COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO

FINANCIAL STATEMENTS
(with additional reports required by the Government Auditing Standards and the Uniform Guidance)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

	Pages
FINANCIAL SECTION	
Independent Auditors' Report	1-4
Management's Discussion and Analysis	5-16
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements-Governmental Funds	
Balance Sheet - Governmental Funds	19-20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	22
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Net Position – Proprietary Fund	24
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	25
Statement of Cash Flows – Proprietary Fund	26
Notes to Financial Statements	27-96
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	98
Note to Budgetary Comparison Schedule - General Fund	99-100

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

	Pages
SUPPLEMENTARY INFORMATION REQUIRED BY THE U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	
Financial Data Schedule - Balance Sheet	102
Financial Data Schedule - Income Statement	103-104
Notes to Financial Data Schedule	105
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	107
Notes to Schedule of Expenditures of Federal Awards	108
Schedule of Changes in Total Pension Liability and Related Ratios for Single – Employer Pension Plans	109
Schedule of Changes in Total Other Post-Employment Benefits Liability and Related Ratios for Single – Employer Pension Plans	110
INTERNAL CONTROLS AND COMPLIANCE	
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	112-113
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance Report on Compliance for Each Major Federal Program	114-117
FINDINGS AND QUESTIONED COSTS	
Schedule of Findings and Questioned Costs	119-124
Schedule of Status of Prior Year Audit Findings and Questioned Costs	125-130
Corrective Action Plan	133-135

FINANCIAL SECTION

Rodríguez-Sanabria & Co.
Certified Public Accountants and Advisors

Members of the American Institute
of Certified Public Accountants
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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, 2023, 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

Fund	Type of Opinion
Governmental Activities	Qualified
General Fund	Unmodified
Business - Type Activities	Unmodified
Debt Service Fund	Unmodified
Workforce Innovation and Opportunity Act Grants Fund	Unmodified
American Rescue Plan Act Funds	Unmodified
Other Governmental Remaining 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 accompanying 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, 2023, 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, 2023, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 financial information as of June 30, 2023.The ERS has not issued audited financial statements related to the Municipality as of and for the fiscal year ended June 30, 2023. The net pension liability and deferred outflows/inflows of resources represent 42% and 2% of the total liabilities and deferred outflows/inflows of resources, respectively, as of June 30, 2023, while pension benefit represents 10% of total general revenues for the fiscal year then ended.

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, 2023, as required by GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB). The OPEB liability represents 2% of the total liabilities of the Municipality while OPEB benefit represents .04% of the total general revenues 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 16 and pages 98 through 100, 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.

Supplementary 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 102 through 105 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 107 and 108 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.

Restatement

As disclosed in note 24 of the financial statements, the Net Position beginning balance had been restated to account for several items as previously reported.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2024, 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.

Rodriguez Sanabria & Co., CPA's, PSC

San Juan, Puerto Rico
March 26, 2024

Stamp No. E565500 was affixed to the
original of the report.

The management of the Autonomous Municipality of Guaynabo (the "Municipality") provides this overview and analysis of financial activities of the Municipality for the fiscal year ended June 30, 2023. The Management's Discussion and Analysis of the Municipality (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 Legal Governments. This MD&A is prepared to comply and, among other purposes, to provide the financial statements users with the following major information:

- Assist the reader in focusing important issues.
- Provide an overview of the Municipality's financial activities.
- Identify changes in the Municipality's financial position (its ability to address the next and subsequent year changes).
- Identify any material deviations from the financial plan (the approved budget)
- Identify individual funds issues or concerns.

Since the MD&A is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The Municipality's assets exceeded its liabilities on June 30, 2023 by $987,043,442, compared to an excess of assets over liabilities of $893,833,570 (as restated) at June 30, 2022.
- The Municipality net position increased by $93,209,872.
- The Municipality's governmental funds reported a combined ending fund balance of $165,626,379 an increase of $54,397,546 as compared to prior year.
- The statement of net position presented an unrestricted net position of $1,206,362.
- The Municipality's capital assets inventory decreased $9,900,681 mostly as a result of the depreciation expense for the year offset by capital assets additions. Capital assets (net of accumulated depreciation) and net position invested in capital assets (net of related debt) as of June 30, 2023, were $952,063,577.
- Capital expenditures amounted to $5,928,064.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The purpose of financial reporting is to provide external users of basic financial statements with information that will help them to make decisions or draw conclusions about the Municipality.

There are many external parties that use the basic financial statements of the Municipality; however, these parties do not always have the same specific objectives. In order to address the needs of as many parties as reasonably possible, the Municipality, in accordance with required financial reporting standards, presents this Management's Discussion and Analysis (MD&A) as an introduction to the Municipality's basic financial statements.

This narrative represents an overview and analysis of the financial statements of the Municipality as of and for the fiscal year ended June 30, 2023. Because this MD&A is designed to focus on the current year activities, resulting changes and currently known facts, we encourage readers to consider the information presented in this MD&A in conjunction with the additional information furnished in the accompanying basic financial statements. The Municipality's basic financial statements include three (3) components: 1) the government-wide financial statements, 2) funds financial statements - governmental fund financial statements, 3) notes to the financial statements.

This report also contains additional required supplementary information (budgetary schedule) in addition to the basic financial statements themselves. These components are described below.

The financial statements focus on: (1) the Municipality as a whole (government-wide financial reporting) and, (2) the Municipality's major individual governmental funds. Both perspectives allow the users to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Municipality's accountability.

GOVERNMENT-WIDE-FINANCIAL STATEMENT

The government-wide financial statements are designed to provide readers with a broad overview of the Municipality's operations and finance as a whole in a manner similar to private-sector business. These statements provide short-term and long-term information about the Municipality's financial position, which assists the Municipality's management to determine the economic condition at the end of the fiscal year. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means that these financial statements follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year ended June 30, 2023 even if cash involved have not been received or paid. The government-wide financial statements include: (1) the statement of net position and (2) the statement of activities.

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, 2023, 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.

PROPIETARY FUND FINANCIAL STATEMENTS

Proprietary funds are used to account for activities that operate more like those of business enterprises. Proprietary fund provides the same type of information as the business-type activity in the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There are no reconciling items between government-wide financial statements and the proprietary fund financial statements. The proprietary fund operated by the Municipality is the revenue bond resulting for the operation of the "Los Filtros" Toll System.

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.

The Fund Financial Statements provide detailed information about the Municipality's most significant funds, not the Municipality as a whole. The Municipality has only one kind of fund which is the governmental fund.

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, Government 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 is useful in evaluating the Municipality's near term financial requirements.

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

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. These notes to the basic financial statements begin in page 27 of this report.

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.

INFRASTRUCTURE ASSETS

Historically, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, underground pipes [unless associated with a utility], etc.) have not been reported nor depreciated in government financial statements. GASB 34 requires that these assets be valued and reported within the governmental column of the Government-Wide Statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The information about the condition and maintenance of condition of the government infrastructure assets should assist financial statement users in evaluating a local government and its performance over time. The Municipality has elected to depreciate infrastructure assets instead of using the modified approach.

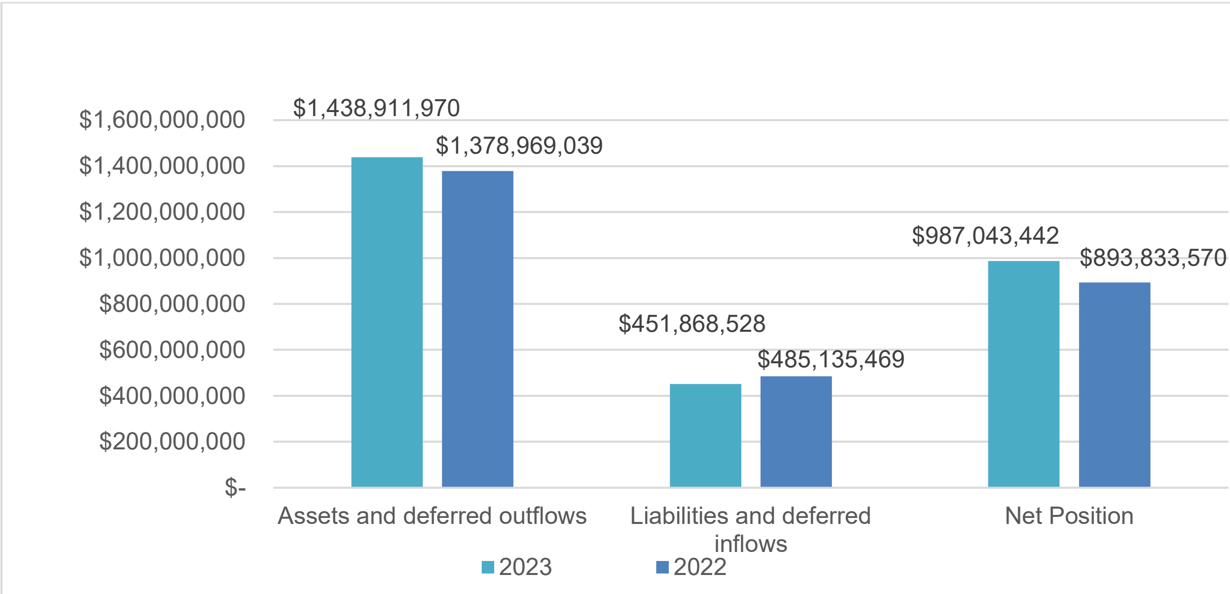
FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of the Municipality's financial position. In the case of the Municipality, assets exceeded liabilities by $987,043,442 on June 30, 2023.

As previously discussed, by far the largest portion of the Municipality's net position reflect its investment in capital assets (e.g., land, buildings, machinery, equipment and all other property), less any related debt used to acquire those assets that is still outstanding. The Municipality uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The following is a condensed presentation of the Municipality's financial position and results of operations, as reported in the government-wide financial statements:

	2023	2022	Change	%
Current assets and non-current assets	$ 319,084,269	$ 243,718,431	$ 75,365,838	31%
Deferred outflows of resources	30,046,762	35,568,988	(5,522,226)	(16%)
Capital assets	1,089,780,939	1,099,681,620	(9,900,681)	(1%)
Total assets and deferred outflows of resources	1,438,911,970	1,378,969,039	59,942,931	4%
Current liabilities	40,168,968	32,179,402	7,989,566	25%
Non-current liabilities	295,172,033	363,961,017	(68,788,984)	(19%)
Deferred inflows of resources	116,527,527	88,995,050	27,532,477	31%
Total liabilities and deferred inflows of resources	451,868,528	485,135,469	(33,266,941)	(7%)
Invested in capital assets, net of related debt	952,063,577	944,765,646	7,297,931	1%
Restricted	28,606,633	22,457,108	6,149,525	27%
Unrestricted	6,373,232	(73,389,184)	79,762,416	(109%)
Total net position	$ 987,043,442	$ 893,833,570	$ 93,209,872	10%

