2,479,381	(2,479,381)	-	-	-	-
Net changes in fund balance	\$ 19,276,267	\$ 7,966,701	\$ (436,906)	\$(14,170,129)	\$ (2,822,606)	\$ 9,813,327
Fund balance at beginning of year, as prior year reported	18,034,252	8,602,876	(200,981)	18,550,725	33,857,021	78,843,893
Restatement	(1,269,433)	5,887,531	-	-	-	4,618,098
Fund balance at beginning of year, as restated	16,764,819	14,490,407	(200,981)	18,550,725	33,857,021	83,461,991
Fund balance at end of year	\$ 36,041,086	\$ 22,457,108	\$ (637,887)	\$ 4,380,596	\$ 31,034,415	\$ 93,275,318

The accompanying notes are an integral part of these financial statements.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Net change in fund balances – total governmental funds **\$ 9,813,327**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds reports capital outlays as expenditures. However, in the Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period including interest capitalized. 4,506,102

Depreciation expense on capital assets is reported in the statement of activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. (14,507,148)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements. 6,071,749

Governmental funds report principal payments on long-term debts as expenditures, whereas the principal payments reduce the long-term debt in the statement of net position:

General notes and bonds	15,872,000
Notes payable - CRIM (Law 42)	4,169,936
Notes payable - CRIM (Law 146)	1,390,125
Amount due to COFIN	1,972,813
Lease liability	4,071,841
Other post employment benefits	331,926
Pension liability	4,589,404
Landfill liability	317,801

Changes in accrued expenses and other deferred changes which do not require the use of current financial resources:

Deferred outflows of resources - pension	(3,255,849)
Deferred inflows of resources - pension	(1,246,270)
Compensating absences	57,361

Changes in Net Position of Governmental Activities **\$ 34,155,118**

The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
STATEMENT OF NET POSITION – PROPRIETARY FUND
JUNE 30, 2022

	<u>Los Filtros Toll</u>	<u>Guaynabo Development Enterprise, Inc.</u>	<u>Total Proprietary Fund</u>
Assets			
Restricted cash in commercial banks	\$ 3,250,474	\$ 76,407	\$ 3,326,881
Non-current assets:			
Capital assets, net	18,255,826	-	18,255,826
Total assets	<u>\$21,506,300</u>	<u>\$ 76,407</u>	<u>\$ 21,582,707</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 24,310	\$ -	\$ 24,310
Due to other fund	714,770	116,927	831,697
Total current liabilities	<u>\$ 739,080</u>	<u>\$116,927</u>	<u>\$ 856,007</u>
Non-current liabilities:			
Due within one year	400,000	-	400,000
Due in more than one year	19,423,152	-	19,423,152
Total non-current liabilities	<u>19,823,152</u>	<u>-</u>	<u>19,823,152</u>
Total liabilities	<u>\$ 20,562,232</u>	<u>\$116,927</u>	<u>\$ 20,679,159</u>
Net position			
Net investment in capital assets	\$ (1,567,326)	\$ -	\$ (1,567,326)
Unrestricted	2,511,394	(40,466)	2,470,928
Total net position	<u><u>\$ 944,068</u></u>	<u><u>\$(40,466)</u></u>	<u><u>\$ 903,602</u></u>

The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Los Filtros Toll</u>	<u>Guaynabo Development Enterprise, Inc.</u>	<u>Total Proprietary Fund</u>
REVENUES			
Charges for services	\$ 2,311,320	\$ 66,550	\$ 2,377,870
Total operating revenues	<u>\$ 2,311,320</u>	<u>\$ 66,550</u>	<u>\$ 2,377,870</u>
OPERATING EXPENSES			
General, administrative and maintenance	\$ 375,457	\$ 31,357	\$ 406,814
Total operating expenses	<u>375,457</u>	<u>31,357</u>	<u>406,814</u>
Net operating income	<u>\$ 1,935,863</u>	<u>\$ 35,193</u>	<u>\$ 1,971,056</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest	\$ 2,727	\$ -	\$ 2,727
Interest on loans	<u>(1,385,449)</u>	<u>-</u>	<u>(1,385,449)</u>
Total non-operating expenses	<u>\$(1,382,722)</u>	<u>\$ -</u>	<u>\$ (1,382,722)</u>
CHANGE IN NET POSITION	<u>\$ 553,141</u>	<u>\$ 35,193</u>	<u>\$ 588,334</u>
TOTAL NET POSITION, BEGINNING	<u>390,927</u>	<u>(75,659)</u>	<u>315,268</u>
TOTAL NET POSITION, ENDING	<u><u>\$ 944,068</u></u>	<u><u>\$ (40,466)</u></u>	<u><u>\$ 903,602</u></u>

The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Los Filtros Toll</u>	<u>Guaynabo Development Enterprise, Inc.</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,311,318	\$ 66,550	\$ 2,377,868
Payment to suppliers	<u>-</u>	<u>(15,734)</u>	<u>(15,734)</u>
Net cash provided by operating activities	<u>\$ 2,311,318</u>	<u>\$50,816</u>	<u>\$ 2,362,134</u>
NON CAPITAL FINANCING ACTIVITIES			
Interest collected	<u>2,727</u>	<u>-</u>	<u>2,727</u>
Net cash provided by non capital activities	<u>\$ 2,727</u>	<u>\$ -</u>	<u>\$ 2,727</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payment for interest	\$(1,385,449)	\$ -	\$(1,385,449)
Principal payment of non-current liabilities	<u>(340,000)</u>	<u>-</u>	<u>(340,000)</u>
Net cash used by capital and related financing activities	<u>\$(1,725,449)</u>	<u>\$ -</u>	<u>\$(1,725,449)</u>
NET INCREASE IN CASH	\$ 588,596	\$50,816	\$ 639,412
CASH AT BEGINNING OF YEAR	<u>2,661,878</u>	<u>25,591</u>	<u>2,687,469</u>
CASH AT THE END OF YEAR	<u>\$3,250,474</u>	<u>\$76,407</u>	<u>\$3,326,881</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	<u>1,935,863</u>	<u>35,193</u>	<u>1,971,056</u>
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:			
Depreciation	375,455	-	375,457
Increase in due to other fund	-	16,873	16,873
Decrease in accounts payable	<u>-</u>	<u>(1,250)</u>	<u>(1,250)</u>
Total adjustments	<u>375,455</u>	<u>15,623</u>	<u>391,080</u>
Net cash provided by operating activities	<u>\$2,311,318</u>	<u>\$50,816</u>	<u>\$2,362,136</u>

The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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1. FINANCIAL REPORTING ENTITY

Organization

The Autonomous Municipality of Guaynabo (the Municipality) is a political and legal entity with full legislative and administrative faculties in every affair of municipal character, with perpetual succession, existence and legal personality separate and independent from the governmental of the Commonwealth of Puerto Rico.

The municipal government is comprised of the executive and legislative bodies, which are elected every four years in the Puerto Rico general elections. The executive power is exercised by the Mayor and the legislative power by the Municipal Legislative Body.

The Municipality provides the following services to its community: health, public works, education, public safety, housing, community and social services, welfare, culture and recreation, as well as many other general and administrative services.

Reporting Entity

A reporting entity consists of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Municipality consists of all funds and departments that are not legally separate from the Municipality. For the Municipality, these include various services such as police protection, recreation (including parks), street maintenance and repair, sanitation, and general administrative services. The operation of each of these activities is directly controlled by Municipality's Legislative Body through the budgetary process.

Component units are legally separate organizations for which the Municipality is financially accountable. The Municipality has no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Municipality relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The more significant policies of the Municipality are described below.

Government-Wide and Fund Financial Statements

Basic financial statements include both government-wide and fund financial statements.

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Government-Wide Financial Statements

The Government-Wide Financial Statements (consists of the statement of net position and the statement of activities) report information on all the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which normally are supported mainly by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Program-specific capital and operating grant and contributions consist of transactions that are either mandatory or voluntary nonexchange transactions with other governments, organizations, or individuals that restrict the resources for use in a particular program. Capital grants and contributions consist of capital assets or resources that are restricted for capital purposes that is to purchase, construct or renovate capital assets associated with a specific program. Operating grants and contributions consist of resources that are required to be used to finance the costs of operating a specific program or can be used either for operating or capital purposes of a specific program. Restricted capital and operating grants and contributions are program revenues because they are specifically attributable to a program reducing the net expense of that program to the Municipality. They are reported net of estimated uncollectible amounts.

Fund Financial Statements

The fund financial statements segregate transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

The Municipality reports the following major governmental funds:

General Fund

This is the operating fund of the Municipality and accounts for all financial resources, except those required to be accounted for in another fund.

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Debit Service Fund

This fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

WIOA Fund

This fund is used to account for all transaction under the Workforce Innovation and Opportunity Act Fund (WIOA), a federal program to help people access the tools they need to manage their careers through information and high-quality services and to help companies find skilled workers.

ARPA Fund

This fund is used to account for all transaction under the American Rescue Plan Act of 2022 (ARPA), a federal stimulus bill to aid public health and economic recovery from the COVID-19 pandemic.

Other Governmental Funds

Other Governmental Funds are used to account for all other transactions for other purposes.

Special Revenue Fund - Is used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are restricted or committed to expenditures for specified purposes.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide Statement of Net Position and the Statement of Activities, both government and business-like activities, are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Under this method 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 this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, except for debt service, compensated absences and claims and judgments expenditures which are reported when payment is due.

Property taxes, franchise taxes, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is

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considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Municipality has elected to not apply all statements and interpretation issued by FASB after November 30, 1989.

Cash in Commercial Bank and Deposits with Governmental Bank

The Municipality's Finance Director is responsible for investing available resources. The Municipality is restricted by law to invest only in savings accounts and certificates of deposit with banks qualified as a depository of public funds by the Puerto Rico Treasury Department (PRTD) or in instruments of the Government Development Bank for Puerto Rico (GDB). The Municipality's policy is to invest any excess cash in interest bearing deposits with institutions qualified by the PRTD. Earnings from these funds are recorded in the corresponding fund as interest income.

Pursuant to the Statement of Investment Guidelines for the Government of the Commonwealth of Puerto Rico, the balances deposited in commercial banks by the Municipality are insured by the Federal Deposit Insurance Corporation (FDIC) generally up to a maximum of \$250,000 per depositor.

In addition, public funds deposited in commercial banks by the Municipality are fully collateralized for the amount in excess of federal depository insurance. All securities pledged as collateral are held by agents designated by the Commonwealth's Secretary of Treasury, but not in the Municipality's name.

Interfund Receivables and Payables

Activities 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). Interfund receivables and payables between funds within the governmental activities are eliminated in the statement of net position.

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Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (which is normally immovable and of value only to the Municipality, such as roads, bridges, streets sidewalks, and drainage system), are reported in the government-wide financial statements.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. When historical cost is not available it is estimated using historic sales of the year of the acquisition of the related capital assets.

Depreciation in capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Infrastructure	10 to 70
Building, structures and building improvements	70
Vehicles	5
Furniture, fixtures, machinery and equipment	5 to 10

Impairment of Capital Assets

The Municipality periodically evaluates long-term assets for impairment in accordance with GASB Statement No. 34, (*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*) and GASB No.42, (*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries Governments*) are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset.

Impaired capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government should be measured using the method that best reflects the diminished service utility of the capital asset. Impairment of capital assets with physical damage generally should be measured using a restoration cost approach. The restoration approach uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off. Impairment of capital assets that are affected by enactment or approval of laws or

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regulations, other changes in environmental factors or are subject to technological changes or obsolescence generally should be measured using a service units approach.

A service units approach compares the service units provided by the capital asset before and after the impairment event or change in circumstance. Impairment of capital assets that are subject to a change in manner or duration of use generally should be measured using a service units approach, as described above, or using deflated depreciated replacement cost, an approach that quantifies the cost of the service currently being provided by the capital asset and converts that cost to historical cost.

Risk Management

The Municipality carries insurance to cover casualty, theft, tort claims and other losses. Insurance policies are held by private companies. Cost of insurance are deducted from the gross property tax collections by the Municipal Revenue Collection Center (the "MRCC") for the year ended June 30, 2022, amounting to \$931,567. The current insurance policies have not been cancelled or terminated. The MRCC also deducted \$519,123 for workers compensation insurance covering all municipal employees.