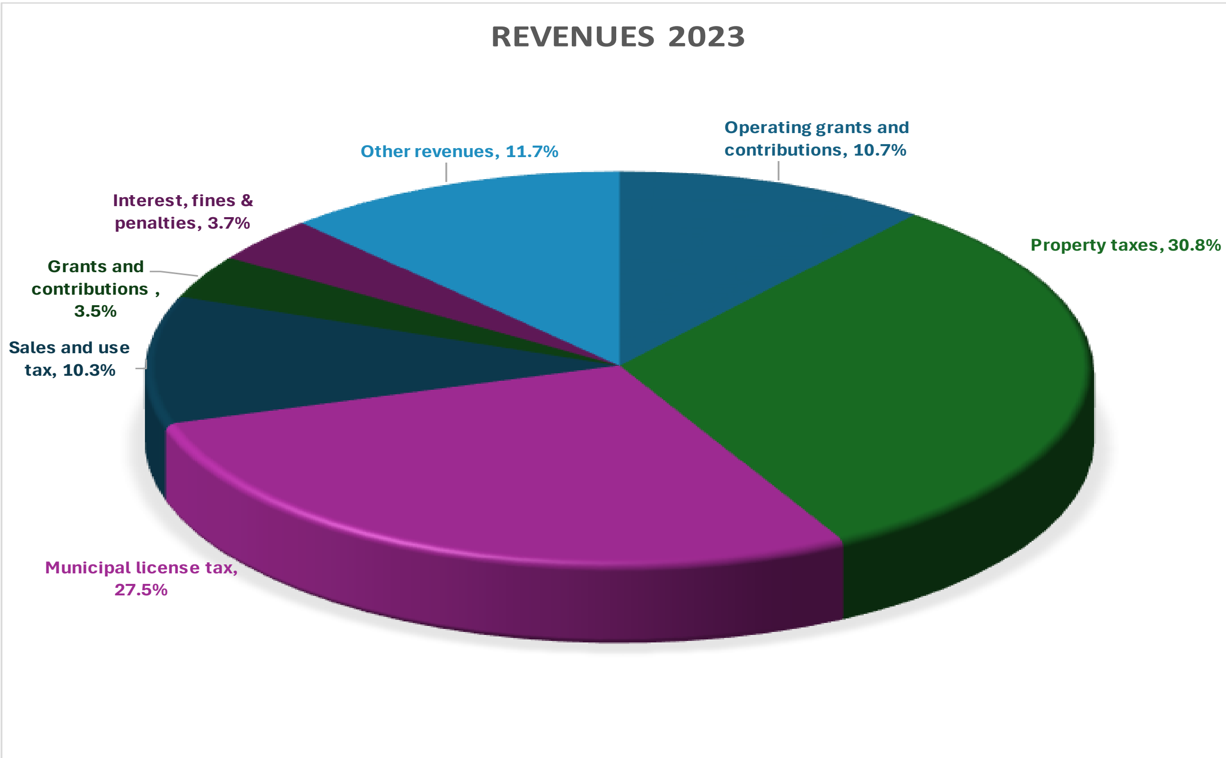


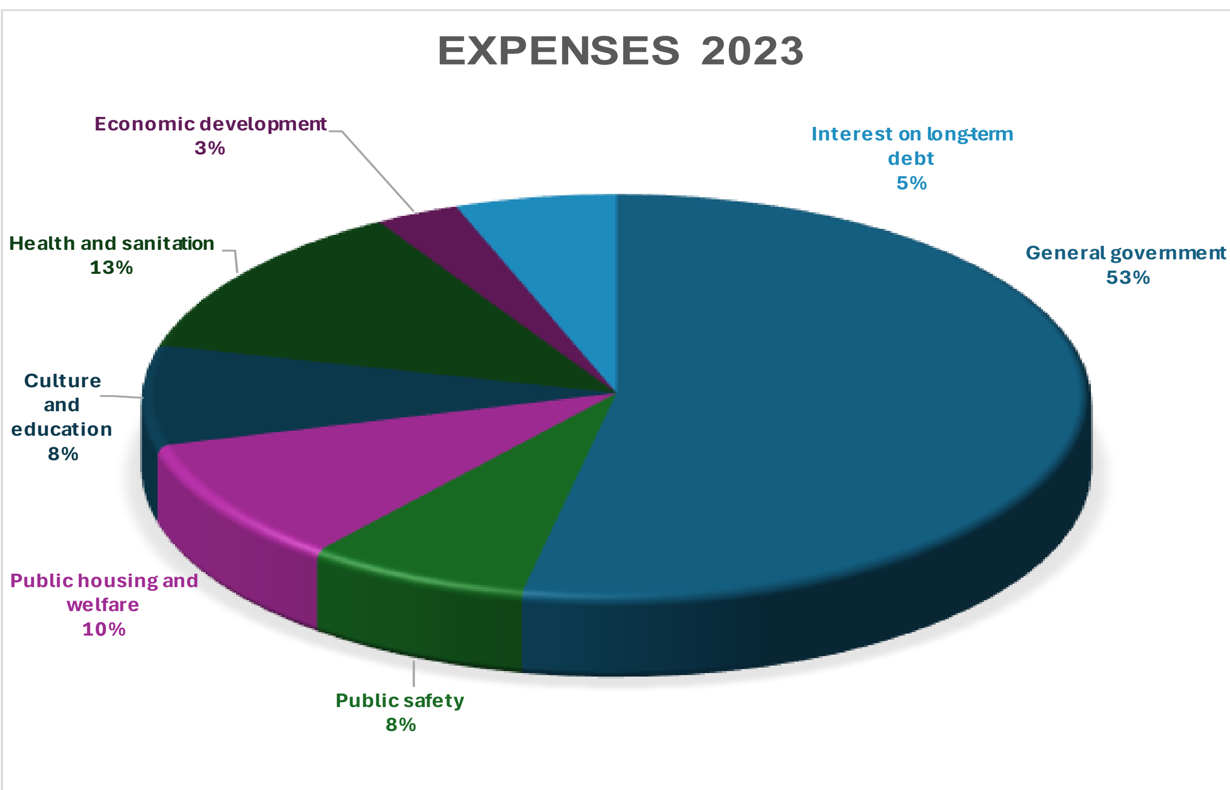
Changes in Net Position

The Municipality's net position increased by $93,209,872. Approximately 16 percent of the Municipality's total revenue came from grants and contributions, including federal aid, while 64 percent resulted from taxes. The Municipality's expenses cover a range of services. The largest expenses were for general government and public works.

Municipality of Guaynabo
Condensed Statements of Activities
June 30, 2023 and 2022

	2023	2022	Change	%
Program revenues				
Charges for services	$ 3,794,118	$ 831,780	$ 2,962,338	356%
Operating grants and contributions	23,979,134	21,454,897	2,524,237	12%
General revenues				
Property taxes	68,985,208	79,205,723	(10,220,515)	(13%)
Municipal license tax	61,740,660	53,472,113	8,268,547	15%
Sales and use tax	23,160,338	20,494,010	2,666,328	13%
Grants and contributions not restricted to specific programs	7,916,275	2,709,053	5,207,222	192%
Interest, fines and penalties	8,309,622	1,781,987	6,527,635	366%
Other revenues	26,221,891	14,700,692	11,521,199	78%
Total revenues	224,107,246	194,650,255	29,456,991	15%
Expenses				
General government	102,964,207	69,742,487	33,221,720	48%
Public safety	14,793,240	12,087,394	2,705,846	22%
Public housing and welfare	19,311,885	11,234,261	8,077,624	72%
Culture and education	15,526,134	13,931,282	1,594,852	11%
Health and sanitation	24,498,799	39,663,132	(15,164,333)	(38%)
Economic development	5,636,911	5,043,477	593,434	12%
Interest on long-term debt	10,862,046	8,793,104	2,068,942	24%
Loss on disposition of assets	(137,589)	-	(137,589)	100%
Total expenses	193,455,633	160,495,137	32,960,496	21%
Decrease pension liability	49,463,836	-	49,463,836	100%
Insurance proceeds	13,369,601	-	13,369,601	100%
Change in net position	93,485,050	34,155,118	59,329,932	174%
Net position, beginning of year	893,833,570	859,678,452	34,155,118	4%
Net position, end of year	$987,318,620	$893,833,570	$ 93,485,050	10%


REVENUES 2023
Operating grants and contributions, 10.7%
Property taxes, 30.8%
Other revenues, 11.7%
Interest, fines & penalties, 3.7%
Grants and contributions , 3.5%
Sales and use tax, 10.3%
Municipal license tax, 27.5%


EXPENSES 2023
Economic development 3%
Interest on long-term debt 5%
General government 53%
Health and sanitation 13%
Culture and education 8%
Public housing and welfare 10%
Public safety 8%

FINANCIAL ANALYSIS OF THE MUNICIPALITY'S INDIVIDUAL FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Municipality's governmental funds reported combined ending fund balances of $165,626,379, an increase of $54,397,546 in comparison with the prior year. There are reservations of fund balance. The fund balance that is not available for new spending because it has already been restricted to pay debt service amounted to ($28,606,633). The general fund is included within the governmental funds; it is the operating fund of the Municipality. As of June 30, 2023 the general fund has a balance of $95,527,837.

General Fund – The general fund revenues increased by $42 million mainly due to an increase in approximately $8.3 million related to municipal licenses taxes and $13 million related to insurance claim proceeds. The expenditures increased by approximately $12 million in comparison from the prior year. The category with the mayor increase was General Government with $11 million.

Debt Service Fund – Revenues from debt service fund increased by approximately $5 million. The fund's expenditures increase by approximately $6.2 million caused by an increase in the debt service principal and interest payments.

WIOA Fund – Revenues and expenditures from the WIOA fund increased by approximately $140,286 thousand from federal grants appropriations.

ARPA Fund – There were no related revenues and expenditures.

Other Governmental Funds – Revenues increased by approximately $4.8 million, mainly due to increases in Federal Grants and Contributions and Charge for Services. Also, the expenditures decreased by approximately $2.8 million, mainly in the Health and Sanitation category.

BUDGETARY HIGHLIGTHS

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:

	Final Budget	Actual Amounts	Variance Favorable
Total resources	$ 136,165,722	$ 144,811,966	$ 8,646,244
Total charge to appropiations	136,165,722	117,344,505	18,821,217
Excess or deficiency	$ -	$ 27,467,461	$ 27,467,461

The total actual resources (budgetary basis) for the fiscal year ended June 30, 2023, were $144,811,866, which is $8,646,244 more than the budgeted resources. In addition, the total actual charges to appropriations (budgetary basis) for the fiscal year ended June 30, 2023, were $117,344,505, which is $18,821,217 less than the budgeted charges to appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Municipality's investment in capital assets as of June 30, 2023, amounts to $1,413,079,289, net of accumulated depreciation of $323,298,350, leaving a net book value of $1,089,780,939. These investments in capital assets include land, buildings and improvements, vehicles, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

Actual expenditures for acquisition of capital assets were $5,928,064 for the year. Depreciation charges for the year totaled $15,691,156.

	Total			
	2023	2022	Change	Percentage Change
Capital assets, not being depreciated:				
Land	$ 686,532,913	$ 686,532,913	$ -	0.00%
Construction in progress	30,028,244	28,641,359	1,386,885	4.84%
Non-Depreciable assets	3,681,855	3,681,855	-	0.00%
Total capital assets, not being depreciated	720,243,012	718,856,127	1,386,885	0.19%
Capital assets, net of depreciation:				
Building and building improvements	219,758,421	227,621,477	(7,863,056)	-3.45%
Vehicles and equipment	10,911,707	9,887,458	1,024,249	10.36%
Suscription assets	1,292,589	1,934,354	(641,765)	-33.18%
Infrastructure	137,575,210	141,382,204	(3,806,994)	-2.69%
Total capital assets, net of depreciation	369,537,927	380,825,493	(11,287,566)	-2.96%
Total capital assets	$ 1,089,780,939	$ 1,099,681,620	$ (9,900,681)	-0.90%

Debt Administration

The Puerto Rico Legislature has established a limitation for the issuance of general obligation municipal bonds and notes for the payment of which the good faith, credit and taxing power of each municipality may be pledged.

The applicable law also requires that in order for a municipality to be able to issue additional general obligation bonds and notes such municipality must have sufficient "payment capacity". Act No. 64 provides that a municipality has sufficient "payment capacity" to incur additional general obligation debt if the deposits in such municipality's Redemption Fund and the annual amounts collected with respect to sch municipality's Special Additional Tax (as defined below), as projected by GDB, will be sufficient to service to maturity the municipality's outstanding general obligation debt and the additional proposed general obligation debt ("Payment Capacity").

The Municipality is required under applicable law to levy the Special Additional Tax in such amounts as shall be required for the payment of its general obligation municipal bonds and notes. In addition, principal and interest on all general obligation municipal bonds and notes, and on all municipal notes issued in anticipation of the issuance of general obligation bonds issued by the Municipality constitute a first lien on the Municipality's Basic Tax revenues. Accordingly, the Municipality's Basic Tax revenues would be available to make debt service payments on general obligation municipal bonds and notes to the extent that the Special Additional Tax levied by the Municipality, together with moneys on deposit in the Municipality's Redemption Fund, are not sufficient to cover such debt service. It has never been necessary to apply Basic Taxes to pay debt service on general obligation debt of the Municipality.

Long-Term Debt

At year-end, the Municipality had $295,172,033 in general and special bonds and notes and other long-term debts. Such amount represents a decrease of 19% percent with respect to prior year. The following is a summary of the Municipality's outstanding debt as of June 30, 2023 and 2022:

Municipality of Guaynabo
Outstanding Long-Term Debt
June 30, 2023 and 2022

	2023	2022	Change	Percentage Change
General and special obligations	$137,717,362	$155,953,362	$ (18,236,000)	-11.69%
Other long term debts:				
Pension Liability	124,630,160	174,093,996	(49,463,836)	-28.41%
Other Post Employment Benefits	5,266,679	6,272,297	(1,005,618)	-16.03%
Compensated Absences	18,579,716	17,419,613	1,160,103	6.66%
Landfill Obligation	6,854,617	7,185,839	(331,222)	-4.61%
Subscription Liability	1,292,589	1,934,354	(641,765)	-33.18%
Capital leases	830,910	3,035,910	(2,205,000)	-72.63%
Total	$295,172,033	$365,895,371	$ (70,723,338)	-19%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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 2023 fiscal year.

FINANCIAL CONTACT

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
JUNE 30, 2023

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total Primary Government**
Assets			
Cash and cash equivalents **(Notes 2 and 4)**	$ 241,581,231	$ 3,923,362	$ 245,504,593
Cash with fiscal agent	44,314,011	-	44,314,011
Accounts receivable:			
Property taxes **(Note 5)**	474,383	-	474,383
Sales and use taxes **(Note 7)**	1,767,986	-	1,767,986
Municipal license taxes **(Note 6)**	57,748	-	57,748
Rent, licenses, and permits	356,008	-	356,008
Leases	27,264,439	-	27,264,439
Due from other agencies **(Note 8)**	555,728	-	555,728
Inventories **(Note 2)**	2,712,735	-	2,712,735
Capital assets, net of accumulated depreciation **(Note 10)**	1,089,780,939	17,831,082	1,107,612,021
Total assets	1,408,865,208	21,754,444	1,430,619,652
Deferred Outflows of Resources (Notes 2 and 13)			
Contributions to employees' retirement plan	30,046,762	-	30,046,762
Total deferred outflows of resources	30,046,762	-	30,046,762
Liabilities			
Accounts payable and accrued liabilities	8,958,672	24,310	8,982,982
Accrued interest payable	5,416,668	-	5,416,668
Due to other agencies **(Note 11)**	25,793,628	1,295,854	27,089,482
Noncurrent liabilities **(Note 15)**:			
Due within one year	26,672,380	460,000	27,132,380
Due in more than one year	268,499,653	18,684,979	287,184,632
Total liabilities	335,341,001	20,465,143	355,806,144
Deferred Inflows of Resources			
Leases related	25,516,912	-	25,516,912
Deferred municipal license taxes **(Note 12)**	49,885,306	-	49,885,306
Unearned revenue	22,931,321	-	22,931,321
Pension related	18,193,988	-	18,193,988
Total deferred inflows of resources	116,527,527	-	116,527,527
Net Position			
Investment in capital assets, net of related debt	952,063,577	(1,313,897)	950,749,680
Restricted for:			
Debt service	28,606,633	-	28,606,633
Other Purposes	5,166,870	-	5,166,870
Unrestricted	1,206,362	2,603,198	3,809,560
Total net position	$ 987,043,442	$ 1,289,301	$ 988,332,743

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

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
				Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Primary Government:						
General government	$ 102,964,207	$ 3,794,118	$ 348,388	$ (98,821,701)	$ -	$ (98,821,701)
Public safety	14,793,240	-	1,446,065	(13,347,175)	-	(13,347,175)
Public housing and welfare	19,311,885	-	6,355,281	(12,956,604)	-	(12,956,604)
Culture and education	15,526,134	-	12,032,314	(3,493,820)	-	(3,493,820)
Health and sanitation	24,498,799	-	-	(24,498,799)	-	(24,498,799)
Economic development	5,636,911	-	3,797,086	(1,839,825)	-	(1,839,825)
Interest on long-term debt	10,862,046	-	-	(10,862,046)	-	(10,862,046)
Total primary government	193,593,222	3,794,118	23,979,134	(165,819,970)	-	(165,819,970)
Business-Type Activities:						
Los Filtros Toll	2,057,725	2,694,313	-	-	636,588	636,588
Total primary government	$ 195,650,947	$ 6,488,431	$ 23,979,134	(165,819,970)	636,588	(165,183,382)
General revenues:						
Property taxes **(Note 5)**				68,985,208	-	68,985,208
Municipal license taxes **(Note 6)**				61,740,660	-	61,740,660
Sales and use taxes **(Note 7)**				23,160,338	-	23,160,338
Grants and contributions not restricted to specific programs				7,916,275	-	7,916,275
Interest, fines, and penalties				8,309,622	-	8,309,622
Other revenues				26,221,891	-	26,221,891
Loss on disposition of assets				(137,589)	-	(137,589)
Other items:						-
Insurance proceeds				13,369,601	-	13,369,601
Decrease in pension liability estimated				49,463,836	-	49,463,836
Total general revenues and other items				259,029,842	-	259,029,842
Change in net position				93,209,872	636,588	93,846,460
Net position at beginning of year, as restated **(Note 24)**				893,833,570	652,713	894,486,283
Net position at end of year				$ 987,043,442	$ 1,289,301	$ 988,332,743

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

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2023

Assets	**General Fund**	**Debt Service Fund**	**WIOA Fund**	**ARPA Fund**	**Other Governmental Funds**	**Total Governmental Funds**
Cash and cash equivalents **(Notes 2 and 4)**	$ 170,154,371	$ 4,190,290	$ 1,609	$ 23,007,461	$ 44,227,500	$ 241,581,231
Cash with fiscal agent		44,314,011				44,314,011
Accounts receivable:						
Property taxes **(Note 5)**	474,383	-	-	-	-	474,383
Municipal license taxes **(Note 6)**	57,748	-	-	-	-	57,748
Sales taxes **(Note 7)**	1,767,986	-	-	-	-	1,767,986
Rent, licenses, and permits	356,008	-	-	-	-	356,008
Leases	27,264,439	-	-	-	-	27,264,439
Due from other agencies **(Note 8)**	-	-	555,728	-	-	555,728
Due from other funds **(Note 9)**	593,179	-	-	4,860	-	598,039
Inventories **(Note 2)**	2,712,735	-	-	-	-	2,712,735
Total assets	$ 203,380,849	$ 48,504,301	$ 557,337	$ 23,012,321	$ 44,227,500	$ 319,682,308

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

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2023

Liabilities and Fund Balances	**General Fund**	**Debt Service Fund**	**WIOA Fund**	**ARPA Fund**	**Other Governmental Funds**	**Total Governmental Funds**
Liabilities						
Account payable and accrued liabilities	$ 6,177,923	$ -	$ 431,792	$ 81,000	$ 2,267,957	$ 8,958,672
Due to other funds **(Note 9)**	4,860	-	125,545	-	467,634	598,039
Due to other agencies **(Note 11)**	25,793,628	-	-	-	-	25,793,628
General obligations:						
Bonds	-	14,481,000	-	-	-	14,481,000
Interest	-	5,416,668	-	-	-	5,416,668
Total liabilities	31,976,411	19,897,668	557,337	81,000	2,735,591	55,248,007
Deferred Inflows of Resources (Note 12)						
Municipal license taxes	49,885,306	-	-	-	-	49,885,306
Lease related	25,516,912	-	-	-	-	25,516,912
Intergovernmental grants and contributions	474,383	-	-	22,931,321	-	23,405,704
Total deferred inflows of resources	75,876,601	-	-	22,931,321	-	98,807,922
Fund Balances (Notes 2 and 21)						
Reserved for:						
Nonspendable	2,712,235	-	-	-	-	2,712,235
Restricted	-	28,606,633	-	-	5,166,870	33,773,503
Assigned	89,868,295	-	-	-	36,325,039	126,193,334
Unassigned	2,947,307	-	-	-	-	2,947,307
Total fund balances	95,527,837	28,606,633	-	-	41,491,909	165,626,379
Total liabilities and fund balances	$ 203,380,849	$ 48,504,301	$ 557,337	$ 23,012,321	$ 44,227,500	$ 319,682,308

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

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances - governmental funds	$ 165,626,379
Amounts reported for governmental activities in the statement of net position are different because:	
• Capital assets, net used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	1,089,780,939
• Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. **(Note 3)**	(280,691,033)
• Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:	
Deferred outflows of resources	30,046,762
Deferred inflows of resources	(18,193,988)
• Other assets are not available to pay current-period expenditures and, therefore, are reported as deferred inflows of resoures in the funds:	
• Municipal Revenue Collection Center (CRIM) - Property Taxes	474,383
Net position of governmental activities	**$ 987,043,442**

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

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General Fund	Debt Service Fund	WIOA Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes **(Note 5)**	$ 44,112,944	$ 31,776,454	$ -	$ -	$ -	$ 75,889,398
Municipal license taxes **(Note 6)**	61,740,660	-	-	-	-	61,740,660
Sales taxes **(Note 7)**	19,352,849	3,807,489	-	-	-	23,160,338
Construction excise, licenses and permits	4,015,276	-	-	-	-	4,015,276
Charges for service and rents	3,794,118	-	-	-	-	3,794,118
Grants and entitlements	-	-	-	-	-	-
Federal grants and contributions	180,862	-	3,797,086	-	20,080,103	24,058,051
State contributions	7,837,358	-	-	-	-	7,837,358
Interest, fines, and penalties	8,137,098	138,812	-	-	33,712	8,309,622
Other revenues	12,126,676	3,174,156	-	-	6,905,783	22,206,615
Total revenues	161,297,841	38,896,911	3,797,086	-	27,019,598	231,011,436
EXPENDITURES						
Current:						
General government	81,988,874	-	-	-	656,152	82,645,026
Public safety	12,507,768	-	-	-	2,200,871	14,708,639
Public work	14,991,273	-	-	-	249,163	15,240,436
Culture and education	2,631,103	-	-	-	12,615,628	15,246,731
Health and sanitation	21,419,452	-	-	-	3,013,095	24,432,547
Economic development	518,996	-	3,797,086	-	1,320,829	5,636,911
Public housing	-	-	-	-	2,161,155	2,161,155
Debt service:						
Principal retirement	-	19,050,000	-	-		19,050,000
Interest and other	-	10,862,046	-	-		10,862,046
Total expenditures	134,057,466	29,912,046	3,797,086	-	22,216,893	189,983,491
Excess of revenues over expenditures	27,240,375	8,984,865	-	-	4,802,705	41,027,945
OTHER FINANCING SOURCES (USES)						
Transfers in	2,819,201	1,536,562	-	-	21,820	4,377,583
Transfers out	(1,558,382)	(1,817,758)	-	-	(1,001,443)	(4,377,583)
Total other financing sources (uses)	1,260,819	(281,196)	-	-	(979,623)	-
OTHER ITEM						
Insurance claims	13,369,601	-	-	-	-	13,369,601
Total other item	13,369,601	-		-	-	13,369,601
Net change in fund balance	41,870,795	8,703,669	-	-	3,823,082	54,397,546
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED (Note 24)	53,657,042	19,902,964	-	-	37,668,827	111,228,833
FUND BALANCE AT END OF YEAR	$ 95,527,837	$ 28,606,633	$ -	$ -	$ 41,491,909	$ 165,626,379

The accompanying notes are an integral part of these basic 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 THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds	$ 54,397,546
Amounts reported for governmental activities in the statement of activities are different because:	
• Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	5,928,064
• Depreciation expense on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.	(15,691,156)
• Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements.	474,383
• Governmental funds report principal payments on long-term obligations as expenditures, whereas the principal payments reduces the long-term obligations in the statement of activities.	19,050,000
• In the statements of activities, only the loss on disposition of assets is reported, whereas in governmental funds, the proceeds from sales increase financial resources. Thus, the change in net asset book value of the asset sold.	(137,589)
• Revenues reported in funds which are not reported as revenues in the statement of activities for Municipal Revenue Collection Center	(7,378,573)
• Revenues reported in statement of actitivies that do not provide current financial resources are not reported as revenue in the fund.	35,748,695
• Some (expenses) revenues reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds	
Suscription obligation	641,765
OPEB liability	1,005,618
Landfill obligation	331,222
Compensated absences	(1,160,103)
	818,502
Changes in net position of governmental activities	**$ 93,209,872**