Compensated Absences

Employees are entitled to 30 days vacations leave and 18 days sick leave per year. Sick leave is recorded as expenditure in the year paid. Employees are entitled to payment of unused sick leave upon retirement if have been employed for at least 10 years in the municipal government. 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 tax payments made on behalf of the employees in the accrual for vacation and sick leave pay using salary rates effective at June 30, 2021. All vacation pay is accrued when incurred in the Net Position Statement. For the Governmental Fund Financial Statements (GFFS), all of the compensated absences are considered long-term and therefore, are not a fund liability and represents 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.

Fund Balance

The Municipality adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), which enhanced the usefulness of fund balance

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information by providing clearer fund balance classifications that can be more consistently applied. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Municipality is bound to observe constraints imposed upon the use of resources reported in governmental funds.

The fund balances amounts are reported as nonspendable, restricted, committed, assigned and unassigned, based on the relative strength of the constraints that control how specific amounts can be spent, as described follows:

- **Nonspendable** – Represent resources that cannot be spent readily with cash or are legally or contractually required not to be spent, including but not limited to inventories, prepaid items, long-term balances of loans and notes receivable.
- **Restricted** – Represent resources that can be spent only for the specific purposes stipulated by constitutional provisions, external resource providers (externally imposed by creditors or grantors), or through enabling legislation (that is, legislation that creates a new revenue sources and restrict its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- **Committed** – Represent resources used for specific purposes, imposed by formal action of the entity's highest level of decision-making authority (governing body through resolutions) and can only be changed by similar resolutions, no later than the end of the fiscal year.
- **Assigned** – Represent resources intended to be used by the entity for specific purposes but do not meet the criteria to be classified as restricted or committed (generally resolutions approved by the governing body). Intent can be expressed by the Municipal Legislation, the Mayor or by official or body to which the governing body delegates authority. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
- **Unassigned** – Represent the residual classification for the entity's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

In situations when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the Municipality uses restricted resources first, and then unrestricted resources. Within unrestricted resources, the Municipality generally spends committed resources first, followed by assigned resources, and then unassigned resources.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Employees' Retirement System (ERS) and additions to/deductions from ERS fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose,

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benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Accounting for Pension Cost

Effective on July 1, 2017, the Municipality and other participants of the ERS converted to a new “PayGo” model. Under the “PayGo” funding, the participant employers directly pay the pension benefits as they are due rather than attempt to build up assets to pre-fund future benefits. “PayGo” payments are recorded as expenditures/ expenses in the financial statements.

At that date, the Municipality’s pension costs accounting transitioned from GASB Statement No. 68 to the requirements of GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB No. 68”. Accordingly, pension costs are reported based on the employer total pension liability, pension expense and deferred outflows/inflows of resources reported by the ERS. For purposes of measuring, pension costs have all been determined on the same basis as they are reported by the ERS.

Accounting for Other Postemployment Benefits (“OPEB”)

GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions” is effective for the Municipality starting on July 1, 2017. As required by the accounting pronouncement, OPEB transactions should be accounted based on its proportional share of the collective net OPEB liability, OPEB expense and deferred outflows/inflows of resources reported by the Plan. For the purpose of measuring, OPEB costs should have all been determined on the same basis as they are reported by the Plan. The ERS has not issued its 2018 basic financial statements. The OPEB as presented in the accompanying financial statement represents the liability determined by ERS as of June 30, 2021. The Municipality’s contribution for OPEB is included as part of the “PayGo” charges billed on a monthly basis by the Puerto Rico Department of Treasury (“PRDT”). “PayGo” payments are recorded as expenditures/expenses in the financial statements.

Future Adoption of Accounting Pronouncements

- GASB Statement No. 91, **Conduct Dept. Obligation** – The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.
- GASB Statement No. 94, **Public-Private and Public-Public Partnerships and Availability Payment Arrangements** - The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- GASB Statement No. 96, **Subscription-Based Information Technology Arrangements** - The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- GASB Statement No. 99, **Omnibus 2022** 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,

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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. Earlier application is encouraged and is permitted by topic.
- GASB Statement No. 100, ***Accounting Changes and Error Corrections***—an amendment of GASB statement No. 62 The requirements of this statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
- GASB Statement No. 101, ***Compensated Absences*** Effective Date: The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

The Municipality's management has not determined the impact on the Municipality's financial statements of the future adoption of these GASB Statements.

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through August 29, 2023, the date that the financial statements were available to be issued. On August 31, 2022 the Municipality Legislative Board authorized the dissolution of Guaynabo Development Enterprise, Inc.

3. PROPERTY TAX

The personal property tax is self-assessed by the taxpayer on a return, which is to be filed by May 15 of each year with the Municipal Revenue Collector Center (the MRCC), a governmental entity created by the Commonwealth of Puerto Rico. Real property tax is assessed by the CRIM on real estate and attached equipment.

The assessment is made as of January 1 of each year and is based on current values for personal property and on estimated value as of 1957 for real property tax. The tax on personal property must be paid in full together with the return by May 15. The tax on real property may be paid in two installments by July 1 and January 1.

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The MRCC is responsible for the billing and collections of real and personal property taxes on behalf of all the municipalities of Puerto Rico. Before the beginning of each fiscal year, the MRCC informs the Municipality of the estimated amount of property tax 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 annually.

This settlement has to be completed on a preliminary basis, not later than three months after fiscal the year-end, and a final settlement made not later than six months after the year-end. If the MRCC has remitted property tax advances to the Municipality, 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 by the MRCC, a liability to the MRCC is recorded on June 30.

Residential real property occupied by its owner is exempt by law from the payment of property taxes on the first \$15,000 of the assessed value. For such exempt amounts, the Puerto Rico Treasury Department assumes payment of the basic tax to the Municipalities, except for property assessed at less than \$3,500 for which no payment is made. As part of Law No. 83 of August 30, 1991, as amended, the exempt amount to be paid by Puerto Rico Treasury Department to the Municipalities was frozen as of January 1, 1992. In addition, the law grants a tax exemption from the payment of personal property taxes of up to \$50,000 of the assessed value to retailers having annual net sales of less than \$150,000.

The annual rate for fiscal year 2022 is 10.53% for real property and 7.03% for personal property of which 1.03% of both tax rates are for the redemption of public debt issued by the Commonwealth of Puerto Rico. The remaining percentage is distributed as follows: (a) 6.0% and 4.0%, respectively, represent the Municipality's basic property tax rate, which is appropriated for general purposes and accounted for in the general fund. A portion of such amount is deposited in an equalization fund together with a percentage of the net revenues of the Puerto Rico electronic lottery and subsidy from the Commonwealth of Puerto Rico. From such fund, a distribution is made to all municipalities; (b) 3.5% and 2%, respectively, represents the special ad valorem tax restricted for debt service and accounted for in the debt service fund. The Commonwealth contributes an annual tax rate of 0.2% of the property tax collected and the remaining rate is imposed to the taxpayer.

4. MUNICIPAL LICENSE TAX

The Municipal License Tax is levied annually based on the volume of business of certain businesses and industrial organizations that operate in the Municipality. The tax rates are 1.50% for financing institutions and .50% for the other business institutions. The taxpayers must file a return not later than April 15 of every year and the tax is payable in two installments, due on July 1 and January 1 of the following fiscal year. The amount levied could be paid with a five percent discount if payment is made on or before the filing date. The Municipality levied and collected during the year ended June 30, 2022, \$47,060,887 corresponding to the following fiscal year volume of business tax. This amount was recorded as deferred revenue and is presented as a liability in the accompanying financial statements.

5. SALES AND USE TAX

As imposed by Commonwealth and Municipal laws and regulations, the citizens of Puerto Rico are subject to sales and use taxes ("SUT") on a broad range of goods and services. The total tax is imposed at

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a combined 11.5% rate of which 10.5% belongs to the Commonwealth (collection process administered through the PRDT) and 1% for the municipalities.

The tax is due on the 20th day of each month based on tax collected in the preceding month. Merchants at the Municipality may render their tax return and payment directly to the Municipality as certain municipalities decided to collect the tax after being certified as such by COFIM. These certified collecting municipalities may accept filings and payments through their Municipal Collections Officer. This information should be transmitted on a daily basis by the collecting Municipalities to the COFIM database. In addition, merchants can render their tax return and payment through COFIM's web site or through a bank institution.

Pursuant to the provision at the Act 72-2020 and effective July 1, 2019, the citizenship contribution was uniformity established in 1.5%, for all the Municipality of Puerto Rico, of which 1% is collected by the Municipality and the remaining 0.5% is be collected by the Treasury Department of the Commonwealth of Puerto Rico. A portion of the amount collected by the Treasury Department is submitted to Municipal Finance Corporation (COFIM, by is its Spanish acronym), a redemption fund for financing capital project to the municipalities.

Accordingly, since July 1, 2014, the Commonwealth of Puerto Rico has made advances from the collections arising from the zero-point five percent (0.5%) of the sales and usage taxes to the Municipal Administration Fund (MAF) of the Municipality. The advances have been made and distributed to the Municipality on a monthly basis as follows in accordance with Section 4050 of Act No. 1, as amended:

- 0.2% will be deposited in the Municipal Development Fund to be distributed to the municipalities.
- 0.2% will be deposited in a Municipal Redemption Fund to then be deposited in the municipalities general fund (the municipalities have the option to maintain funds in the Municipal Redemption Fund or to transfer funds from the Municipal Development Fund to increase its debt margin and issue loans to be obtained from financial institutions.
- 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.

6. TAX ABATEMENTS

As of June 30, 2022, the Municipality provides tax abatements through two programs— the industrial incentive and tourism development programs:

- The incentive programs for industrial development provide property tax and municipal tax abatements to encourage the manufacturing industry, under Puerto Rico Act 8 of 1987, Act 135 of 1997, Act 73 of 2008 and Act 20 of 2012. Puerto Rico Industrial Development Company (PRIDCO) administers the Commonwealth sponsored economic development program by providing general assistance and special incentive grants to manufacturing companies operating in Puerto Rico. Abatements are obtained through application by the owners, including among other capital investments and the number of jobs returned or attracted. The tax abatement agreements stipulate a percentage of reduction of property and municipal taxes.

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- The Municipality provides tax abatements by Ordinances approved by the Mayor and are authorized by the Municipal Legislature. Municipality enters into economic development incentive agreements with entities that propose to locate businesses within the Municipality, or expand businesses within the Municipality, which are expected to provide a stimulus to the Municipality's economy and tax base. Generally, the agreements provide for a rebate of taxes paid to the Municipality according to formulas contained in the agreements.

Information relevant to disclosure of these programs for fiscal year ended June 30, 2022, is:

<u>Tax Abatement Program</u>	<u>Amount of taxes abated during fiscal year</u>
Industrial Development Program	
Municipal tax	\$ 6,496,554
Property tax	<u>\$ 7,880,325</u>
Program Administered by the Municipality	
Municipal tax	<u>\$ 237,604</u>
Property tax	<u>\$ 729,592</u>

7. GRANTS AND ENTITLEMENTS REVENUE

Grants and entitlements revenue consists of contributions received from certain quasi-public corporations of the Commonwealth of Puerto Rico, such as the Puerto Rico Aqueduct and Sewer Municipality and the Puerto Rico Electric Power Authority. Also, the Municipality receives some subsidies from the Commonwealth of Puerto Rico which include, among others, a subsidy for general operations and for the financing of capital improvements. The intergovernmental revenues are recorded in the General Fund, except for those that are legally restricted for expenditure for specified purposes which are recorded in other governmental funds.

8. LEASE RECEIVABLE

During the year ended June 30, 2022, the Municipality adopted the requirements of GASB 87, Leases. The Municipality has ongoing lease agreements with third parties related to rental of building spaces and land owned by the Municipality. The Municipality has 23 leases, most of which were entered into with 2 to 50 years terms.

A summary of the Municipality's activity surrounding leases receivable as of and for the year ending June 30, 2022, is as follows:

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<u>Description</u>	<u>General fund</u>
Lease revenue	\$ 1,059,459
Interest revenue	\$ 957,255
Lease receivable	\$ 27,895,504
Deferred inflows of resources	\$ 27,552,494

The leases were discounted at 3.5% as of July 1, 2021, the implementation date.

9. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

<u>Governmental Activities</u>	<u>Balance 2021</u>	<u>Additions</u>	<u>Retirements / Reclassifications</u>	<u>Balance 2022</u>
Capital asset, not subject to depreciation and amortization:				
Land	\$ 686,447,912	\$ 85,000	\$ -	\$ 686,532,912
Construction in progress	26,883,549	2,294,728	(536,917)	28,641,360
Non – depreciable assets	<u>3,679,605</u>	<u>6,000</u>	<u>-</u>	<u>3,685,605</u>
	<u>717,011,066</u>	<u>2,385,728</u>	<u>(536,917)</u>	<u>718,859,877</u>
Cost basis of capital assets, subject to depreciation and amortization:				
Buildings	403,947,754	1,010,000	-	404,957,754
Infrastructure	210,471,327	147,070	-	210,618,397
Equipment and vehicles	<u>81,546,273</u>	<u>1,500,220</u>	<u>(2,835,121)</u>	<u>80,211,372</u>
Total cost basis of capital assets subject to depreciation	<u>\$ 695,965,354</u>	<u>\$ 2,657,290</u>	<u>\$ (2,835,121)</u>	<u>\$ 695,787,523</u>
Less accumulated depreciation:				
Buildings	(168,007,906)	(7,851,273)	-	(175,859,179)
Infrastructure	(65,726,373)	(3,465,032)	-	(69,191,405)
Equipment and vehicle	<u>(70,201,380)</u>	<u>(3,165,754)</u>	<u>2,810,033</u>	<u>(70,557,101)</u>
Total accumulated depreciation	<u>\$ (303,935,659)</u>	<u>\$ (14,482,059)</u>	<u>\$ 2,810,033</u>	<u>\$ (315,607,685)</u>
Total Capital assets been depreciation, net	<u>392,029,695</u>	<u>(11,824,769)</u>	<u>(25,088)</u>	<u>380,179,838</u>
Governmental activities capital assets, net	<u>\$ 1,109,040,761</u>	<u>\$ (9,439,041)</u>	<u>\$ (562,005)</u>	<u>\$ 1,099,039,715</u>

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Depreciation expense was charged to functions/programs of the Municipality as follows:

<u>Governmental activities</u>	<u>Amount</u>
General government	\$ 7,166,352
Public safety	1,083,472
Public work	771,401
Culture and recreation	1,248,752
Health and sanitation	3,555,266
Public housing	229,825
Economic development	452,080
Total depreciation expense	<u>\$ 14,507,148</u>

<u>Business-Type Activities</u>	<u>Balance 2021</u>	<u>Additions</u>	<u>Retirements Reclassifications</u>	<u>Balance 2022</u>
Capital asset, not subject to depreciation and amortization:				
Land and improvements	<u>\$ 764,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 764,700</u>
Cost basis of capital assets, subject to depreciation and amortization:				
Infrastructure	18,997,828	-	-	18,997,828
Less accumulated depreciation:				
Infrastructure	<u>1,131,245</u>	<u>375,455</u>	<u>-</u>	<u>1,506,700</u>
Total Capital assets been depreciation, net	<u>17,866,583</u>	<u>(375,455)</u>	<u>-</u>	<u>17,491,128</u>
Business-type activities capital assets, net	<u>\$18,631,283</u>	<u>\$(375,455)</u>	<u>\$ -</u>	<u>\$ 18,255,828</u>

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10. DUE FROM OTHER GOVERNMENT

Represents grants and contributions due from local and federal agencies:

<u>General Fund</u>	<u>Amount</u>
Puerto Rico Department of Transportation	\$ 809,783
<u>Debt Service Fund</u>	
Puerto Rico Fiscal Agency and Financial Advisory Authority	<u>3,214,084</u>
	<u>\$ 4,023,867</u>

11. DUE TO OTHER AGENCYS

Due to other agencies as of June 30, 2022, are as follows:

<u>General Fund:</u>	<u>Amount</u>
Puerto Rico Water and Sewer Authority	\$ 329,178
Puerto Rico Employee Retirement System	193,393
Puerto Rico Electric Power Authority	8,449,010
Municipal Revenue Collector Center	2,918,702
Puerto Rico Department of Health	11,500,000
Puerto Rico General Service Administration	17,618
	<u>459,561</u>
	<u>\$ 23,867,462</u>

12. LONG-TERM DEBTS

The Municipality's Legislature is legally authorized to determine the contracting of debts of the Municipality.

Nevertheless, the laws and regulations of the Commonwealth also provide that:

- Direct obligations of the Municipality (evidenced principally by bonds and notes) are backed by the full faith, credit and taxing power of the Municipality; and
- Direct obligations are not to be issued if the amount of the principal of, and interest on, such bonds and notes (and on all such bonds and notes issued thereafter), which are payable in any fiscal year, together with any amount paid by the Municipality in the preceding fiscal year on account of bonds or notes guaranteed by the Municipality, exceed 10 percent of the total assessed value of the property located within the Municipality plus the balance of the ad valorem taxes in the debt service fund, for bonds payable to be repaid with the proceeds of property taxes restricted for debt service.

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In addition, before any new bonds or notes are issued, the revenues of the debt service fund should be sufficient to cover the projected debt service requirement. The long-term debt activity for the year ended June 30, 2022, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2022</u>	<u>Due within One Year</u>
Bonds payable	\$ 173,066,362	\$ -	\$ (17,113,000)	\$ 155,953,362	\$ 15,872,000
Notes payable- Law 42	4,169,936	-	(4,169,936)	-	-
Notes payable- Law 146	1,390,125	-	(1,390,125)	-	-
Total long-term debt	<u>178,626,423</u>	<u>-</u>	<u>(22,673,061)</u>	<u>155,953,362</u>	<u>15,872,000</u>
Net pension liability	178,683,400	-	(4,589,404)	174,093,996	8,528,081
OPEB liability	6,604,223	-	(331,926)	6,272,297	36,800
Capital leases	7,107,751	-	(4,071,841)	3,035,910	1,472,745
Compensated absences	17,476,974	-	(57,361)	17,419,613	10,000,000
Landfill obligation	7,503,640	-	(317,801)	7,185,839	-
COFIM	<u>1,972,813</u>	<u>-</u>	<u>(1,972,813)</u>	<u>-</u>	<u>-</u>
Total other liabilities	<u>219,348,801</u>	<u>-</u>	<u>(11,341,146)</u>	<u>208,007,655</u>	<u>20,037,626</u>
Total noncurrent liabilities	<u>\$ 397,975,224</u>	<u>\$ -</u>	<u>\$ (34,014,207)</u>	<u>\$363,961,017</u>	<u>\$35,909,626</u>
 <u>Business-Type Activities</u>					
Revenue Bond Payable	<u>\$ 20,163,152</u>	<u>\$ -</u>	<u>\$ (340,000)</u>	<u>\$ 19,823,152</u>	<u>\$ 400,000</u>

A. GENERAL OBLIGATIONS BONDS AND NOTES

The Municipality issues general and special (public improvements) obligations bonds and notes to provide for the acquisition and construction of mayor capital facilities and equipment, as well as to cover certain operating needs. Long-term debt at June 30, 2022 is composed of the following debts notes payable with:

	<u>Amount</u>
\$10,345,000 series of 2000, payable in annual installments of \$755,000 to \$2,380,000 until July 1, 2024, interest ranging from 7.29% to 7.50%.	\$ 2,455,000
\$21,100,000 series of 1997, payable in annual installments from \$305,000 to \$66,000 until July 1, 2022, interests from 6.69% to 7.50%.	1,760,000
\$16,355,000 series of 1998, payable in annual installments from \$240,000 to \$1,365,000 until July 1, 2023, interests from 6.00% to 7.50%.	<u>2,635,000</u>
Subtotal	\$ 6,850,000

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	<u>Amount</u>
\$10,455,000 series of 2001, payable in annual installments from \$145,000 to \$910,000 until July 1, 2025, interests from 5.00% to 8.00%.	\$ 3,245,000
\$2,760,000 series of 2002, payable in annual installments from \$45,000 to \$220,000 until July 1, 2026, interests from 5.00% to 7.00%.	970,000
\$4,625,000 series of 2002, payable in annual installments from \$65,000 to \$385,000 until July 1, 2026, interests from 5.00% to 7.50%.	1,680,000
\$2,920,000 series of 2003, payable in annual installments from \$50,000 to \$225,000 until July 1, 2027, interests from 2.70% to 5.60%.	1,160,000
\$2,715,000 series of 2003, payable in annual installments from \$45,000 to \$215,000 until July 1, 2027, interests from 5.00% to 6.50%.	1,085,000
\$485,000 series of 2004, payable in annual installments from \$5,000 to \$35,000 until July 1, 2028, interests from 1.65% to 6.50%.	215,000
\$3,895,000 series of 2004, payable in annual installments from \$65,000 to \$300,000 until July 1, 2028, interests from 1.65% to 6.50%.	1,755,000
\$2,515,000 series of 2005, payable in annual installments of \$55,000 to \$170,000 until July 1, 2029, interests ranging from 4.37% to 5.0%.	1,150,000
\$6,020,000 series of 2007, payable in annual installments of \$140,000 to \$550,000 until July 1, 2026, interests from 6.60% to 7.50%.	1,092,916
\$6,325,000 series of 2010, payable in annual installments from \$90,000 to \$530,000 until July 1, 2033, interests from 1.53% to 7.50%.	4,018,761
\$6,270,000 series of 2012, payable in annual installments from \$115,000 to \$465,000 until July 1, 2034, interests from 4.75% to 6.00%.	4,344,890
\$12,350,000 series of 2012, payable in annual installments from \$220,000 to \$910,000 until July 1, 2034, interests from 4.75% to 7.50%.	<u>8,549,264</u>
Subtotal	\$ 36,115,831

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	<u>Amount</u>
\$24,015,000 series of 2012, payable in annual installments from \$405,000 to \$1,850,000 until July 1, 2034, interests from 4.75% to 7.50%.	\$ 14,754,233
\$9,045,000 series of 2012, payable in annual installments from \$130,000 to \$755,000 until July 1, 2034, interests from 4.75% to 7.50%.	6,438,190
\$53,355,000 series of 2012, payable in annual installments from \$1,647,000 to \$4,434,000 until July 1, 2028, interests from 4.60% to 5.77%.	26,306,000
\$20,690,000 series of 2012, payable in annual installments from \$300,000 to \$1,720,000 until July 1, 2035, interest from 6.01% to 7.50%.	15,410,658
\$14,700,000 series of 2014, payable in annual installments from \$310,000 to \$960,000 until July 1, 2038, interest from 4.00% to 7.50%.	11,970,000
\$7,636,000 series of 2014, payable in annual installments from \$110,000 to \$636,000 until July 1, 2039, interest from 7.00% to 7.50%.	6,641,892
\$15,795,000 series of 2014, payable in annual installments from \$225,000 to \$1,320,000 until July 1, 2039, interest from 7.00% to 7.50%.	6,209,528
\$16,255,000 series of 2015, payable in annual installments from \$747,000 to \$1,502,000 until July 1, 2030, interest at 6.00%.	11,161,000
\$5,000,000 series of 2015, payable in annual installments from \$376,000 to \$914,000 until July 1, 2025, interest from 6.00% to 8.00%.	2,872,000
\$33,375,000 series of 2008, payable in annual installments from \$595,000 to \$2,830,000 until July 1, 2032, interest from 1.48% to 7.50%. IVU	<u>18,074,030</u>
Total	<u>\$ 155,953,362</u>

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The Municipality's general obligations long-term bond retirements are appropriated and paid from resources accumulated in the debt service fund. These obligations are paid through retentions made by the Municipal Revenue Collection Center from monthly advances of annual property taxes and subsidies sent to the Municipality.