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

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

	Los Filtros Toll
Assets	
Current assets:	
Restricted cash in commercial banks **(Notes 2 and 4)**	$ 3,923,362
Non-current assets:	
Capital assets, net **(Note 10)**	17,831,082
Total assets	21,754,444
Liabilities and Net Position	
Current liabilities:	
Account payable	24,310
Due to agencies	1,295,854
Total current liabilities	1,320,164
Non-current liabilities:	
Due within one year	460,000
Due in more than one year	18,684,979
Total non-current liabilities	19,144,979
Total liabilities	20,465,143
Net Position	
Net investment in capital assets	(1,313,897)
Unrestricted	2,603,198
Total net position	$ 1,289,301

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

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Los Filtros Toll
OPERATING REVENUES	
Charges for services	$ 2,627,995
Total operating revenues	2,627,995
OPERATING EXPENSES	
General, administrative and maintenance	714,475
Total operating expenses	714,475
Operating revenues	1,913,520
NON-OPERATING REVENUES	
Interest	66,318
Interest on loan	(1,343,251)
Total non-operating revenues	(1,276,933)
CHANGE IN NET POSITION	636,587
TOTAL NET POSITION, BEGINNING, AS RESTATED (Note 29)	652,714
TOTAL NET POSITION, ENDING	$ 1,289,301

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

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Los Filtros Toll
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 2,627,995
Cash provided by operating activities	2,627,995
NON OPERATING FINANCING ACTIVITIES	
Interest collected	66,318
	66,318
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment of line of credit	(678,175)
Payment of interest	(1,343,251)
Cash used in financing activities	(2,021,426)
INCREASE IN CASH	672,887
CASH AT BEGINNING OF YEAR	3,250,474
CASH AT THE END OF YEAR	$ 3,923,361
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 1,913,520
Adjustments to reconcile change in net position to net cash used in operating activities:	
Depreciation expense	379,957
Increase in due to agencies	334,518
Total adjustments	714,475
Net cash provided by operating activities	$ 2,627,995

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

1. ORGANIZATION

The Autonomous Municipality of Guaynabo, Puerto Rico (the "Municipality"), is a local government constituted with full legislative and administrative faculties in every affair of municipal character, with perpetual succession existence and legal identity, separate and independent from the central government of the Commonwealth of Puerto Rico. The Municipality provides a full range of services including: public safety, public works, culture, recreation, health and welfare, education and other miscellaneous services.

The Municipal Government comprises the executive and legislative branches. The executive power is exercised by the Mayor and the legislative by the Municipal Legislature, which has 16 members. The members of these branches are elected every four years in the Puerto Rico general elections.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Municipality have been prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

a. Financial Reporting Entity

The financial reporting entity included in this report consists of the financial statements of the Municipality (the primary government). A primary government is any state government or general purpose local government. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of a primary government. If an organization is part of a primary government, its financial data should be included with the financial data of the primary government. Component units are legally separate organizations for which the primary government is financially accountable or organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A component unit may be a governmental organization, a nonprofit corporation or a for-profit corporation.

The following circumstances set forth a primary government's financial accountability for a legally separate organization:

1) The primary government appoints a voting majority of the entity's governing body, and either:

   - A financial benefit/ burden exists between the primary government and the entity or

   - The primary government can impose its will on the entity.

2) The entity is fiscally dependent on the primary government and there is a financial benefit/burden between the primary government and the entity.

In addition, as described above, it would be necessary to include other organizations as a component unit if the exclusion would cause the primary government's financial statements to be misleading or incomplete. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units:

1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Professional judgment should be applied in determining whether the relationship between a primary government and other organizations for which the primary government is not financially accountable and that do not meet the above criteria is such that exclusion of the organization would render the financial statements of the reporting entity misleading or incomplete.

There are two methods of presentation of the component unit in the financial statements: (a) blending the financial data of the component units' balances and transactions and (b) discrete presentation of the component unit's financial data. When a component unit functions as an integral part of the primary government, its data is blended with those of the primary government ("blended component units"). That is, the component unit's funds are treated just as though they were funds of the primary government with one exception: the general fund. Component units should be reported as blended if meets any of the following criteria:

1) The component unit's governing body is substantively the same as the governing body of the primary government and there is either:

   - A financial benefit/ burden exists between the primary government and the entity or

   - Management of the primary government has operational responsibility for the primary government.

2) The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government.

3) The component unit's debt is expected to be paid by the primary government.

Otherwise, the component unit should be presented as discrete. Those component units do not function as an integral part of the primary government and its data is presented discretely (separately) from the data of the primary government ("discretely component units"). As discussed earlier, other legally separate, tax-exempt organizations that meet the applicable criteria should be included as discretely component units.

Based on the above criteria there are no potential component units which should be included as part of the financial statements.

b. Basis of Presentation, Measurement Focus, and Basis of Accounting

The financial report of the Municipality consists of the Management's Discussion and Analysis (MD&A), basic financial statements, notes to the financial statements and required supplementary information other than the MD&A. The following is a summary presentation of each, including the measurement focus and basis of accounting. Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus:

1) Management's Discussion and Analysis - This consists of a narrative introduction and analytical overview of the Municipality's financial activities. This analysis is similar to the analysis the private sector provides in their annual reports.

2) Basic Financial Statements - Basic financial statements include both government-wide and fund financial statements. Both levels of statements categorize primary activities as governmental type, which are primarily supported by taxes and intergovernmental revenues.

   - Government-Wide Statements - The government-wide statements consist of a Statement of Net Position and a Statement of Activities. These statements are prepared using the economic resources measurement focus, which refers to the reporting of all of the net position available to the governmental unit for the purpose of providing goods and services to the public. The statements are reported on the accrual basis of accounting. Revenues are recognized in the period earned and expenses recognized in the period in which the associated liability is incurred. Fiduciary activities, if any, whose resources are not available to finance government programs, are excluded from the government-wide statements. The effect of inter-fund activities is eliminated.

     Statement of Net Position - The Statement of Net Position incorporates all capital (long-lived) assets and receivables as well as long-term debt and obligations.

     The Statement of Activities reports revenues and expenses in a format that focus on the net cost of each function of the Municipality. Both the gross and net cost of the function, which is otherwise being supported by the general government revenues, is compared to the revenues generated directly by the function. This Statement reduces gross expenses, including depreciation, by related program revenues, operating grants and contributions. Program revenues must be directly associated with the function.

     The types of transactions included as program revenues are charges for services and fees and operating grants which include operating-specific and discretionary (either operating or capital) grants; and capital grants which are capital-specific grants. Internally dedicated resources are reported as general revenues rather than as program revenues. Revenues on operating grants are recognized when all eligibility requirements (which include time requirements) imposed by the provider have been met. For expenditure-driven grants, revenue is recognized after allowable expenditures are incurred. As a policy, indirect expenses in the Statement of Activities are not allocated. The Municipality first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available.

     The Municipality reports a liability for unearned revenues in the government-wide statements. Unearned revenues arise when (1) resources received in advance of an exchange transaction and (2) resources received in advance related to voluntary non-exchange transactions when eligibility requirements other than time requirements have not been met (in case of certain federal expenditure-driven grants if resources are received before allowable expenditures are incurred). In subsequent periods, after related exchange transactions occur or applicable eligibility requirements are met the liability for unearned revenues is removed from the statement of net position and the revenue is recognized.

The government-wide statements are divided into two categories:

Governmental Activities: Most of the Municipality's basic services are reported here including: public works and sanitation, public safety, culture and recreation, housing, welfare, and community development, education and general administration. These activities are primarily financed through property taxes, other local taxes and intergovernmental revenues. Included In the governmental activities are the governmental funds.

Business-type Activities: Business-type activities charge fees to customers to finance the costs of their activities. The activities of Los Filtros Toll (the only business-type activity) are included here.

- **Governmental Fund Financial Statements**

The financial transactions of the Municipality are recorded in individual funds, each of which are considered an independent fiscal entity. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures. Funds are segregated according to their intended purpose which helps management in demonstrating compliance with legal, financial and contractual provisions. Governmental Funds are those through which most governmental functions of the Municipality are financed. The governmental fund statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances with one column for each major fund and one column combining all non-major governmental funds. Major funds are determined based on a minimum criterion, that is, a percentage of the assets and deferred outflows; liabilities and deferred inflows; revenues or expenditures or based on the Municipality's official's criteria if the fund is particularly important to financial statement users.

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.

- Debt Service Fund

  This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

- ARPA Fund

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

- Workforce Innovation and Opportunity Act Fund

  This fund account for revenues sources 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.

- Other Governmental Funds

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

  The governmental funds reported in the fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of accounting, revenues are recognized when they are susceptible to accrual (i.e. both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Municipality considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

  In applying the susceptible to accrual concept to intergovernmental revenues, revenues are recognized when all eligibility requirements (including time requirements) imposed by the provider have been met and revenue becomes available. There are, however, essentially two types of these revenues. In the first case, on expenditure-driven grants, allowable expenditures must be incurred on the specific project or purpose (eligibility requirement), before any amounts are paid to the Municipality. Revenue is, therefore, recognized as expenditures are incurred to the extent available. In the other cases, monies are virtually unrestricted and are generally revocable only for failure to comply with prescribed compliance requirements. In these cases, revenues are recognized as the time of receipt or earlier if the susceptible to accrual criteria is met.

The Municipality reports a liability for unearned revenues in the governmental funds statements. Unearned revenues arise when (1) resources received in advance of an exchange transaction and (2) resources received in advance related to voluntary non-exchange transactions when eligibility requirements other than time requirements have not been met (in case of certain federal expenditure-driven grants if resources are received before allowable expenditures are incurred). In subsequent periods, after related exchange transactions occur or applicable eligibility requirements are met the liability for unearned revenues is removed from the statement of net position and the revenue is recognized.

Expenditures are generally recognized when the related liability is incurred as under accrual basis of accounting. Certain exceptions to this fundamental concept include vested compensated absences, claims and judgments and special termination benefits which are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources (in the government-wide statements the expense and related accrual liability for long term portions of debt must be included).

Long-term assets and those assets that will not be converted into cash to satisfy current liabilities are generally not accounted for in the accompanying Balance Sheet – Governmental Funds of the Funds Financial Statements (FFS). Likewise, long-term liabilities (generally, those un-matured that will not require the use of current financial resources to pay them) are also not accounted for in the FFS.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is necessary to explain the adjustments needed to transform the fund financial statements into the government-wide statements. This reconciliation is part of the financial statements.

3) Notes to Financial Statements – The notes to financial statements provide information that is essential to a user's understanding of the basic financial statements.

4) Required Supplementary Information (RSI) – The Required Supplementary Information consists of the Budgetary Comparison Schedule – General Fund.

5) Proprietary Fund – Proprietary fund financial statements are accounted for using the economic resources measurement focus and the accrual basis of accounting, as the business-type activities in the government-wide financial statements. Under this method of accounting, revenues are recorded when earned, independently when are collected, and expenses are recorded when incurred, independently when are paid. Proprietary fund distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Proprietary fund are charges to customers for the use of the "Avenida Conector Los Filtros" toll road that will connect highways PR-199 and PR-177 in the Municipality of Guaynabo. Operating expenses for the funds include the cost of operations and maintenances, administration and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Proprietary fund statements include a Statement of Net position, a Statement of Revenues and Changes in Net Position and a Statement of Cash Flows.

   The Municipality's Proprietary fund consist of one enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing good and services be financed or recovered primarily through used charges. Major Enterprise funds are determined based on a minimum criterion, that is, a percentage of the assets, liabilities, revenues or expenses or based on the Municipality's official's criteria of the fund is particularly important to financial statement users.

   The Municipality reports the following major enterprise fund:

   The "Los Filtros Toll" (the Municipal Enterprise), accounts for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services (including depreciation) be financed or recovered primarily through user charges, where the Municipality has decided that periodic determination of revenues earned and expenses incurred is appropriate.

c. Cash and Cash Equivalent

The Municipality's deposits are composed of cash on hand, demand deposits and cash equivalents in: (1) commercial banks, (2) the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA), who is statutorily designated as fiscal agent of the Municipality, and (3) the Municipal Revenue Collection Center (CRIM), a governmental entity responsible for the imposition and collection of property taxes on behalf of all municipalities of Puerto Rico. FAFAA was created for the purpose of acting as fiscal agent, financial advisor and reporting agent of the Government of Puerto Rico, its agencies, instrumentalities, subdivisions, public corporations and municipalities, and to assist such entities in confronting the grave fiscal and economic emergency that Puerto Rico is currently experiencing. FAFAA has assumed most of the fiscal agency and financial advisory responsibilities that were previously held by the Government Development Bank for Puerto Rico (GBD).

The Municipality follows the practice of pooling cash. The balance in the pooled cash account is available to meet current operating requirements. Under the laws and regulations of the Commonwealth, public funds deposited by the Municipality in commercial banks must be fully collateralized for the amounts deposited in excess of the federal depository insurance generally provided by the Federal Deposits Insurance Corporation (FDIC). All securities pledged as collateral are held by agents designated by the Secretary of the Treasury of the Commonwealth, but not in the Municipality's name.

Cash with fiscal agent in the Debt Service Fund, represents property and sales taxes collections retained for the payment of principal and interests of the Municipality debt, which are maintained in cash custodian accounts in a commercial bank in Puerto Rico.

The sinking fund is maintained by the FAFFA and CRIM, agencies which acts as the insurer and payer of the Municipality's bonds and notes issued in accordance with law.

d. Landfill Closure and Postclosure Care Costs

Landfill Closure and Postclosure Care Costs are accounted for under the provisions of Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs, issued by the Governmental Accounting Standards Board (GASB 18).

According to GASB 18, the estimated liability for solid waste landfill closure and postclosure care costs (including monitoring and maintenance) include an estimate of all costs to be incurred near or after the close of the Municipality's solid waste landfill under the accrual basis of accounting. In the accompanying government-wide statement of net position, this liability is recognized over the useful life of the landfill, even though such costs will only be incurred, by definition, near or after the close of the landfill. The estimates of closing and post-closing costs are made using current costs.

The liability is adjusted annually to reflect the effects of inflation, advances in technology, changes in regulations or similar changes.

At the fund level, landfill closure and postclosure care costs are recorded in the accompanying statement of revenues, expenditures and changes in fund balances governmental funds as expenditures in the accounting period in which the liability is incurred.

e. Receivables

Receivables are stated net of estimated allowances for uncollectible accounts, which are determined upon past collection experience and current economic conditions. Amounts due from pass-through grantor represent amounts owed to the Municipality for the reimbursement of expenditures incurred.

f. Interfund Receivables and Payables

The Municipality reports inter-fund loans which represent legally advances that are representative of lending/borrowing arrangements from one fund to other fund to finance payroll, payroll taxes and other expenditures. The current portion of such transactions are referred as to either “due from/to other funds” and the noncurrent portion as “advances to/from other funds”. Amounts not expected to be collected within a reasonable period of time are reduced to the estimated realizable value and amounts not expected to be repaid are reported as “transfer-out” from the lender fund and “transfer-in” in the borrower fund.

g. Inventories

Inventories in the general fund are stated at cost and consist of office, printing, and maintenance supplies, gasoline, oil and other items held for consumption and are recorded as expenditures at the time the inventory items are consumed rather than when purchased.

The carrying value of inventories are offsetted by nonspendable fund balances of the same amounts in the applicable governmental funds to indicate that such resources are not considered current available financial resources at June 30, 2023 since they are not expected to be converted to cash after the current fiscal year-end.

h. 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 applicable governmental or component units columns 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. Depreciation in capital assets is calculated on the straight-line basis over the following estimated usefully lives:

	Useful Life
Buildings, structure, and improvements	50 years
Public domain infrastructure	50 to 60 years
System infrastructure	50 years
Motor vehicles	8 to 10 years
Office furniture, equipment, and fixtures	5 to 20 years
Computer equipment and software	5 years

For capital leases in governmental fund financial statements, the Municipality presents the net present value of the minimum lease payments at the inception of the capital lease recorded simultaneously as expenditures and as other financing sources. Minimum lease payments are recorded as expenditures.

The Municipality periodically evaluates its capital assets to consider events or changes in circumstances that may give rise to asset impairment. Among the factors considered by management as part of its evaluation are: physical damages to an asset where action would be needed to restore lost service utility, changes in laws, regulations, or other environmental factors that may negatively affect service utility, technological developments that may negatively affect service utility, changes in the manner or duration of use of a capital asset that may negatively affect its service utility, and stoppage of construction or development of an asset.

Any impairment adjustment to the carrying value of a capital asset would be treated as a proportionate reduction of both the reported value of the asset and its accumulated depreciation, based on the notion that the impairment represents the effective retirement of a portion of the asset.

i. Deferred Outflows/Inflows of Resources

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

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

j. Unearned Revenues

In the governmental fund financial statements, unearned revenue arises when one of the following situations occur:

1) Potential revenue does not meet both the "measurable" and "available" criteria for revenue recognition in the current period (reported as *"earned and unavailable revenue"* in the accompanying balance sheet-governmental funds). As previously discussed, available is defined as due (or past due) on June 30, 2023 and collected within 90 days thereafter to pay obligations due on June 30. In subsequent periods, when both criteria (measurable and available) are met, the liability for unearned revenue is removed and revenue is recognized.

2) The Municipality receives resources before it has a legal claim to them (reported as *"unearned revenue"* in the accompanying balance sheet-governmental funds). In subsequent periods, when the revenue recognition criterion is met, the liability for unearned revenue is removed and revenue is recognized.

Unearned revenues at the government-wide level arise only when the Municipality receives resources before it has a legal claim to them.

k. Long-term Obligations

Long-term debt and other long-term obligations, which are reported as liabilities in the governmental activities column in the Statement of Net Position, include general and special obligation bonds and notes, liabilities for compensated absences, claims and judgments, landfill closure and post-closure costs and long-term liabilities to other governmental entities.

Related bond issuance costs, whenever rise, are reported as current outflows of resources in the Statement of Activities, as required by current standards. Governmental fund types recognize bond issuance costs as expenditures during the current period. Those issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in the appropriate fund.

l. Net Position

In the government-wide statements, assets plus deferred outflows of resources less liabilities and deferred inflows of resources equal net position, and should be displayed in three components: net investment in capital assets, restricted, and unrestricted, as follows:

Net investment in capital assets: Consists of capital assets, net of accumulated depreciation.

Restricted net position: The restricted component of net position consists of restricted assets (subject to restrictions beyond the Municipality's control) reduced by liabilities and deferred inflows of resources related to those assets. These include restrictions that are externally imposed (by creditors, grantors, contributors, or laws and regulations of other governments) or restrictions imposed by the law through constitutional provisions or enabling legislation.

Unrestricted net position: Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position is often designated to indicate that management does not consider them to be available for general operations. These types of constraints are internal and management can remove or modify them.

m. Net Position Flow Assumption

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

n. Fund Balances

The GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB No. 54") establish accounting and reporting standards for all governments that report governmental funds. It also establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. These classifications comprise a hierarchy based primarily on

the extent to which the Municipality is bound to observe constraints upon the use of the resources reported. The classifications are as follows:

1) *Nonspendable* - Amounts that cannot be spent because are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

2) *Restricted* - Amounts constrained by external parties (creditors, grantors, contributors, or laws and regulations of other governments), imposed by law through constitutional provisions or by enabling legislation.

3) *Committed* - Amounts that can be used only for the specific purposes imposed through formal resolutions by the Municipal Legislature. Those committed amounts cannot be used for any other purposes unless the highest level of decision-making authority of the Municipality removes or changes the specified use by taking the same type of action (formal resolution) it employed to commit those amounts. Formal action to commits fund balance to a specific purpose should occur prior to the end of the fiscal year, but the amount, if any, which will be subject to the constraint, may be determined in the subsequent period.

4) *Assigned* - Amounts that are constrained by the Municipality's intent to be used for specific purposes, but are neither restricted nor committed. In distinction to committed balances, the authority for making an assignment is not required to be the Municipality's highest level of decision-making authority, the Municipal Legislature. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with committed fund balances. With the exception of the general fund, this is the residual fund balance of the classification of all governmental funds with positive fund balances. Action taken to assign fund balance may be made after year-end.

5) *Unassigned* - Is the residual classification and includes all spendable amounts not restricted, committed or assigned. For all other governmental funds the unassigned classification is used only to report a deficit balance resulting for the overspending for specific purposes for which amounts had been restricted, committed or assigned.

Negative fund balance amounts are assigned amounts reduced to eliminate the deficit. Consequently, negative residual amounts in restricted, committed, and assigned fund balance classification have been reclassified to unassigned fund balances.

The Municipality reports resources constrained to stabilization as a specified purpose (restricted or committed fund balance in the general fund) only if: (1) such resources meet the other criteria for those classifications, as described above and (2) the circumstances or conditions that indicate the need for stabilization are identified in sufficient detail and are not expected to occur routinely. However, the Municipality has not entered into any stabilization-like arrangements, nor has set aside material financial resources for emergencies and has not established any formal minimum fund balance amounts as of and for the fiscal year ended June 30, 2023.

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.

The classification of the Municipality's individual governmental funds among general, debt service, special revenue, and capital projects fund types used in prior fiscal years for financial reporting purposes was not affected by the implementation of GASB Number 54.

o. Fund Balance Flow Assumptions

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

p. Risk Financing

The Municipality carries commercial insurance that consists of professional, public responsibility, property and theft, auto and fidelity bond coverage. Under Law No. 63 of June 21, 2010, the Legislature of the Commonwealth of Puerto Rico authorized the municipalities to procure and manage, at their own discretion, all insurance policies, including those related to the health plans provided to the municipal employees. The Municipality's commercial insurance and health plan coverages are procured and negotiated through a single insurance broker. The broker obtains quotes from the different insurance companies and the Municipality's management makes the selection based on coverage and price. The total cost of the annual premiums is paid directly by the Municipality.

The Municipality obtains workers' compensation insurance through the State Insurance Fund Corporation (SIFC), a component unit of the Commonwealth of Puerto Rico. This insurance covers workers against injuries, disability or death because of work or employment-related accidents, or because of illness suffered as a consequence of their employment. The CRIM deducted approximately $1.6 million for workers' compensation insurance covering all municipal employees.

q. Fair Value of Financial Instruments

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

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

The Municipality has used valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair values. The techniques applied are consistent with one or more of the following approaches: (1) the market approach, (2) the cost approach, or (3) the income approach.

The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount. Valuation techniques have been applied consistently, though a change may be appropriate in certain circumstances.

The fair value measurements applied by management takes into account the highest and best use for a nonfinancial asset. A fair value measurement of a liability assumes that the liability would be transferred to a market participant and not settled with the counterparty. In the absence of a quoted price for the transfer of an identical or similar liability and if another party holds an identical item as an asset, the Municipality uses the fair value of that asset to measure the fair value of the liability.

The Municipality's financial instruments consist of cash and cash equivalents, accounts and loans receivable, other assets, accounts payable and accrued liabilities, bonds and notes payable and other long-term obligations.

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

Based on the criteria set forth above, the Municipality has classified its financial instruments as Level 2 instruments as of June 30, 2023.

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

The observability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer would be reported at the beginning of the fiscal year. For the fiscal year ended June 30, 2023, there were no transfers from Level 2 to other categories.

The following methods and assumptions were used to estimate the fair values of the most significant financial instruments at June 30, 2023. There have been no changes in valuation methods.

For cash in commercial banks and deposits with governmental bank, accounts and loans receivable, other assets and accounts payable and accrued liabilities, their respective estimated fair values approximate their carrying amounts recorded in the accompanying financial statements. The cost or contract value (net realizable value of assets and estimated settlement amounts of liabilities) was used to determine their respective fair values of these assets and liabilities due to their short-term nature and maturity periods. In the case of cash equivalents, these assets are generally acquired and renewed at the prevailing market interest rates for this type of instruments and have no contractual restrictions or liens.

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

Fair value reporting requires management to make estimates and assumptions about the effects of matters that are inherently uncertain. The judgments made in determining the estimated fair value assigned to each financial instrument is significant and can materially impact the changes in net position and fund balances of the Municipality. The valuations are based on information available at June 30, 2023 and are based on expectations and assumptions that have been deemed reasonable by management.