The annual debt service requirements of maturity for bonds payable are as follows:

Year June 30,	Principal Payment	Interest Payment	Total
2023	\$ 15,872,000	\$ 8,337,668	\$ 24,209,668
2024	15,131,000	8,515,667	23,646,667
2025	14,592,916	8,292,211	22,885,127
2026	14,441,000	7,328,699	21,769,699
2027	13,417,000	6,184,969	19,601,969
2028-32	56,172,030	19,192,257	75,364,287
2033-37	22,645,514	4,742,244	27,387,758
2038-40	3,681,902	341,213	4,023,115
Total	<u>\$155,953,362</u>	<u>\$ 62,934,928</u>	<u>\$ 218,888,290</u>

B. ADVANCES FROM MRCC AND PR TREASURY DEPARTMENT (LAW 42 and 146)

Note payable – CRIM (Law 42) – represents a repayment agreement with GDB and CRIM to repay the excess of property taxes advances from fiscal years up to 2001.

Note Payable – CRIM (Law 146) – The Municipality entered into a financing agreement with the CRIM in the amount of \$3,159,732, to finance delinquent property tax accounts sold to private investors, under the provision of Law No. 146 of October 11, 2011.

These notes were fully repaid during the year ended June 30, 2022.

C. REVENUE BOND-PROPRIETARY FUND

On December 19, 2013, the Municipality of Guaynabo entered a \$21,000,000 non-revolving line of credit with two financial institutions. The Credit Agreement was for the purpose of authorizing its promissory notes in anticipation of its Revenue Bonds of 2014. The proceeds of the non-revolving line of credit were for the construction and development of the "Avenida Conector Los Filtros" toll road ("the Project") that will connect highways PR-199 and PR-177 in the Municipality of Guaynabo.

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On August 10, 2016, the Credit Agreement was amended to convert the non-revolving line of credit in Revenue Bonds not to exceed \$21,000,000 to repay the outstanding balance of up to \$20,000,000 of the Revenue Bonds Anticipation Notes described above, and to fund \$1,000,000 as Debt Service Reserve Fund, and pay the costs incurred by the Municipality in connection with the issuance of these bonds. This amendment was approved by the Municipal Legislature of the Municipality in the Ordinance No. 7, Series 2016-2018.

Pursuant to the provisions of the revenues bond indentures, the Municipality has pledge and assigned its right, title, and interest in all future revenues to be produced in the operation and maintenance of the Project. If such revenues to be produced in the Project are not sufficient to make all debt services payments of principal, interests and premium, if any, on the due dates, the Municipal Revenue Collection Center (known as "CRIM") will withhold from the monthly remittance of the income of the Municipality, the amounts necessary to make these payments, in accordance with Article 22(b) of the Law. The income committed for the payment of the bonds will be collected and deposited in a deposit account to be established by the Municipality with Banco Santander de Puerto Rico, the administrator agent.

As of June 30, 2022, bonds payables consist of a 2014 revenue bonds due on July 1, 2027, payable in ten annual installments of principal of \$100,000 to \$640,000 and a balloon payment of \$17,300,000 or the currently outstanding principal based on the Cash Sweep, the maximum of 75% of available cash after the payment of interest, toll transaction costs, capital expenditures and provision for toll violations. The minimum amount of the 11th installment shall be \$700,000. The bonds bears interest of 6.90% payable on the first day of each month.

The annual debt service requirements for the revenue bond payable and notes payable as of June 30 2022, is as follows:

Year Ending June 30,	Principal	Interest	Aggregated payments
2023	\$ 400,000	\$ 762,372	\$ 1,162,372
2024	460,000	641,784	1,101,784
2025	520,000	513,708	1,033,708
2026	580,000	377,520	957,520
2027	640,000	232,752	872,752
2028	17,300,000	79,092	17,379,092
	<u>\$ 19,900,000</u>	<u>\$ 2,607,228</u>	<u>\$ 22,507,228</u>

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D. COMPENSATED ABSENCES

The government-wide statement of net position includes \$3,387,162 of accrued sick leave benefits and accrued vacation benefits, representing the Municipality's commitment to fund such costs from future operations.

13. INTERFUND BALANCES AND ACTIVITIES

BALANCE DUE TO / FROM OTHER FUNDS:

Balance due to / from other funds at June 30, 2022, consist of the following:

<u>Due from</u>	<u>Due to</u>				<u>Total</u>
	<u>WIOA Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Fund</u>	<u>Business- Type Activities</u>	
General fund	<u>\$189,649</u>	<u>\$1,407,498</u>	<u>\$ 1,597,147</u>	<u>\$ 831,697</u>	<u>\$ 2,428,844</u>

14. TRANSFER TO / FROM OTHER FUNDS:

Transfer to / from other funds as of June 30, 2022, consists of the following:

<u>Transfer out</u>	<u>Transfer in</u>	
	<u>General Fund</u>	<u>Total</u>
Debt service fund	<u>\$ 2,479,381</u>	<u>\$ 2,479,381</u>
	<u>\$ 2,479,381</u>	<u>\$ 2,479,381</u>

15. EMPLOYEE'S RETIREMENT PLAN

General Description

Prior to Act No. 106-2017, ERS administered different benefit structures pursuant to Act No. 447-1951, as amended, including a cost-sharing, multi-employer, defined benefit program, a defined contribution program (System 2000 program) and a contributory hybrid program. Benefit provisions vary depending on member's date of hire. Substantially all full-time employees of the Commonwealth and its instrumentalities (the Commonwealth, 78 municipalities, and 55 public corporations) were covered by the ERS. These benefits were paid by the ERS until June 30, 2018. Through Act No. 106-2017, the Commonwealth transformed the retirement systems into a single pay-as-you-go system (whereby future benefit payments are guaranteed by the Commonwealth's General Fund) and created the Retirement System Board as the new Retirement Systems governing body.

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Certain provisions are different for the three groups of members who entered ERS 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. 1-1990 are generally those members hired on or after April 1, 1990, and on or before December 31, 1999 (together with Act No. 447 participants, the Defined Benefit Program).
- Members of Act No. 305-1999 (Act No. 305-1999 or System 2000) were generally those members hired on or after January 1, 2000, and on or before June 30, 2013 (the System 2000 Program). All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit program and the System 2000 program, and were rehired on or after July 1, 2013, became members of the Contributory Hybrid Program as a condition to their employment. In addition, participant employees of previous programs as of June 30, 2013, became part of the Contributory Hybrid Program on July 1, 2013. Pursuant to a settlement incorporated into the Eighth Amended Plan, on the effective date of the Eighth Amended Plan, all participants in the System 2000 Program will receive a one-time payment in the amount of their contributions (plus accrued interest) as of the Commonwealth's petition date in their defined contribution accounts established under Act No. 106-2017 (discussed below). Upon the payment of these refunds, all claims related to the System 2000 Program will be discharged.

The following summary of ERS plan provisions is intended to describe the essential features of the plan. All eligibility requirements and benefit amounts should be determined in strict accordance with the applicable laws and regulations.

Service Retirements

- (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; (4) for Public Officers in High Risk Positions (the PRPOB and Commonwealth Firefighter Corps, the Municipal Police and Firefighter Corps and the Custody Office Corps), attainment of age 50 with 25 years of credited service; and (5) for Mayors of municipalities, attainment of age 50 with 8 years of credited service as a Mayor. In addition, Act No. 447-1951 members who would attain 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, are eligible to retire upon attainment of the retirement eligibility age shown in the table below with 10 years of credited service.

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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

In addition to the requirements in the table above, Act No. 447-1951 Public Officers in High-Risk Positions who were not eligible to retire as of June 30, 2013, and did not attain 30 years of credited service by December 31, 2013, are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

- (b) *Eligibility for Act No. 1-1990 Members:* Act No. 1-1990 members who were eligible to retire as of June 30, 2013, 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; (3) for public officers in high-risk positions, 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.

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. In addition, Act No. 1-1990 public officers in high-risk positions who were not eligible to retire as of June 30, 2013, are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

- (c) *Eligibility for System 2000 Members:* System 2000 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 55 for public officers in high-risk positions and attainment of age 60 otherwise.

System 2000 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 55 for public officers in high-risk positions and upon attainment of the retirement eligibility age shown in the table below otherwise.

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

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- (d) Eligibility for Members Hired after June 30, 2013: Attainment of age 58 if a public officer in a high-risk position and attainment of age 67 otherwise.

Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the 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 hybrid contribution account was \$10,000 or less, it would have been paid as a lump sum instead of as an annuity.

- (a) *Accrued Benefit* as of June 30, 2013, for Act No. 447-1951 Members: The accrued benefit as of June 30, 2013, was determined based on the average compensation, as defined, for Act No. 447-1951 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Mayors, the highest compensation, as defined, for Act No. 447-1951 members, 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 the Coordination Plan, the benefit was recalculated at the Social Security Retirement Age (SSRA), as defined, 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.

If the Act No. 447-1951 member had less than 30 years of credited service as of June 30, 2013, and attained 30 years of credited service by December 31, 2013, the accrued benefit equaled 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 was recalculated 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 were considered pre- July 1, 2013, contributions; the contributions to the 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 equaled 55% 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 average compensation. Except for the PRPOB policemen and Commonwealth Firefighters, the benefit was actuarially reduced for each year payment commences prior to age 58. For participants selecting the Coordination Plan, the basic benefit is recalculated 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 up to \$6,600 multiplied by

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years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of \$6,600 multiplied by years of credited service up to 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 was 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 was not to be less than 5% of highest compensation, as defined, 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-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 included service earned as a Mayor in excess of 10 years. Maximum benefit was 90% of highest compensation as a Mayor.

- (b) Accrued Benefit as of June 30, 2013, for Act No. 1-1990 Members: The accrued benefit as of June 30, 2013, is determined based on the average compensation for Act No. 1-1990 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 was determined as of June 30, 2013.

If the Act No. 1-1990 member is a police officer or firefighter member that had at least 30 years of credited service as of June 30, 2013, the accrued benefit equaled 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 benefit equaled 1.5% of average compensation multiplied by years of credited service. The benefit was actuarially reduced for each year payment commences prior to age 65.

For Act No. 1-1990 Mayors with at least 8 years of credited service as a Mayor, the accrued benefit was not to 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-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 included service earned as a Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

Compulsory Retirement

All Act No. 447-1951 and Act No. 1-1990 Public Officers in High-Risk Positions were required to retire upon attainment of age 58 and 30 years of credited service. A two-year- extension may have been requested by the member from the Superintendent of the PRPOB, the Chief of the Firefighter Corps, or supervising authority as applicable.

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Termination Benefits

(a) Lump Sum Withdrawal

Eligibility: A Member was eligible upon termination of service prior to 5 years of service or if the balance in the hybrid contribution account is \$10,000 or less.

Benefit: The benefit equaled a lump sum payment of the balance in the hybrid contribution account as of the date of the permanent separation of service.

(b) Deferred Retirement

Eligibility: A Member was eligible upon termination of service with 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 had not taken a lump sum withdrawal of the accumulated contributions from the 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 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.

Death Benefits

(a) Pre-retirement Death Benefit

Eligibility: Any current nonretired member is eligible.

Benefit: A refund of the 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.

Spouse's Benefit: 50% of the participant's compensation at date of death, payable as an annuity until death or remarriage.

Children's Benefit: 50% of the participant's compensation at date of death, payable as an annuity, and allocated pro rata among eligible children. The annuity is payable for life for a disabled child, until age 18 for a nondisabled child not pursuing studies, and until age 25 for a nondisabled child who is pursuing studies.

Benefit if No Spouse or Children: The parents of the member should each receive 50% of the participant's compensation at date of death, payable as an annuity for life.

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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.

The cost of these benefits is paid by the Commonwealth.

(c) Postretirement Death Benefit for Members Who Retired prior to July 1, 2013

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

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

- i. For those married or with dependent children at the time of death, the annual income to a widow, or widower or dependent children is equal to 60% (50% if in 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 nondisabled 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. The increase in the percentage from 30% to 50% if in the Coordination Plan is paid by the Commonwealth for former government employees or by the public enterprise or municipality for their former employees. *See* Act No. 105 of 1969, as amended by Act No. 158 of 2003.
- 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 may the benefit be less than \$1,000. Either the Commonwealth for former government employees or the public enterprise or municipality for their former employees pays the difference, up to \$250, between (1) the accumulated contributions less the lifetime annual income paid and (2) \$1,000. ERS pays for the rest. *See* Article 2-113 of Act No. 447-1951, as amended by Act No. 524-2004.

(d) Postretirement 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.

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 benefit. For all members, the excess, if any, of the hybrid contribution account, plus the accumulated contributions 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 must be payable to a beneficiary or the member's estate.

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

Disability Benefits

- (a) Disability

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

Benefit: The balance of the hybrid contribution account payable as lump sum 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).

Benefit: 80% (100% for Act No. 447-1951 members) of compensation as of date of disability, payable as an annuity. If the member died while still disabled, this annuity benefit continued to his beneficiaries. Beneficiaries include the surviving spouse and/or disabled children (for life), nondisabled 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 was increased by 3% provided that the member (or beneficiary) had been receiving payments for at least three-years (Act No. 127-1958, as amended). The cost of these benefits was paid by the Commonwealth.

- (c) Members who qualified for occupational or nonoccupational disability benefits as of June 30, 2013, continue to be eligible to receive such benefits.

Special Benefits

- (a) Minimum Benefits

Past Ad hoc Increases: The Legislature, from time to time, increased pensions for certain retirees as described in Act No. 124-1973 and Act No. 23-1983. The benefits were paid 50% by the Commonwealth and 50% by ERS.

Minimum Benefit for Members Who Retired before July 1, 2013 (Act No. 156-2003, Act No. 35-2007, and Act No. 3-2013): 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). The increase in the minimum monthly benefit from \$200 per month to \$300 per month was paid by the Commonwealth for former government and certain public corporations without their own

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treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees. The increase in the minimum monthly benefit from \$300 per month to \$400 per month was to be paid by ERS for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees.

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

- (b) Cost of Living Adjustments (COLA) to Pension Benefits: The Legislature, from time to time, increased pensions by 3% for retired and disabled members. Beneficiaries were not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10-1992.
- (c) 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). The COLAs granted in 1992 to all retirees and in 1998 to retirees who were former government or municipal employees are to be paid by ERS. All other COLAs granted in 1995 and later were required to be paid by the Commonwealth for former government and certain public corporations without their own treasuries or by certain public corporations with their own treasuries or municipalities for their former employees.

Under the Eighth Amended Plan, these COLAs will be eliminated from and after the Effective Date. As of the date hereof, the Effective Date has not yet occurred. For further information on the Eighth Amended Plan's impact on pension benefits, refer to the final version of the Eighth Amended Plan, which is available at <https://cases.primeclerk.com/puertorico/Home-DocketInfo>.

- (d) Special "Bonus" Benefits

Christmas Bonus (Act No. 144-2005, as Amended by Act No. 3-2013): An annual bonus of \$200 for each retiree, beneficiary, and disabled member has historically been paid in December provided the member retired prior to July 1, 2013. This benefit is paid from the supplemental contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

Medication Bonus (Act No. 155-2003, as Amended by Act No. 3-2013): 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. This benefit is paid from the Supplemental Contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with

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their own treasuries or municipalities for their former employees.

Before July 1, 2017, the Commonwealth made contributions to the ERS for the special benefits granted by special laws. The funding of the special benefits was provided to the ERS through legislative appropriations each January 1 and July 1. Special benefits to eligible Act 447-1951 participants are being paid by each employer as they become due since July 1, 2017.

Early Retirement Programs

On July 2, 2010, the Commonwealth enacted Act No. 70 establishing a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined. Act No. 70-2010 also established that early retirement benefits will be provided to eligible employees that have completed between 15 and 29 years of creditable services and will consist of monthly benefits ranging from 37.5% to 50% of each employees' monthly salary. Benefits under this program will be paid by the General Fund of the Commonwealth (the General Fund) and by the public corporations, covering their respective employees until the plan member reaches the later of age 55 for members under Act No. 447-1951 or age 65 for members under Act No. 1-1990, or the date the plan member would have completed 30 years of service had the member continued employment. In addition, the public corporations will also be required to continue making the required employee and employer contributions to ERS. The General Fund will be required to continue making its required employer contributions. ERS will be responsible for benefit payments afterward.

On December 8, 2015, the Commonwealth enacted the Voluntary Early Retirement Law, Act No. 211 of 2015 (Act No. 211-2015), establishing a voluntary program to provide pre-retirement benefits to eligible employees, as defined. Act 106-2017 repealed Act No. 211-2015, while creating an incentives, opportunities, and retraining program for public workers.

New Defined Contribution Plan

The Commonwealth, through Act No. 106-2017, created a "New Defined Contribution Plan" that consisted of a trust fund, not subject to the provisions of Act No. 219-2012, known as "*The Trusts Act*", that will maintain an individual account for each participant of the Retirement Systems that becomes a participant of the plan.

The following employees will participate in the New Defined Contribution Plan:

- All active participants of the Retirement Systems as of July 1, 2017; except for members of TRS and JRS that will keep vesting benefits under the provisions of Act No. 91-2004, as amended and Act No. 12-1954, as amended.
- New hires entering the public service workforce after July,1 2017.
- Any business or public corporation with employees not participating in the Retirement Systems as of July 1, 2017, can, through an approved resolution by its board of directors or governing body, join the New Defined Contribution Plan. The Retirement Systems Board is responsible of establishing the eligibility requirements and procedures to be followed to join the New Defined Contribution Plan.

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Enrollment in the New Defined Contribution Plan is optional for the Governor, secretaries and chiefs of agencies and public corporations; assistants and advisors of the Governor; members of commissions and boards appointed by the Governor; members of the Legislature; and employees and officials of the Legislature, the Office of Legislative Services, the Superintendence of the Capitol Building and the Office of the Comptroller of Puerto Rico. Also, enrollment will be optional for employees of departments, divisions, bureaus, offices, dependencies, public corporations, and instrumentalities of the Commonwealth of Puerto Rico working and living outside the territorial limits of Puerto Rico.

(a) Contributions

Contributions by members consist, as a minimum, of an 8.5% of their compensation directly deposited by the DOT in the individual member accounts under the New Defined Contribution Plan created pursuant to Act No. 106-2017. Also, as of that date, System's participants shall make no individual contributions or payments to the accumulated pension benefits payment account or additional contributions to ERS. However, Act 71-2019 states that in the case of members of the Puerto Rico Police Bureau, the mandatory contribution is 2.3% of their compensation. In the case of those members of the Puerto Rico Police Bureau, which have less than 10 years to qualify for retirement as established by Act No. 447-1951, the reduction in the percentage of contribution from the 8.5% level will apply voluntarily.

(b) Total Pension Liability

The Municipality's total pension liability as of June 30, 2002, was measured as of June 30, 2021, and was determined by an actuarial valuation with beginning of year census data as of July 1, 2020.

(c) Actuarial Methods and Assumptions

The total pension liabilities in the June 30, 2022, actuarial valuations were determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry age normal
Normal Actuarial Assumptions:	
Inflation	Not applicable
Projected Salary Increases per Annum:	No compensation increases are assumed until July 1, 2022, as a result of Act No. 3-2017, four-year extension of Act No. 66-2014, and the current general economy
Cost of living adjustment	None assumed

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The mortality tables used in the June 30, 2021, actuarial valuations were as follows:

- **Pre-Retirement Mortality:** For ERS 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-1010 employee rates for males and females, projected forward using MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement. 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 rate, adjusted by 100% for male and 110% for female, projected using MP-2021 on generation basis. As generational tables, they reflect mortality improvements both before and after the measurement. The assumption is also used for beneficiary prior to the member's death.
- **Post-Retirement Disabled Mortality:** The PubG-2010 disabled retiree rate, adjusted by 80% for male and 100% for female, projected using MP-2021 on generation basis. As generational tables, they reflect mortality improvements both before and after the measurement.

(d) Discount Rate

The discount rate for June 30, 2021, was 2.16%. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Bond

(e) Changes in Total Pension Liability

Changes in the Commonwealth's total pension liability of ERS as of June 30, 2022 (using a June 30, 2021, measurement date) were as follows (in thousands):

Balance at July 1, 2020	<u>\$ 178,682,900</u>
Charge for the year:	
Service cost	1,146,940
Interest on total pension liability	3,885,889
Effect of plan changes	-
Effect of economic/demographic gains or losses	(3,246,485)
Changes in assumptions	1,663,667
Benefit payments	<u>(8,038,915)</u>
Net changes	<u>(4,588,904)</u>
Balance at June 30, 2021	<u>\$ 174,093,996</u>

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(f) Sensitivity of Total Pension Liability to Changes in Discount Rate

The following presents the liability as of June 30, 2022, calculated using the discount rate of 2.16%, as well as what the total pension liability would be if it was calculated using a discount rate that is 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) than current rate:

	At 1% decrease 1.16%	At current discount rate 2.16%	At 1% increase 3.16%
Total pension liability	<u>\$ 200,203,082</u>	<u>\$ 174,093,996</u>	<u>\$ 153,178,455</u>

(g) Changes in Assumptions

Actuarial assumptions are revised periodically to more closely reflect both actual and anticipated future experience. Due to the change in the census collection date to the beginning of the fiscal year, rather than the end of the fiscal year, demographic gain/loss during the year is limited to the difference between actual and expected benefit payments, which arise from differences in termination and retirement activity and mortality versus expectations.

The discount rate decrease from 2.21% as of June 30 2020, to 2.16% as of June 30, 2021.

In TRS, due to the significant decline in service purchases as a result of the purchase price increase in late 2015, the service purchase assumption for members hired prior to August 1, 2014, was eliminated.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources from Pension Activities

Pension Expense as of June 30, 2022, was as follow:

	<u>Amount</u>
Service cost	\$ 1,146,940
Interest on total pension liability	3,885,889
Effect of economic/demographic gains or losses	(360,937)
Changes in assumptions or inputs	<u>3,788,904</u>
Pension expense	<u>\$ 8,460,796</u>

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Deferred outflows and deferred inflows of resources from pension activities by source reported by the Commonwealth in the statement of net position as of June 30, 2023, for each of the Retirement Systems were as follows:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 4,924,902	\$ 6,729,591
Change of assumptions	22,116,005	3,271,482
Benefits payments made subsequent to the measurement date	<u>8,528,081</u>	<u>-</u>
	<u>\$ 35,568,988</u>	<u>\$ 10,001,073</u>

Deferred outflows of resources related to pensions resulting from the payment of benefits, subsequent to the measurement, will be recognized as a reduction of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows/inflows of resources from pension activities are schedule to be recognized in pension expense as follow (in thousands):

Year ended June 30:	
2023	\$ 3,407,967
2024	3,407,967
2025	3,407,967
2026	3,407,967
2027	<u>3,407,967</u>
Total	<u>\$ 17,039,835</u>

16. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plans Descriptions

The Municipality is a participating employer in the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities Medical Insurance Plan Contribution ("ERS-MIPC"). The ERS-MOC is a unfunded single employer defined benefit, other postemployment (OPEB) plans sponsored by the Commonwealth that are administered on a pay-as-you-go basis. Accordingly, there are no assets accumulated in a qualifying trust for this OPEB plan that meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The OPEB Plan was created under Act No. 95-1963. Healthcare benefits are provided through insurance companies whose premiums are paid by the retiree with the Commonwealth providing a matching share. OPEB covers substantially all full-time employees of (1) the Primary Government and (2) those component units of the Commonwealth not having their own postemployment benefit plans.

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Municipality employees became plan members upon their date of employment. Plan members were eligible for benefits upon reaching the applicable pension benefits retirement age. Act No. 3-2013 eliminated this healthcare benefit to OPEB members retired after June 30, 2013.

Funding Policy – The contribution requirement of the OPEB Plan is established by Act No. 95-1963. The OPEB benefit consists of a maximum of \$100 per month per retiree or disabled member. Each of the OPEB Plan is financed by the Municipality on a pay-as-you-go basis. There is no contribution requirement for plan members during active employment.

(a) Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2022, was determined by the actuarial valuation with beginning of year census data as of July 1, 2021.

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

Measurement Date: June 30, 2021

Actuarial Cost Method: Entry age normal

Discount Rate: 2.16%

(b) Mortality Assumption

- Pre-Retirement Mortality: For ERS 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-1010 employee rates for males and females, projected forward using MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement. 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 rate, adjusted by 100% for male and 110% for female, projected using MP-2021 on generation basis. As generational tables, they reflect mortality improvements both before and after the measurement. The assumption is also used for beneficiary prior to the member's death.
- Post-Retirement Disabled Mortality: The PubG-2010 disabled retiree rate, adjusted by 80% for male and 100% for female, projected using MP-2021 on generation basis. As generational tables, they reflect mortality improvements both before and after the measurement.