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

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

However, the estimated fair values and carrying values of the Municipality's financial instruments were not considered significant by management at June 30, 2023.

r. 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. On July 1997, state Law 152 supra amended the Article 12.016, Section b (2) of the Municipal Law, authorizing the Municipality to pay any excess of vacations and sick leave accumulated over the maximum previously permitted by law. Calculations must be made until December 31 of every year. Excess of sick leave must be paid until March 31 next every natural year. Excess of vacations can be paid after July 1 of every fiscal year.

s. Claims and Judgments

The estimated amount of the liability for claims and judgments, which is due on demand, such as from adjudicated or settled claims, is recorded in the general fund when they matured (generally, when payment is due). The accompanying government-wide financial statements include an amount estimated as a contingent liability for liabilities as incurred.

t. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the fiscal year to control expenditures. The unencumbered balance of any appropriation of the General Fund at the end of the fiscal year lapses immediately. Appropriations, other than in the General Fund, are continuing accounts for which the Municipal Legislature has authorized that an unspent balance from the prior year be carried forward and made available for current spending.

u. Use of Estimates

The preparation of the basic financial statements in accordance 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 basic financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

v. Pensions

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.

w. 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 purposes of measuring, OPEB costs should have all been determined on the same basis as they are reported by the Plan. The ERS has provided audited Schedule of Employer Allocations and Schedule of OPEB amounts by Employer as of June 30, 2023 basic financial statements, nor has it provided to the Municipality with the required audited information to implement the referred accounting pronouncement. 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.

x. Subscription-based Information Technology Arrangements (SBITAs)

The Municipality has a policy to recognize a subscription liability and a right-to-use subscription asset (subscription asset) in the financial statements. Variable payments based on future performance of the Municipality, usage of the underlying Information Technology (IT) asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred. At the commencement of a SBITA, the Municipality initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, less any payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

- Preliminary Project Stage: Outlays are expensed as incurred.
- Initial Implementation Stage: Outlays are capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage: Outlays are expensed as incurred unless they meet specific capitalization criteria.

Upon adoption, the Municipality elected to exclude the capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage that were incurred prior to the implementation of this Statement in the measurement of subscription assets as of July 1, 2022. Subscription assets are reported in capital assets and subscription liabilities are reported with long-term liabilities on the statement of net position. Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the Municipality has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset. Key estimates and judgments related to SBITA include how the Municipality determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments. The Municipality uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the Municipality generally uses its estimated incremental borrowing rate as the discount rate for SBITA. The subscription term includes the noncancellable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the Municipality is reasonably certain to exercise.

As part of the implementation of GASB No. 96, on June 30, 2023, the accompanying statement of net position reported intangible subscription assets amounting to $1,292,589 within other non-current unrestricted assets. In addition, the corresponding subscription liability amounting also to $1,292,589 million has been reported within other long-term obligations.

y. Leases

- **Lease Liability**

  At the commencement of a lease, the Municipality initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

- **Right of Use Lease Assets**

  Right of use assets are representative of the Municipality's right to use an asset over the life of a lease in which it is the lessee. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received. Right of use assets are amortized over the shorter of the asset useful life or the term of the lease.

- **Lease Receivable**

  The Municipality is a lessor for a noncancellable lease of office space. The Municipality has recognized a lease receivable and a deferred inflow of resources in the government-wide and governmental fund of the Municipality.

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

z. Future Adoption of Accounting Pronouncements

The Governmental Accounting Standards Board has issued the following statements that the Municipality has not yet adopted:

Statement Number	Statement Name	Adoption Required in Fiscal Year
100	Accounting Changes and Error Corrections	2023-2024
101	Compensated absences	2023-2024
102	Certain Risk Disclosures	2024-2025

The impact of these statements on the Municipality's financial statement has not yet been determined.

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes reconciliation between fund balance-governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the approximately $280.7 millions difference are as follows:

Bonds payable	$ 123,236,362
Pension liability	124,630,160
Compensated absences	18,579,716
Landfill obligation	6,854,617
OPEB liability	5,266,679
Subcription liability	1,292,589
Capital leases	830,910
Net adjustment to reduce fund balance governmental funds to arrive at net position of govermental activities	$ 280,691,033

4. CASH AND CASH EQUIVALENTS IN COMMERCIAL BANKS

The Municipality maintains its deposits in a commercial bank located in Puerto Rico, the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA), who is statutorily designated as fiscal agent of the Municipality and the Municipal Revenue Collection Center (CRIM), a governmental entity responsible for the imposition and collection of property taxes on behalf of all municipalities of Puerto Rico.

The FAFAA was created for the purpose of acting as fiscal agent, financial advisor and reporting agent of the Government of Puerto Rico, its agencies, instrumentalities, subdivisions, public corporation and municipalities, and to assist such entities in confronting the grave fiscal and economic emergency that Puerto Rico is currently experiencing. The FAFAA has assumed the majority of the fiscal agency and financial advisory responsibilities that were previously held by the Government Development Bank for Puerto Rico (GDB).

The Municipality follows the provisions of GASB Accounting Standards Codification Section C20, Cash Deposit with Financial Institutions, related with cash deposit contracts with financial institutions. Following is essential information about: (1) credit risk, (2) interest rate risk, (3) custodial credit risk, (4) foreign exchange exposure.

Credit risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In compliance with the laws and regulations of the Commonwealth, the Municipality has adopted, as its custodial credit risk policy, the Statement of Investment Guidelines for the Government of the Commonwealth of Puerto Rico. Accordingly, the Municipality is only allowed to invest its obligations of the Commonwealth, obligations of the United States of America, certificates of deposit and commercial paper. According to the aforementioned investment guidelines, the Municipality is not allowed to invest in marketable securities or any other type of investments for which credit risk exposure may be significant. Therefore, the Municipality's management has concluded that the credit risk related to any possible loss related to defaults by commercial banks on the Municipality's deposits is considered low on June 30, 2023.

Interest rate risk – This is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Municipality manages its exposure to declines in fair values by: (1) not including debt investments in its investments portfolio on June 30, 2023, (2) limiting the weighted average maturity of its investments to periods of three months or less and (3) keeping most of its bank's deposits in interest bearing accounts generating interest at prevailing market rates. On June 30, 2023, the interest rate risk associated with the Municipality's cash and cash equivalent is considered low.

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the Municipality's deposits may not be recovered. 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 amounts deposited in excess of the federal depository insurance. All securities pledged as collateral are held in the Municipality's name by the agents of the Commonwealth's Secretary of Treasury. It is management's policy to only maintain deposits in banks affiliated to FDIC to minimize the custodial credit risk. On June 30,2023, the bank balances of deposits were follows:

	Deposits Balance					
	General Fund	**Debt Services Fund**	**WIOA Fund**	**ARPA Fund**	**Other Governmental**	**Total**
Deposits in commercial banks	$172,961,438	$ 4,190,290	$ 1,609	$ 23,407,461	$ 44,209,234	$ 244,770,032
Cash with fiscal agent	-	44,314,011	-	-	-	44,314,011
	$172,961,438	$ 48,504,301	$ 1,609	$ 23,407,461	$ 44,209,234	$ 289,084,043

Foreign exchange risk – This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. According to the aforementioned investment guidelines, adopted by the Municipality, the Municipality is prevented from investing in foreign securities or any other types of investments for which foreign exchange risk exposure may be significant. Accordingly, management has concluded that the foreign exchange risk related to the Municipality's deposits is considered low on June 30, 2023.

5. PROPERTY TAXES

The Municipal Revenues Collection Center (CRIM) of the Commonwealth of Puerto Rico is responsible by law for the assessment, levy and collection of all real and personal property taxes. The tax on personal property is self-assessed by the taxpayer. The assessment is made in a return which must be filed with the CRIM by May 15 of each year. The tax on real property is assessed by the CRIM. The assessment is made as of January 1 of each year and is based on estimated current values of the property as of year 1957. The tax on personal property must be paid in full together with the return on or before May 15. The tax on real property is due in two equal installments in July 1 and January 1, following the assessment date.

The rates are 10.08% for real property and 8.08% for personal property. The composition is as follows:

	Real	Personal
Basic property	6.00%	4.00%
Additional special property - state	1.03%	1.03%
Additional special property - municipal	3.25%	3.25%
Discounts made by state to tax payers	(0.20%)	(0.20%)
	10.08%	8.08%

The Municipality's basic property tax rate represents the portion which is appropriated for general purposes and accounted for in the general fund.

The "Additional special property tax – municipal" is restricted for debt service and retained by GDB for such purposes and it is recorded as revenue in the Debt Service Fund when collected by the CRIM and reported to the Municipality.

The "Additional special property tax – state" is collected by the CRIM for the payment of principal and interest of general obligation bonds and certain other obligations issued by the state government.

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 exempted amounts, the Department of Treasury assumes payment of the basic tax to the Municipality, except for property assessed at less than $3,500, for which no payment is made. Revenue related to the basic tax on exempt property is recorded in the General Fund when payments are received from the CRIM.

Complete exemption from personal property taxes up to an assessment of $50,000 is granted to merchants with an annual volume of net sales less than $150,000. Prior to the beginning of each fiscal year, the CRIM informs the Municipality of the estimated amount of property tax expected to be collected for the ensuring fiscal year. Throughout the year, the CRIM advances funds to the Municipality based on the initial estimated collections. The CRIM is required by law to prepare a settlement statement on a fiscal year basis, whereby a comparison is made between the amounts advanced to the Municipality and amounts actually collected from taxpayers. This settlement has to be completed on a preliminary basis not later than three months after fiscal year-end, and a final settlement made not later than six months after year ends. If the CRIM remits to the Municipality property tax advances, which are less than the tax actually collected, a receivable from the CRIM is recorded at June 30. However, if advances exceed the amount actually collected by the CRIM, a payable to the CRIM is recorded at June 30.

Currently, the Municipality has received the final settlement from CRIM related to fiscal year 2022-2023. Based on the final settlement already received, during the year ended June 30, 2023, the amount collected by CRIM from taxpayers and charges exceeded the amount advanced by CRIM for the same period by $474,383. Such amount is presented as account receivable - property taxes in the accompanying financial statements.

6. MUNICIPAL LICENSE TAXES

Municipal license tax receivables are recorded in the fiscal year in which payment is due and, accordingly, represent taxes which are due and uncollected at June 30, 2023. The annual Municipal License Tax is determined based on the gross income of all commerce and industrial organizations that have operations in the Municipality of Guaynabo, and are not totally or partially exempt under the Industrial Incentive Law of Puerto Rico.

An annual return of business volume should be filed on or before April 15 of each year and payable in two equal installments due on July 1 and January 1. A discount of 5% is allowed when full payment is made on or before April 15. The rates of municipal license in the Municipality of Guaynabo are as follows:

Financial institutions	=	1.5%
Other organizations	=	0.5%

The amounts collected in advance are recorded as deferred inflows of resources in the General Fund. Any municipal license taxes collected in advance are recorded as unearned revenues. The Municipality invoiced and collected in advance during the current year approximately $49.9 million, corresponding to the next fiscal year municipal license.

7. SALES AND USE TAXES

The Municipality imposes a municipal sales and usage tax within the territorial limits of the Municipality. This is a derived tax applied to the sale price of a taxable item or on the purchase price of all usage, storage or consumption of a taxable item. It is collected on a monthly basis through a tax return that is due ten calendar days after the end of each month.

On January 24, 2014, Act No.18, known as Municipal Administration Fund Act (Act No. 18), and Act No. 19, known as Municipal Finance Corporation Ac, (Act No. 19) were enacted to, among other things, amend Sections 4020.01, 4020.02 and 6080.14 of Act No. 1 of January 31, 2011, known as Internal Revenue Code for a New Puerto Rico.

Effective July 1, 2014, Act No. I8 reduced the statutory municipal sales and usage tax rate of all municipalities from one-point five percent (1.5%) to one-point zero percent (1.0%). Simultaneously, Act No.19 created the Municipal Finance Corporation (MFC), an affiliated public company of GDB, which is authorized to issue bonds and use other financing mechanisms to directly or indirectly pay or refinance all or part of the municipal long-term debt incurred by the Municipality in previous fiscal years, that are payable from or backed by the municipal sales and usage taxes.

In order to mitigate the effects of the reductions in the municipal sales and usage tax rate referred to above, Act No. 18 established the mechanisms to protect the financial stability of the Municipality by allowing it to continue receiving the economic benefits lost as a consequence of the reduction in the statutory municipal sales and usage tax rate referred to above. For these purposes, effective July 1, 2014, Act No. 18 requires that an amount equal to zero-point five percent (0.5%) of the sales and usage taxes collected by the Commonwealth of Puerto Rico be deposited in a special fund to be known as Municipal Administration Fund (MAF) in the name and for the benefit of the Municipality.

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 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:

For municipalities covered by the agreement, the 0.5% will be distributed as follows:

- 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.

8. DUE FROM OTHER AGENCIES

Represents grants and contributions due from local and federal agencies:

WIOA Fund

Puerto Rico Department of Economic Development and Commerce	$ 555,728

9. INTERFUND TRANSACTIONS

a. Due from/to Other Funds:

	Due to			
Due from	**General Fund**	**WIOA Fund**	**Other Governmental Fund**	**Total Governmental Fund**
General fund	$ -	$ 125,545	$ 467,634	$ 593,179
ARPA fund	4,860	-	-	4,860
	$ 4,860	$ 125,545	$ 467,634	$ 598,039

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occurs, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

b. Interfund Transfers:

Interfund transfers for the year ended June 30, 2023 consisted of the following:

Transfer In	Transfer Out	Amount
General	Debt Service	$ 1,536,562
General	Other Governmental	21,820
Debt Service	General	1,817,758
Debt Service	Other Governmental	1,001,443
		$4,377,583

Transfer from debt service to the general fund for excess funds on IVU Municipal Redemption Fund – Sales and Use taxes for $1,813,784 and other miscellaneous revenue for $3,974.

Transfer of $1,536,562 from general fund to Debt service to cover payments and interest of capital leases.

Transfer of $1,001,443 from other governmental fund to the general fund.

10. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows:

a. Primary Government

	Balance July 1, 2022 as restated	Increases	Decreases	Balance June 30, 2023
Capital assets, not being depreciated:				
Land	$ 686,532,913	$ -	$ -	$ 686,532,913
Construction in progress	28,641,359	1,811,885	425,000	30,028,244
Non-Depreciable assets	3,681,855	-	-	3,681,855
Total capital assets, not being depreciated	718,856,127	1,811,885	425,000	720,243,012
Capital assets, being depreciated:				
Building and building improvements	404,957,756	-	-	404,957,756
Vehicles and equipment	79,216,603	4,116,179	8,432,013	74,900,769
Subscription assets.	1,934,354	-	-	1,934,354
Infrastructure	210,618,398	425,000	-	211,043,398
Total cost of capital assets, being depreciated	696,727,111	4,541,179	8,432,013	692,836,277
Less accumulated depreciation for:				
Building and building improvements	177,336,279	7,863,056	-	185,199,335
Vehicles and equipment	69,329,145	2,954,341	8,294,424	63,989,062
Subscription assets	-	641,765	-	641,765
Infrastructure	69,236,194	4,231,994	-	73,468,188
Total accumulated depreciation	315,901,618	15,691,156	8,294,424	323,298,350
Total capital assets, being depreciated, net	380,825,493	(11,149,977)	137,589	369,537,927
Governmental activities capital assets, net	$ 1,099,681,620	$ (9,338,092)	$ 562,589	$ 1,089,780,939

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

General government	$ 7,422,573
Public safety	84,602
Public works	7,838,325
Culture and education	279,403
Health and Sanitation	66,253
Total depreciation expense-governmental activities	$ 15,691,156

b. Business-Type Activities

Business-type activities	Balance July 1, 2022 as restated	Increases	Decreases	Balance June 30, 2023
Capital assets, not being depreciated:				
Land	$ 764,700	$ -	$ -	$ 764,700
Total capital assets, not being depreciated	764,700	-	-	764,700
Capital assets, being depreciated:				
Infrastructure	18,997,828	-	-	18,997,828
Total capital assets, being depreciated	18,997,828	-	-	18,997,828
Less accumulated depreciation for:				
Infrastructure	1,551,489	379,957	-	1,931,446
Total accumulated depreciation	1,551,489	379,957	-	1,931,446
Total capital assets, not being depreciated	17,446,339	(379,957)	-	17,066,382
Business-type activities assets	$ 18,211,039	$ (379,957)	$ -	$ 17,831,082

11. DUE TO OTHER AGENCIES

Due to other agencies at June 30, 2023 are as follows:

General Fund

P. R. Electric Power Authority	$ 11,632,807
P. R. Health Insurance Admnistration (ASES)	11,500,000
Employees Retirement System-PAY GO	1,358,411
P.R Department of Labor and Human Resources	535,740
Municipal Revenues Collection Center (CRIM)	364,549
Employees Retirement System	210,125
Puerto Rico Water and Sewer Authority	173,978
General Service Administration	18,018
	$ 25,793,628

12. DEFERED MUNICIPAL LICENSE TAXES

The unearned revenues of approximately $49.9 million in the general fund are related to municipal license taxes collected in fiscal year 2022-2023 that will be earned in fiscal year 2023-2024.

13. DEFERRED INFLOWS OF RESOURCES

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

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

14. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues in the general and capital projects funds consist mainly of collections from the Commonwealth of Puerto Rico and the CRIM, payments in lieu of taxes from the Puerto Rico Electric Power Authority and federal financial assistance received from the federal government.

15. 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:

a. 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

b. 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 Municipality's property.

There is not legal limitation on the amount of debt that the Municipality may guarantee so long as the 10 percent limitation is not exceeded. At June 30, 2023, the Municipality is in compliance with the debt limitation requirements.

Bonds and notes payable and other debt outstanding at June 30, 2023 are as follows:

a. General Obligation Bonds

$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%.	$ 1,695,000
$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%.	1,365,000
$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%.	2,525,000

$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%.	$ 800,000
$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%.	1,390,000
$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%.	995,000
$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%.	930,000
$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%.	190,000
$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%.	1,550,000
$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%.	1,030,000
$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%.	682,916
$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%.	3,778,761
$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%.	4,114,890

$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%.	$ 8,094,264
$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%.	13,884,233
$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%.	6,123,190
$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%.	23,144,000
$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%.	14,735,658
$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%.	11,550,000
$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%.	6,456,892
$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%.	5,824,528
$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%.	10,154,000
$33,375,000 series of 2015 payable in annual installments from $595,000 to $2,830,000 until July 1, 2032, interest from 1.48% to 7.00%.	16,704,030
Total bonds payable	$137,717,362

	Bonds Payable		
	Principal	**Interest**	**Total**
2024	$ 14,481,000	$ 10,341,802	$ 24,822,802
2025	13,792,916	9,398,324	23,191,240
2026	13,527,000	8,427,207	21,954,207
2027	13,417,000	7,453,217	20,870,217
2028	13,635,000	6,461,072	20,096,072
2029-2033	49,851,558	18,419,070	68,270,628
2034-2038	16,830,996	3,559,544	20,390,540
2039	2,181,892	159,785	2,341,677
	$ 137,717,362	$ 64,220,021	$ 201,937,383

b. Other Long-Term Debts

Total Pension Liability – Represents the proportional share of the collective pension liability of all employers for benefits provided through the pension plan in accordance with GASB 73, calculated by PRGERS actuaries for the measurement date June 30, 2022.	$ 124,630,160
Compensated Absences – includes accrued vacations, sick leave and other benefits with similar characteristics such as compensatory time; represents the Municipality's commitment to fund such costs from future operations. Amount is paid with unrestricted funds.	18,579,716
Total OPEB Liability – Represents the proportional share of the collective pension liability of all employers for benefits provided through the pension plan in accordance with GASB 75, calculated by PRGERS actuaries for the measurement date June 30, 2022.	5,266,679
Capital Leases – represents the capital lease obligations into several lease agreements.	830,910
Subscription Liability – represents the long-term arrangement for software.	1,292,589
Landfill Obligation – represents the Municipality's estimate for the post closure costs related to its landfill (see note 18).	6,854,617
Total other long-term debts	$ 157,454,671

c. Revenue Bond-Proprietary Fund

On December 19, 2013, the Municipality of Guaynabo entered into 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 was 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.

On August 10, 2016 the Credit Agreement was amended to convert this 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 2016-2017.

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. In the event that 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 (“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.

At June 30, 2023, bonds payables consist of:

2014 revenue bonds due on July 1, 2028, 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.	$ 19,144,979
Less: Current portion on bonds payable	(460,000)
Bonds payable, long-term portion	$ 18,684,979

At June 30, 2023 the aggregate principal maturities are as follow:

	Principal	Interest	Aggregated payments
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	16,944,979	79,092	17,024,071
	$ 19,144,979	$ 1,844,856	$ 20,989,835

Governmental Activities	Beginning Balance as restated	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 155,953,362	$ -	$ (18,236,000)	$ 137,717,362	$ 14,481,000
Total long-term debt	155,953,362	-	(18,236,000)	137,717,362	14,481,000
Total pension liability	174,093,996	-	(49,463,836)	124,630,160	8,414,037
OPEB liability	6,272,297	-	(1,005,618)	5,266,679	526,668
Capital leases	3,035,910	-	(2,205,000)	830,910	830,910
Compensated absences	17,419,613	1,160,103	-	18,579,716	1,500,000
Subcription liability	1,934,354	-	(641,765)	1,292,589	574,749
Landfill obligation	7,185,839	-	(331,222)	6,854,617	345,016
Total other liabilities	209,942,009	1,160,103	(53,647,441)	157,454,671	12,191,380
Total noncurrent liabilities	$ 365,895,371	$ 1,160,103	$ (71,883,441)	$ 295,172,033	$ 26,672,380
Business-Type Activities					
Revenue Bond Payable	$ 19,823,152.00	$ -	$ (678,173.00)	$ 19,144,979	$ 460,000

16. PENSION PLAN

After the approval of Act No. 106-2017, with the elimination of the Board of Trustees and the liquidation of plan assets, the GASB No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68”, was implemented instead of GASB No. 68 effective on July 1, 2018. Accordingly, Total Pension Liability, Deferred Outflows/Inflows of Resources is presented. The information related to the Total Pension Liability presented is as of June 30, 2023.

Puerto Rico Government Employees Retirement System

a) Description of the Plan

The Defined Benefit Pension Plan for Participants of the Puerto Rico Government Employees Retirement System (PRGERS) was created by Act No. 447, approved on May 15, 1951, as amended (Act No. 447-1951) and began operation on January 1, 1952, at which date, contributions by employers and participating employees commenced, to provide pension and other benefits to retired employees of the Commonwealth, its public corporations and municipalities. Prior to the effect of Act No. 106 of August 23, 2017 (Act No. 106-2017) the PRGERS was administered by the Board of Trustees of the PRGERS. Effective July 1, 2017, all employer contributions were eliminated pursuant to Act No. 106-2017 and the Commonwealth implemented a “Pay-As-You-Go” (Pay-Go) system for the payment of pensions. Also pursuant to Act No. 106-2017, the PRGERS was required to liquidate its assets and transfer the net proceeds to the Department of Treasury of the Commonwealth to pay pension benefits. After that, new employees hired July 1, 2017 and later will not become PRGERS members, current PRGERS members will no longer make any contributions to PRGERS, and PRGERS will be funded on a Pay-Go basis.

As a result of the implementation of the Pay-Go system, the Plan does not meet the criteria in paragraph 4 of GASB No. 68, “Accounting and Financial Reporting for Pension”, to be considered a plan that is administered through a trust or equivalent arrangement and, therefore, is required to apply the guidance in GASB No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”. Under the guidance of GASB No. 73, the Commonwealth and its component units are considered to be one employer and are classified for financial reporting purposes as a single employer defined benefit pension plan.

b) Pension Benefits

The benefits provided to the PRGERS participants are established by Commonwealth law and may be amended only by the Legislature with the Governor’s approval, or by court decision. Certain provisions are different for the three groups of members who entered the PRGERS prior to July 1, 2013 as described below: invested by the ERS together with the assets corresponding to the defined benefit structure of Act 447 and Act 1 of 1990 and the defined contribution structure of System 2000, as amended by Act 3-2013, will be paid from the same pool of assets of the ERS.