(c) Discount Rate

The discount rate for June 30, 2021, was 2.16%. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Bond.

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(d) Changes in Total OPEB Liability of OPEB Plans

Changes in the Municipality's OPEB liability as of June 30, 2022 (using a June 30, 2021, measurement date) were as follows:

Balance at June 30, 2020	<u>\$ 6,604,223</u>
Charge for the year:	
Service cost	-
Interest on total pension liability	140,318
Effect of plan changes	-
Effect of economic/demographic gains or losses	(10,222)
Effect of changes in assumptions or inputs	50,778
Benefits payments	<u>(512,800)</u>
Net changes	<u>(331,926)</u>
Balance at June 30, 2021	<u><u>\$ 6,272,297</u></u>

(e) OPEB Deferred Outflow of Resources and Deferred Inflows of Resources

Because all participants of OPEB are inactive, there are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement year.

(f) Sensitivity of Total Pension Liability to Changes in Discount Rate

The following presents the OPEB liability as of June 30, 2022, calculated using the discount rate of 2.16%, as well as what the OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) than current rate (in thousands):

	At 1% decrease 1.16%	At current discount rate 2.16%	At 1% increase 3.16%
Total OPEB liability	<u><u>\$ 6,872,090</u></u>	<u><u>\$ 6,272,297</u></u>	<u><u>\$ 5,759,950</u></u>

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17. CONTINGENCIES

(a) Federal and Commonwealth Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures which may be disallowed by the grantor cannot be determined at this time, although the Municipality expects such amounts, if any, to be immaterial.

(b) Litigations

The Municipality is defendant and/or codefendant in several litigations arising out of the normal Municipality's operations. Most of the cases are covered by insurance. Management, after consultation with legal counsel is of the opinion that the ultimate liability, in excess of insurance coverage, if any, resulting from such pending litigations will not have a material adverse effect on the Municipality's financial position.

18. ESTIMATED MUNICIPAL SOLID WASTE LANDFILL CLOSING COSTS

State and Federal laws and regulations require the Municipality to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to the operating expenditures related to current activities of the landfill, an expense provision and related liability needs to be recognized based on futures closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste.

The landfill ceased operation in March 2008. On July 15, 2008, the Municipality entered in an agreement with a contractor to initiate and complete the total closure of the Municipal Landfill in a four-year period for a cost of \$7,200,000. The work to close the facility was completed in November 2012.

During fiscal year ended as of June 30, 2022, the Municipality incurred in landfill post-closing costs which approximates to \$350,000. The landfill obligation has been reduced to a total estimated current cost of \$7,185,839 as of June 30, 2022. These estimates are subject to adjustment for inflation or deflation and to account for any changes in landfill conditions, regulatory requirements, technologies, or cost estimates. The liability was recorded in the accompanying government-wide financial statements. For funds financial statements, expenditures are recognized using the modified accrual basis of accounting when the related liability is incurred, and the payment is due.

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19. RESTATEMENT OF NET ASSETS

The fund balance and net position as reported in prior year were restated to correct certain error as follows:

	GENERAL FUND	DEBT FUND SERVICE	WIOA FUND	ARPA FUND	OTHER GOVERNMENTAL FUNDS	GOVERNMENTAL ACTIVITIES
As Reported in prior year	<u>\$ 18,034,252</u>	<u>\$ 8,602,876</u>	<u>\$ (200,981)</u>	<u>\$ 18,550,725</u>	<u>\$ 33,857,021</u>	<u>\$ 830,604,655</u>
Prior period adjustments:						
Overstatements of due from/to other funds	(1,269,433)	1,269,433	-	-	-	
Understatements of cash	-	1,000,000	-	-	-	1,000,000
Understatements of amount due from other governmental agency	-	3,618,098	-	-	-	3,618,098
To correct beginning balance related to pension:						
OPEB liability	-	-	-	-	-	(267,183)
Pension Liability	-	-	-	-	-	(24,961,824)
Deferred outflows of resources	-	-	-	-	-	31,564,507
Deferred inflows of resources	-	-	-	-	-	<u>1,459,133</u>
Total adjustments	<u>(1,269,433)</u>	<u>5,887,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,412,731</u>
Fund balance Beginning, as restated	<u>\$ 16,764,819</u>	<u>\$ 14,490,407</u>	<u>\$ (200,981)</u>	<u>\$ 18,550,725</u>	<u>\$ 33,857,021</u>	<u>\$ 843,017,386</u>

REQUIRED SUPPLEMENTARY INFORMATION

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	GENERAL FUND			VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	AMMEDED BUDGET	ACTUAL	
Revenues:				
Taxes:				
Property Taxes	\$ 46,000,000	\$ 46,000,000	\$ 51,088,267	\$ 5,088,267
Municipal License taxes	42,581,100	42,581,100	42,591,303	10,203
Sales and use taxes	15,000,000	15,000,000	18,030,538	3,030,538
Licenses and permits	3,500,000	3,500,000	3,750,625	250,625
Charges for services and rent	3,024,927	3,024,927	2,275,803	(749,124)
State contributions	3,460,898	3,460,898	3,460,898	-
Interest and penalties	2,235,000	2,235,000	2,040,300	(194,700)
Other revenues	9,692,982	9,692,982	2,473,422	(7,219,560)
Total revenues	<u>125,494,907</u>	<u>125,494,907</u>	<u>125,711,156</u>	<u>216,249</u>
Expenditures:				
General Government	88,810,379	86,625,883	87,272,055	(646,172)
Public safety	16,209,345	17,768,006	15,944,204	1,823,802
Culture and education	3,806,505	4,074,871	3,628,233	446,638
Health and Sanitation	16,440,537	16,751,301	16,189,563	561,738
Economic Development	228,142	274,846	98,706	176,140
Total expenditures	<u>\$ 125,494,907</u>	<u>\$ 125,494,907</u>	<u>\$ 123,132,761</u>	<u>\$ 2,362,146</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,578,395</u>	<u>\$ 2,578,395</u>

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

1. BUDGET AND BUDGETARY ACCOUNTING

The Municipality follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for special revenue funds because effective budgetary control is alternatively achieved through legal and contractual grant requirements provisions.
- b) On or before May 15, the Mayor submits to the Municipal Legislative Body a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means for financing them.
- c) Prior to June 13, the budget is legally enacted through passage of an ordinance.
- d) The Municipal Legislative Body approves, by ordinance budget appropriations by functional basis. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Municipal Legislative Body.
- e) Unused appropriations for the annual budgeted funds lapse at the end of the year.

The budget is prepared on the budgetary basis of accounting. The actual results of operations, presented in the Statement of Revenues and Expenditures – Budget and Actual General Fund, is in conformity with the budgetary accounting of the Municipality for a better comparison with the budget information.

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

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

2. RECONCILIATION OF GAAP TO BUDGETARY BASIS

Adjustments necessary to reconcile the revenues and expenditures of the general fund at the end of the year, from the generally accepted accounting principles to budgetary basis, are as follows:

	<u>Revenue</u>	<u>Expenditures</u>
Amount on budgetary basis	\$ 125,711,156	\$ 123,132,761
Transfer to/from other funds recorded as expense for budgetary basis but recorded as other financial resources for financial reporting purpose	(2,479,381)	-
Reimbursement of expenses from other funds	7,664,186	(10,000,000)
Other adjustments to convert from budgetary basis to GAAP	<u>(2,298,903)</u>	<u>(1,332,589)</u>
Amount on statement of revenues, expenditures and change in fund balance-governmental funds	<u>\$ 128,597,058</u>	<u>\$ 111,800,172</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
FINANCIAL DATA SCHEDULE – RQ - 016
SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM
FOR THE YEAR ENDED JUNE 30, 2022**

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
FINANCIAL DATA SCHEDULE – RQ - 016
SECTION 8 HOUSING CHOCIE VOUCHERS PROGRAM
FOR THE YEAR ENDED JUNE 30, 2022

Balance Sheet

<u>Line Item Number</u>	<u>Description</u>	<u>Amount</u>
Assets		
111	Cash - unrestricted	\$ 783,127
113	Cash - other restricted	<u>233,220</u>
100	Total cash	<u>\$ 1,016,347</u>
Liabilities and Equity		
312	Account payable	<u>\$ -</u>
310	Total current liabilities	<u>-</u>
300	Total liabilities	<u>-</u>
400	Deferred inflow of resources	<u>-</u>
Equity		
509.3	Restricted Fund Balance	233,220
512.3	Unassigned Fund Balance	<u>783,127</u>
513	Total equity - net position	<u>1,016,347</u>
600	Total liabilities and equity	<u>\$ 1,016,347</u>

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
FINANCIAL DATA SCHEDULE – RQ - 016
SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM
FOR THE YEAR ENDED JUNE 30, 2022**

Income Statement

<u>Line Item Number</u>	<u>Description</u>	<u>Amount</u>
Revenues		
70600	HUD PHA operating grants	\$ 1,552,516
70600	Admi fees revenue	221,013
71400	Other revenue	<u>7,261</u>
70000	Total revenues	<u>1,780,790</u>
Expenses		
	<i>Administrative:</i>	
91100	Administrative Salaries	27,278
91500	Employee benefit contributions	6,756
91900	Other	<u>-</u>
91000	Total operating – administrative	<u>34,034</u>
	<i>Tenant services:</i>	
92100	Tenant services - Salaries	<u>-</u>
92500	Total tenant services	<u>-</u>
	<i>General Expenses:</i>	
96200	Other general expenses	<u>82,564</u>
92500	Total general expenses	111,889
97300	Housing assistance payments	<u>1,556,664</u>
90000	Total expenses	<u>1,702,587</u>
10000	<i>Excess of total revenues over expenses</i>	<u><u>\$ 78,203</u></u>

Memo Account Information

11170	Administrative fee equity	<u>\$783,127</u>
11180	Housing assistance payments equity	<u>\$233,220</u>
11190	Units months available	4,596
11210	Number of unit months leased	2,808

**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
NOTES TO SUPPLEMENTARY INFORMATION
FINANCIAL DATA SCHEDULE
SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

1. BASIS OF PRESENTATION

The accompanying Financial Data Schedule ("FDS") is a trial balance of the financial statements of the Section 8 Housing Choice Voucher Program administered by the Municipality of Guaynabo. The FDS was created in order to standardize the financial information reported ("REAC"), as required by the Uniform Financial Reporting Standards ("UFRS"). REAC is the US Department of Housing and Urban Development ("HUD") national management center created to assess the condition of HUD owned and assisted properties. The UFRS are rules to implement requirements of 24 CFR, Part 5, Subpart H, for the electronic filing of financial information to HUD. 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 and changes in the net position of the Municipality.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with the guidelines for reporting and attestation requirements of UFRS, the accompanying FDS is included as information supplementary to the financial statements and is prepared using the accrual basis of accounting.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
U.S. Department of Housing and Urban Development:		
Section 8 Housing Choice Vouchers	14.871	\$ 1,752,457
Community Development Block Grant/ Entitlements Grants	14.218	277,469
HOME Investment Partnership Program	14.239	320,629
Pass through Municipality of San Juan:		
Housing Opportunity for Persons with AIDS	14.241	37,213
Subtotal U.S. Department of HUD		<u>2,387,768</u>
U.S. Department of Health and Human Services:		
Head Start	93.600	7,627,895
Early Head Start	93.600	1,991,962
Pass through the Puerto Rico Elderly Commission:		
Special Programs for Aging Title III, Part C, Nutrition Services	93.045	183,628
Subtotal U.S. Department of HHS		<u>9,803,485</u>
U.S. Department of Agriculture:		
Pass-through program from:		
Puerto Rico Department of Education: Child and Adult Care Food Program	10.558	295,595
Subtotal U.S. Department of HHS		<u>295,595</u>
U.S. Department of Labor		
Development and Commerce:		
Workforce Innovation and Opportunity Act (WIOA)		
Adult	17.258	1,270,955
Youth Activities	17.259	1,217,726
Dislocated Workers	17.278	1,600,398
Subtotal U.S. Department of Labor		<u>4,089,079</u>
U.S. Department of Homeland Security		
Pass-through Governor's Authorized Representative Federal Emergency Management Agency	97.036	359,163
Subtotal U.S. Department of Labor		<u>359,163</u>
U.S. Department of Transportation		
Pass-through P.R. Traffic Safety Commission Guaynabo Community Traffic Safety Program		
Federal Transit Enforcement	N/AV	86,661
State and Community Highway Safety	20.600	10,664
Subtotal U.S. Department of Transportation		<u>97,325</u>
U.S. Department of Justice		
Justice Forfeiture Program	N/AV	17,928
Victims of Crime Assistance	16.575	79,088
Juan Public Safety Partnership and Community Policing Grants	16.710	312,691
Subtotal U.S. Department of Justice		<u>409,707</u>
U.S Department of Treasury		
Coronavirus Relief Fund (CARES Act Assistance Program - pass through the Puerto Rico Office of Management and Budget (Transfer Program for Municipalities)		
American Plan Fund	21.027	13,720,730
Coronavirus Relief Fund	21.019	3,768,235
Subtotal U.S. Department of Treasury		<u>17,488,965</u>
Total Expenditures of Federal Awards		<u>\$ 34,931,087</u>

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

1. BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Autonomous Municipality of Guaynabo, Puerto Rico and is prepared on the cash basis of accounting. Accordingly, amounts presented in the accompanying schedule agree to amounts presented in the basic financial statements.

2. INDIRECT COST RATE:

The Municipality has elected not to use the 10 percent minimum indirect cost rate as allowed by the Uniform Guidance.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022

	2019	2020	2021
Total pension liability:			
Service cost	\$ 907,017	\$ 1,074,716	\$ 1,146,940
Interest on total pension liability	5,571,746	5,276,809	3,885,889
Effect of plan changes	-	(1,915,650)	-
Effect of economic/demographic gains or losses	1,868,480	5,259,944	(3,246,485)
Changes in assumptions or inputs	6,429,040	23,396,052	1,663,667
Benefit payments	<u>(8,163,432)</u>	<u>(8,130,547)</u>	<u>(8,038,915)</u>
Net changes	6,612,851	24,961,324	(4,588,904)
Total pension liability - beginning	<u>147,108,725</u>	<u>153,721,576</u>	<u>178,682,900</u>
Total pension liability - ending	<u>\$ 153,721,576</u>	<u>\$ 178,682,900</u>	<u>\$ 174,093,996</u>
Covered employee payroll	<u>\$ 28,740,960</u>	<u>\$ 28,273,160</u>	<u>\$ 26,431,038</u>
Employer's total pension liability as a percentage of cover-employee payroll	<u>534.85%</u>	<u>631.99%</u>	<u>658.67%</u>

Notes:

The Schedule is intended to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not required in accordance with the current GASB standards, they should not be reported.

*The amounts presented have a measurement date of the previous fiscal year end.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022

	2019	2020	2021
Total pension liability:			
Service cost	\$ -	\$ -	\$ -
Interest on total pension liability	235,817	212,497	140,318
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	114,459	(24,901)	(10,222)
Effect of assumption changes or inputs	166,000	615,587	50,778
Benefits payments	<u>(540,289)</u>	<u>(536,000)</u>	<u>(512,800)</u>
Net change in total OPEB liability	(24,013)	267,183	(331,926)
Total OPEB liability – beginning	<u>6,361,053</u>	<u>6,337,040</u>	<u>6,604,223</u>
Total OPEB liability – ending (a)	<u>\$ 6,337,040</u>	<u>\$ 6,604,223</u>	<u>\$ 6,272,297</u>
Covered-employee payroll	N/A	N/A	N/A
Employer’s total OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A

The Schedule of Changes in the Other Postemployment Benefits Liability for Single-Employer Pension Plans presents the changes in the liability for the OPEB as of June 30, 2021.

The Schedule is intended to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not required in accordance with the current GASB standards, they should not be reported.

*The amounts presented have a measurement date of the previous fiscal year end.

To the Honorable Mayor and
the Municipal Legislature of the
Autonomous Municipality of Guaynabo
Guaynabo, Puerto Rico

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

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Autonomous Municipality of Guaynabo (the Municipality), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Municipality basic financial statements and have issued our report thereon dated August 29, 2023. Our report on the basic financial statements includes a qualified opinion on the Governmental Activities.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item **2022 – 001** to **2022 – 002** to be material weaknesses.

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items **2022-003** to **2022-006**.

The Municipality's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

San Juan, Puerto Rico
August 29, 2023

Stamp No. E544572 was affixed to
the original of this report.

Rodriguez Samabia & Co., CPA's, PSC

To the Honorable Mayor and
the Municipal Legislature of the
Autonomous Municipality of Guaynabo
Guaynabo, Puerto Rico

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified opinions

We have audited the Autonomous Municipality of Guaynabo (the Municipality) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the year ended June 30, 2022. The Municipality's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on 14.871 - Section 8 Housing Choice Vouchers

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Autonomous Municipality of Guaynabo complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on 14.871 – Section 8 Housing Choice Vouchers for the year ended June 30, 2022.

Qualified Opinion on 93.600 - Head Start

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Autonomous Municipality of Guaynabo complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on 93.600 - Head Start for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Program

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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

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

We are required to be independent of the Autonomous Municipality of Guaynabo and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

Matters Giving Rise to Qualified Opinion on 14.871 - Section 8 Housing Choice Vouchers

As described in the accompanying schedule of findings and questioned costs, the Autonomous Municipality of Guaynabo did not comply with the requirements regarding 14.871 - Section 8 Housing Choice Vouchers as described in finding numbers **2022-003 (Reporting)**, **2022-04 (Reporting)** and **2022-005 (Allowable Costs/Costs Principles)**.

Compliance with such requirements is necessary, in our opinion, for the Autonomous Municipality of Guaynabo to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on 93.600 - Head Start

As described in the accompanying schedule of findings and questioned costs, the Autonomous Municipality of Guaynabo did not comply with requirements regarding 93.600 - Head Start as described in finding number **2022-006 (Special Test and Provisions)**.

Compliance with such requirements is necessary, in our opinion, for the Autonomous Municipality of Guaynabo to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Autonomous Municipality of Guaynabo's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than 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 Autonomous Municipality of Guaynabo's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Autonomous Municipality of Guaynabo'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 of Guaynabo'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 Autonomous Municipality of Guaynabo 's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters -

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

Report on Internal Control Over Compliance -

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

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

We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2022-003 - 2022-06** to be material weaknesses.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico
August 29, 2023

Stamp No. E544573 was affixed to
the original of this report.

A handwritten signature in blue ink that reads "Rodriguez Samabria & Co., CPAs, PSC". The signature is written in a cursive style and is positioned above a faint, rectangular stamp area.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Opinion

Governmental activities	Qualified
General Fund	Unmodified
Debt Service Fund	Unmodified
Business - Type Activities	Unmodified
Workforce Innovation and Opportunity Act Grants Fund	Unmodified
American Rescue Plan Act Funds	Unmodified
Other Governmental Remaining Funds	Unmodified

Internal control over financial reporting:

Yes No

- Material weakness (es) identified? X
- Significant deficiency (ies) identified that are not considered a material weakness X

Noncompliance material to financial statement noted?

X

Federal Awards

Internal control over major programs:

Yes No

- Material weakness (es) identified? X
- Significant deficiency (ies) identified that are not considered a material weakness X

Any audit findings disclosed that are required to be reported under §200.516 audit finding paragraph

X

Identification of major programs:

Name of Federal Program

CFDA

Auditors' report

Section 8 Housing Choice Vouchers	14.871	Qualified
Head Start and Early Head Start	93.600	Qualified
Workforce Innovation and Opportunity Act Cluster:		
Adult	17.258	Unqualified
Youth	17.259	Unqualified
Dislocated	17.278	Unqualified
Coronavirus Relief Fund	21.019	Unqualified
American Rescue Plan Act Funds	93.498	Unqualified

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Dollar threshold used to distinguish between type A
and type B programs:

3% of federal awards expended

Yes No

Audit qualified as low-risk audited?

X

This part was intentionally left in blank.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Section II - Financial Statements Findings

Finding 2022 – 001

Requirement: Financial Reporting - GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68”

Type of finding: **Material Weakness**

Condition: The net pension liability and deferred outflows/inflows of resources in governmental activities of the government-wide statement of net position, and pension expense for the current period charge in that liability in governmental activities of the government-wide statement of activities were derived from the application of the proportional share provided by the Employees’ Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) and the Cost-Sharing Multiple-Employer pension plan financial information as of June 30, 2021. The ERS has not issued audited financial statements as of and for the fiscal year ended June 30, 2022 nor has provided to the Municipality the required information to record transactions related to pension as of and for the fiscal year ended June 30, 2022.

The net pension liability and deferred outflows/inflows of resources represent 36% and 2% of the total liabilities and deferred outflows/inflows of resources, respectively, as of June 30, 2022, while pension expense represents 5% of total expenses for the fiscal year then ended. The ERS did not provide the financial and technical information necessary for the proper recognition and reporting of its total pension liability as of June 30, 2022. As a result, management was not able to determine the accurate amount to be reported.

Criteria: GASB Statement No. 73 states the accounting and financial reporting requirements for employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement No. 68 comply with the criteria set forth in the Statement. This requires that the Municipality report in its financial statements its total pension liability, pension expense and deferred outflows and inflows of resources related to pensions as of the measurement date.

It also requires detailed disclosures related to the actuarial and financial information used in the calculation of the total pension liability and the reporting of historical pension data as Required Supplementary Information.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Section II - Financial Statements Findings

Finding 2022 - 001 (Continued)

Cause:	The ERS has not provided the Municipality the financial and technical information necessary for the implementation of GASB Statement 73 as of June 30, 2022.
Effect of condition:	The Municipality's Government - Wide Financial Statements does not present fairly the financial position of the governmental activities, and the change in financial position of the Municipality for the fiscal year ended June 30, 2022.
Recommendation:	We recommend the Municipality to maintain a constant communication with the ERS to obtain the necessary financial and technical information to implement the requirements of the GASB Statements No. 73. In the event the ERS do not provide such information, the Municipality may contract an external actuary to perform such analysis.
Prior year finding:	This finding was presented in prior year Schedule of findings and Questioned Costs (2021-001).
Views of responsible officials and planned corrective action:	See the Municipality's Corrective Action Plan.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Finding 2022 - 002

Requirement: Financial Reporting - GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"

Type of finding: **Material Weakness**

Condition: The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) has not provided the Municipality with the audited schedules of employment allocations and OPEB amounts by employer as of June 30, 2022, as required by GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB). The schedules provided to the Municipality covered the measurement period from July 1, 2020 to June 30, 2021.

Criteria: GASB Statement No. 75 requires the liability of employers and non-employer contributing entities to employees for defined benefit OPEB to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the OPEB plan's fiduciary net position. This Statement requires that projections of benefit payments incorporate the effects of projected salary changes and service credits, as well as projected automatic postemployment benefit changes. This Statement also requires that projections of benefit payments include certain taxes or other assessments expected to be imposed on the benefit payments.

Cause: The ERS has not provided the Municipality the financial and technical information necessary for the implementation of GASB Statement 75 as of June 30, 2022.

Effect of condition: The Municipality's Government - Wide Financial Statements does not present fairly the financial position of the governmental activities, and the change in financial position of the Municipality for the fiscal year ended June 30, 2022.

Recommendation: We recommend the Municipality maintain a constant communication with the ERS to obtain the necessary financial and technical information to implement the requirements of the GASB Statements No. 75. In the event the ERS do not provide such information, the Municipality may contract an external actuary to perform such analysis.

Prior year finding: This finding was presented in prior year Schedule of Findings and Questioned Costs (2021-002).

Views of responsible officials and planned corrective action: See the Municipality's Corrective Action Plan.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Section III - Federal Awards Findings and Questioned Costs

Finding 2022 – 003

Program: 14.871 - Section 8 Housing Choice Vouchers

Type of finding: Material Noncompliance / Material Weakness

Condition: During our Reporting Test, we noted that HUD - 52681B report was submitted late. Please see below for details:

<u>Month</u>	<u>Date Filed</u>
January 2022	February 23, 2022
July 2021	October 18, 2021
August 2021	October 20, 2021

Criteria: Housing and Urban Development Agency (HUD) Reporting Requirements – Voucher Management System, requires that such report be submitted monthly and not later than the 22nd day after month end.

Cause: The Municipality was facing a transition of personnel in the Federal Affairs Office, and the new appointed personnel was not aware of the exact due date.

Effect of condition: The lack of proper filing of required reports may lead HUD to impose special conditions regarding the use of funds to the Municipality. Also, HUD relies on key line items of the report to determine the reasonableness of the data submitted for the purposes of calculating funding under the program. Accordingly, future funding for the Municipality may be affected negatively.

Recommendation: We recommend the Municipality to assign supervisory personnel to ensure that reports are filed on time. Also, a report filing dateline control sheet may be established by the Director of Federal Affairs Office, to ascertain that the office keeps track of due dates as required.

Questioned costs: N/A

Views of responsible officials and planned corrective action: See the Municipality's Corrective Action Plan.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Finding 2022 - 004

Category:	Reporting
Program:	14.871 - Section 8 Housing Choice Vouchers
Type of finding:	Material Noncompliance / Material Weakness
Condition:	During our Reporting Test, we noted that GAAP-based unaudited financial information was submitted on November 28, 2022.
Criteria:	The Uniform Financial Reporting Standards (24 CFR section 5.801) require PHAs to submit timely GAAP-based unaudited financial information electronically to the Housing and Urban Development Agency no later than August 31, 2022. The FASS-PH system is one of HUD's main monitoring and oversight systems for the program.
Cause:	The Municipality was facing a transition of personnel in the Federal Affairs Office, and the new appointed personnel was not aware of the exact due date.
Effect of condition:	The lack of proper filing of required reports may lead HUD to impose special conditions regarding the use of funds to the Municipality. Also, HUD relies on key line items of the report to determine the reasonableness of the data submitted for the purposes of calculating funding under the program. Accordingly, future funding for the Municipality may be affected negatively.
Recommendation:	We recommend the Municipality to assign supervisory personnel to ensure that reports are filed on time. Also, a report filing dateline control sheet may be established by the Director of Federal Affairs Office, to ascertain that the office keeps track of due dates as required.
Questioned costs:	N/A
Views of responsible officials and planned corrective action:	See the Municipality's Corrective Action Plan.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Finding 2022 - 005

Category: Allowable Costs/Cost Principles

Program: 14.871 - Section 8 Housing Choice Vouchers

Type of finding: Material Noncompliance / Material Weakness

Condition: During our Disbursement Test, we noted that for a sample of twenty (25) participants, a payment was made in excess of the approved amount in one (1) instance. The following is a summary:

Document Number	Amount Paid	Amount to be paid per lease contract	Excess
4900064812	\$486	\$436	\$50

Criteria: United States Code of Federal Regulations Title 24. Housing and Urban Development § 982.451 – Housing and assistance payment contract (b) (3) establishes the following: The total of rent paid by the tenant plus the PHA housing assistance payment to the owner may not be more than the rent to owner. The owner must immediately return any excess payment to the PHA.

Cause: The applicable official did not verify that amount paid was in excess of lease agreement.

Effect of condition: The costs incurred by the Municipality may be disallowed and subject to reimbursement to the Program, since amount paid and charged to it was in excess of the amount agreed on. Also, special conditions may be imposed to the Municipality for the administration of Program funds.

Recommendation: We recommend the Municipality to evaluate the contracts that are effective and determine if such condition is noted. If so, a formal communication should be made to the Program officials for further instructions. Also, we recommend the Municipality's Program Director to review the accuracy of all payments to be made before the release of funds.

Questioned costs: None, amount did not exceed likely questioned cost as established by 2 CFR § 200.516 – Audit findings ((a) Audit findings reported (3)).

Views of responsible officials and planned corrective action: See the Municipality's Corrective Action Plan.

**COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Finding 2022 - 006

Category:	Special Tests and Provisions - Federal interest
Program:	93.600 Head Start
Type of finding:	Material Noncompliance / Material Weakness
Condition:	<p>During our test we noted that property records related to a real property acquired on March 1, 2022 with federal funds, did not disclose that it was acquired with such funds. A general description of the property is as follows:</p> <p>“Colegio Pre – Escolar Sagrados Corazones” (cadaster number 114-045-046-49-00) located in the Municipality of Guaynabo for \$1,010,000.00</p>
Criteria:	<p>Section 1303.46 (b) (1) of the 45 Code of Federal Regulations establishes that If a grantee uses federal funds to purchase real property or a facility, excluding modular units, appurtenant to real property, it must record a notice of federal interest in the official real property records for the jurisdiction where the facility is or will be located. The grantee must file the notice of federal interest as soon as it uses Head Start funds to either fully or partially purchase a facility or real property where a facility will be constructed or as soon as it receives permission from the responsible HHS official to use Head Start funds to continue purchase on a facility.</p>
Cause:	As per conversation with Municipality’s officials, they stated that they were not aware of such requirement.
Effect of condition:	The property acquired with federal funds is subject to liens since it was not disclosed in the property records that it was acquired with federal funds accordingly.
Recommendation:	We recommend the Municipality to update property records in the Puerto Rico’s Property Register to ascertain that a federal interest clause is added to the real property acquired.
Questioned costs:	N/A
Views of responsible officials and planned corrective action:	See the Municipality’s Corrective Action Plan.

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF GUAYNABO
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (2021)
YEAR ENDED JUNE 30, 2022

Finding number: **2021-001-002:** Financial Reporting - GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68” and GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)”

Condition: The net pension liability and deferred outflows/inflows of resources in governmental activities of the government-wide statement of net position, and pension expense for the current period charge in that liability in governmental activities of the government-wide statement of activities were derived from the application of the proportional share provided by the Employees’ Retirement System of the Government of the Commonwealth of Puerto Rico and the Cost-Sharing Multiple-Employer pension plan. We were unable to obtain sufficient appropriate audit evidence about the proportional share used to determine the deferred outflows/inflows of resources, net pension liability, and pension expenses of the governmental activities and the information disclosed in the notes of the pension plan. Consequently, we were unable to determine whether any adjustments to these amounts and disclosures were necessary. The Retirement System Administration (ERS) did not provide the financial and technical information necessary for the proper recognition and reporting of its total pension liability as of June 30, 2021. As a result, management was not able to determine the accurate amount to be reported. In addition, the ERS has not provided the Municipality with the audited schedules of employment allocations and OPEB amounts by employer as of June 30, 2021, as required by GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. As a result, amounts to be reported as deferred outflows / inflows of resources related to OPEB, the net OPEB liability, applicable disclosures and required supplementary information as of June 30, 2021, has been omitted.

Criteria: GASB Statement No. 73 states the accounting and financial reporting requirements for employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement No. 68 comply with the criteria set forth in the Statement. This requires that the Municipality report in its financial statements its total pension liability, pension expense and deferred outflows and inflows of resources related to pensions as of the measurement date. It also requires detailed disclosures related to the actuarial and financial information used in the calculation of the total pension liability and the reporting of historical pension data as Required Supplementary Information. Also, GASB Statement No. 75 states standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. It also requires detailed disclosures related to the actuarial and financial information used in the calculation.

Cause: The Retirement System Administration has not provided the Municipality with the financial and technical information necessary for the implementation of GASB Statement 73 and GASB Statement No. 75 as of June 30, 2021.

Finding 2021 – 001-002 (Continued)

Effect of condition: The Municipality's Government - Wide Financial Statements does not present fairly the financial position of the governmental activities, and the change in financial position of the Municipality for the fiscal year ended June 30, 2021. Also, the required supplementary information has been omitted.

Recommendation: We recommend the Municipality maintain a constant communication with the Retirement System Administration (ERS), in order to obtain the necessary financial and technical information to implement the requirements of the GASB Statements No. 73 and 75. In the event the ERS does not provide such information, the Municipality may contract an external actuary to perform such analysis.

Management Respons and Corrective Action Plan: The Municipality is aware of the condition, although it has been in continuous communication with the Employee's Retirement System of the Government of Puerto Rico (ERS), but the issue cannot be handled by the Municipality because it is not allowed to contract an actuarial consultant to perform an evaluation of the Municipality's portion of the retirement pension plan. Thus, the Municipality has to wait until the ERS submits the updated actuarial report.

Current status: Not corrected, see Findings 2022-001 and 2022-002.

Audit Period: July 1, 2021 – June 30, 2022

Principal Executive / Contact Person: Ms. Ivette Báez, Finance Director

ORIGINAL FINDING NUM	STATEMENT OF CONCURRENCE OR NON CONCURRENCE	CORRECTIVE ACTION
2022-001 Financial Reporting – GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement No. 68”	Concur with the finding.	The Municipality is aware of the condition, although it has been in continuous communication with the Employee's Retirement System of the Government of Puerto Rico (ERS), but the issue cannot be handled by the Municipality because it is not allowed to contract an actuarial consultant to perform an evaluation of the Municipality's portion of the retirement pension plan. Thus, the Municipality must wait until the ERS submits the updated actuarial report. Implementation Date: Unknown. Responsible Individuals: Ms. Ivette Báez, Finance Director
2022-002 Financial Reporting – GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions”	Concur with the finding.	The Municipality is aware of the condition, although it has been in continuous communication with the Employee's Retirement System of the Government of Puerto Rico (ERS), but the issue cannot be handled by the Municipality because it is not allowed to contract an actuarial consultant to perform an evaluation of the Municipality's portion of the retirement pension plan. Thus, the Municipality must wait until the ERS submits the updated actuarial report. Implementation Date: Unknown. Responsible Individuals: Ms. Ivette Báez, Finance Director
2022-003 Reporting – 14.871 – Section 8 Housing Choice Vouchers	Concur with the finding.	As a result of changes in Municipality's Federal Affairs Office management, supervision personnel were assigned to ensure that

Audit Period: July 1, 2021 – June 30, 2022

Principal Executive / Contact Person: Ms. Ivette Báez, Finance Director

ORIGINAL FINDING NUM	STATEMENT OF CONCURRENCE OR NON CONCURRENCE	CORRECTIVE ACTION
		<p>the reports are filed on time. As part of this internal control, the deadlines were scheduled with the personnel involved with the preparation of such reports. Also, corrections were made to reports for some months as required by the HUD monitor, in order to reflect the correct numbers. In addition, the Internal Audit Office gives follow-up in and require evidence of the remittance in compliance with this action.</p> <p>Implementation Date: Immediately.</p> <p>Responsible Individuals: Ms. Ada Bones, Federal Affairs Office Director</p>
<p>2022-004 Reporting – 14.871 – Section Housing Choice Vouchers</p>	<p>Concur with the finding.</p>	<p>As a result of changes in Municipality's Federal Affairs Office management, supervision personnel were assigned to ensure that the report is filed on time. As part of this internal control, the deadline was scheduled with the personnel involved with the preparation of such report. In addition, the Internal Audit Office gives follow-up in compliance with this action.</p> <p>Implementation Date: Immediately.</p> <p>Responsible Individuals: Ms. Ada Bones, Federal Affairs Office Director</p>

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2022

Audit Period: July 1, 2021 – June 30, 2022

Principal Executive / Contact Person: Ms. Ivette Báez, Finance Director

ORIGINAL FINDING NUM	STATEMENT OF CONCURRENCE OR NON CONCURRENCE	CORRECTIVE ACTION
2022-005 Allowable Costs/Cost Principles – 14.871 – Section 8 Housing Choice Vouchers	Concur with the finding.	To correct the situation immediately, the personnel in charge reconciled the account of the participant, made the adjustment, and require the return of the excess paid to the PHA. Evidence of such was provided to the auditor to demonstrate the action taken. To prevent that the situation from occurring in the future, a quality review process was established in charge of the Official Coordinator. This process will be documented and established as a SOP. Implementation Date: Immediately. Responsible Individuals: Ms. Ada Bones, Federal Affairs Office Director
2022-006 Special Tests and Provisions - Federal Interest – 93.600 Head Start	Concur with the finding.	The unnoticed error was corrected through a Rectification Deed dated April 28, 2023 and appropriately notified to Property Registry of PR. Evidence such corrective action was submitted to the auditor. Implementation Date: Immediately. Responsible Individuals: Ms. Marisol Monserrate, Head Start Program Director

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

JUNE 30, 2023