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

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

- Members of Act No. 305 are generally those members hired on or after January 1, 2000 and on or before June 30, 2013 (Define Contributory Hybrid Program). Each member has a no forfeitable right to the value of his/her account. Members have three options to invest their contributions. Investment income is credited to the member's account semiannually. The Commonwealth does not guarantee benefits at retirement age.

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, become members of the Contributory Hybrid Program as a condition to their employment.

In addition, employees who on June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013. Also, Act No. 3-2013 froze all retirement benefits accrued through June 30, 2013 under the defined benefit program and, thereafter, all future benefits accrued under the defined contribution formula used for the System 2000 program participants.

A. Service Retirement Eligibility Requirements

1) *Eligibility for Act No. 447-1951 Members*: Act No. 447-1951 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. 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 Commonwealth Police and 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 attained 30 years of Credited Service by December 31, 2013 are 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.

2)

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 Jule 1, 1996	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.

3) *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.

4) *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.

5) 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, 1956	59 and up	61

6) *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.

B. Compulsory Retirement

All Act No. 447-1951 and Act No. 1-1990 Public Officers in High Risk Positions must retire upon attainment of age 58 and 30 years of Credited Service. A two-year extension may be requested by the member from the Superintendent of the Puerto Rico Police, the Chief of the Firefighter Corps, or supervising authority as applicable.

C. 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 is $10,000 or less, it shall be paid as a lump sum instead of as an annuity. For System 2000 participants this service retirement annuity benefit is not available.

1) *Accrued Benefit as of June 30, 2013 for Act No. 447-1951 Members* – The accrued benefit as of June 30, 2013, shall be determined based on the average compensation, 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 Act No. 447-1951 Mayors, the highest compensation, as defined, as a Mayor is determined as of June 30, 2013.

   If the Act No. 447-1951 member had at least 30 years of Credited Service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting to coordinate with social security (the Coordination Plan), the benefit is re-calculated 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 attains 30 years of Credited Service by December 31, 2013, the accrued benefit equals 55% of average compensation if the member was under age 55 as of June 30, 2013 or 60% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit is re-calculated at SSRA as 1.5% of average compensation up to $6,600 multiplied by years of Credited Service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600. Member contributions received from Act No. 447-1951 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of Credited Service are considered pre-July 1, 2013 contributions; the contributions to the hybrid contribution account begin after the member attains 30 years of Credited Service.

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

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

2) *Accrued Benefit as of June 30, 2013 for Act No. 1-1990 Members:* The accrued benefit as of June 30, 2013 shall be determine based on the average compensation for Act No. 1 member, the years of Credited Service, and the attained age of the member all as of June 30, 2013. For Act No. 1-1990 Mayors, the highest compensation as a Mayor is determined as of June 30, 2013. If the Act No. 1-1990 member is a police officer or firefighter with at least 30 years of Credited Service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013.

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

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

D. Special Benefits

1) Minimum Benefits

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

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

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

2) Cost-of-Living Adjustments (COLA) to Pension Benefits

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

3) Special "Bonus" Benefits

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

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

E. Changes in Plan Provisions since Prior Valuation

Act No. 106-2017 closed participation in PRGERS to new members effective July 1, 2017, and moved prospective accruals for all current active members to a separate defined contribution plan outside of PRGERS. The following contributions were eliminated July 1, 2017 by Act No. 106-2017:

- Act No. 116-2011 Employer Contributions
- Act No. 32-2013 Additional Uniform Contribution

- Act No. 3-2013 Supplemental Contributions
- Member Contributions

3. Allocation Methodology

GASB Statement No. 73 requires that the primary government and the component units that provide pensions through the same defined benefits pension plan of its primary government, recognize their proportionate share of the total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (benefit).

The employer allocation percentage presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ration of each participating entity's actual benefit payments for allocation to the aggregate total of benefit payments for allocation paid by all participating entities during the year ending on the measurement date.

Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer may result in immaterial differences. The difference between the actual benefits payments' column and the benefits payments for allocation in the schedule of employer allocations represents lump-sum distributions of accumulated benefits that were not considered for allocation purposes.

4. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

After the approval of Act No. 106-2017, the PRGERS assets are liquidated and GASB No. 73 is now implemented in substitution of GASB No. 68. The Municipality's Total Pension Liability was measured as of June 30, 2022 based on actuarial valuation performed by government external consultants which issued their report on February 13, 2024.

A. Total Pension Liability

Effective July 1, 2014, the Municipality implemented the provisions of GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27"*, and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68"*, which significantly changed the Municipality's accounting for pension amounts. The information disclosed below is presented in accordance with GASB No 73, after the implementation of Act No. 106-2017. The Municipality's Total Pension Liability was measured as of June 30, 2022. The measurement Date is June 30, 2022, date as of which the Total Pension Liability is determined. The Reporting Date is for periods ending July 1, 2022 through June 30, 2023.

As June 30, 2023, the Municipality's proportional share of the Total Pension Liability used was as follows:

Proportion- June 30, 2022	0.0057%
Proportion- June 30, 2023	0.0050%
Change-Increase (Decrease)	-0.0007%

As June 30, 2023, the Municipality reported $124,630,160 as Total Pension Liability for its proportionate shares of the Total Pension Liability of PRGERS.

Total Pension Liability	**Total**	**Proportional Share -0.005013%**
Total Pension Liability	24,859,724,944	124,630,160
Covered Payroll	1,334,172,033	7,897,596
Total Pension Liability as a % of Covered Payroll	1863.31%	1578.08%

B. Pension Benefit

For the fiscal year ended June 30, 2023, the Municipality during the year ended June 30, 2023, pension benefit amounted to $28 million made payments of $8,414,037 related to the Pay-Go system.

C. Deferred Outflows/Inflows of Resources

As of June 30, 2023, the Municipality reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Inflow of Resources	**Deferred Outflow of Resources**
Difference between expected and actual experience	$ 7,144,976	$ 3,939,921
Change of assumptions	11,049,012	17,692,804
Benefits payments made subsequent to the measurement date of June 30, 2022	-	8,414,037
Total	$ 18,193,988	$ 30,046,762

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

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

Year Ended June 30,	Amount
2024	$ (6,785,164)
2025	$ 3,407,967
2026	$ 3,407,967
2027	$ 3,407,967

D. Actuarial Methods and Assumptions

Changes in Actuarial Methods since the Prior Evaluation

The GASB No. 73 discount rate has increased from 2.16% as of June 30, 2021 to 3.54% as of June 30, 2022. The projected mortality improvement scale was updated from Scale MP-2020 to Scale MP-2021 to reflect the projected mortality improvement scale issued in the valuation year.

The ultimate cost of a pension plan is the excess of actual benefits and administrative expenses paid over actual net investment return on plan assets during the plan's existence until the last payment has been made to the last participant. The plan's "actuarial cost method" determines the expected incidence of actuarial costs by allocating portions of the ultimate cost to each plan year. The cost method is thus a budgeting tool to help to ensure that the plan will be adequately and systematically funded and accounted for. There are several commonly used cost methods which differ in how much of the ultimate cost is assigned to each prior and future year. Therefore, the pattern of annual contributions and accounting expense are also affected by the "asset valuation method" (as well as the plan provisions, actuarial assumptions, and actual plan demographic and investment experience each year).

Actuarial Cost Method

The plan's actuarial cost method is the entry age normal method. Under this method, a projected benefit is determined at each active participant's assumed retirement age assuming future compensation increases. The plan's normal cost is the sum of each active participant's annual cost for the current year of service determined such that, if it were calculated as a level percentage of his compensation each year, it would accumulate at the valuation interest rate over his total prior and future years of service to his assumed retirement date into an amount sufficient to fund his projected benefit. The plan's accrued liability is the sum of (a) the accumulation of each active participant's normal costs attributable to all prior years of service plus (b) the present value of each inactive participant's future benefits.

Because of Act No. 106-2017, no future benefits (except for the additional benefits due to death or disability for reasons specified in Act No. 127-1958) will be earned by PRGERS members. As a result, the GASB Statement No. 73 Total Pension Liability equals the present value of all non-Act No. 127-1958 projected benefits. The normal cost only reflects the anticipated future Act No. 127-1958 benefits.

Liability Determination

The results as of June 30, 2023 are based on projecting the System obligations determined as of the census data collection date of July 1, 2021 for one year using roll-forward methods, assuming no liability gains or losses.

Due to Act No. 106-2017, the non-Act No. 127-1958 benefits are considered fully accrued and the only normal cost going forward will be due to Act No. 127-1958 benefits.

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2023 is provided below, including any assumptions that differ from those used in the June 30, 2022 actuarial valuation. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees. The actuarial valuation used the following actuarial assumptions:

Municipal Bond Rate: 3.54% per annum (Bond Buyer General Obligation 20-Bond Municipal Bond Index)

GASB No. 73 Discount Rate: 3.54% per annum

Compensation Increases: 3.0% per year. No compensation increases are assumed until July 1, 2021 as result of the Act No. 3-2017 four year extension of the Act No. 66-2014 salary freeze and the current general economy. Based on professional judgment and System input.

Define Contribution Hybrid Contribution Account: No member contributions will be made to the Defined Contribution account after June 30, 2017. Based on the liquidation of System assets and move to Pay-Go funding under Act No. 106-2017, no future interest credits are assumed after June 30, 2017.

Basis for Demographic Assumptions: The post-retirement health and disabled mortality assumptions used in the evaluation are based on a study of the plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. Most other demographic assumptions used in the evaluation are based on a 2009 experience study using data as of June 30, 2003, June 30, 2005 and June 30, 2007. Certain demographic assumptions (e.g., termination and retirement) were impacted by the Act No. 3-2013 pension reforms and were revised based on the new retirement eligibility and expected future experience. All assumptions were reviewed with PRGERS staff for reasonableness and are documented in this Section.

Pre-retirement Mortality: For general employees not covered under Act No. 127-1958, PubG-2010 employee rates, adjusted by 100% for males and 110% for fameless, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scales MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127-1958.

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

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

Marriage: 100% of current active members covered under Act No. 127-1958 who die in service or become disabled are assumed to have qualifying beneficiaries receiving the maximum benefits possible, which are approximated by a spouse with males 4 years older than females.

Form of Payment: For members retiring after June 30, 2013 (other than under Act No. 127-1958), upon disability an immediate lump sum distribution of the Defined Contribution Hybrid Contribution Account plus, for Act No. 447-1951 and Act No. 1-1990 members, a modified cash refund of the accrued benefit as a June 30, 2013 commencing at retirement eligibility; otherwise, a modified cash refund.

For members retiring after June 30, 2013 under Act No. 127-1958, a Joint & 100% Survivor benefit of the Act No. 127-1958 Disability benefit.

Marital status was provided as of July 1, 2016 but was not provided as of July 1, 2017 for retired and disabled members who retired prior to July 1, 2013. With the exception of annuitants with future benefits payable as a result of Act No. 211-1958, for those indicated as married as of July 1, 2016, and any new retirees as of July 1, 2017, a joint and survivor annuity was assumed (as shown in the following table), with an adjustment for the probability the spouse has pre-deceased the retiree as of the valuation date. Annuitants with future benefits payable as a result of Act No, 211-1958 and those not married were assumed to have a modified cash refund (as shown in the following table). The spouse’s date of birth was imputed based on an assumed age difference of 4 years with males older than females.

Discount Rate

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

The discount rate on June 30, 2021 and 2022, was as follow:

	June 30, 2021	June 30, 2022
Discount rate	2.16%	3.54%
20 Year tax-Exempt Municipal Bon Yield	2.16%	3.54%

Changes in Total Pension Liability

Change in Total Pension Liability	Total Pension Liability	Proportional Share
Balance as of June 30, 2021	$ 30,707,025,436	$ 174,093,496
Change for th year:		
Service cost	95,218,312	1,075,659
Interest on Total Pension Liability	649,170,416	3,697,355
Effect of Plan changes	(2,016,269,244)	(25,816,576)
Effect of Economic/Demographic (Gain) ior Losses	467,905,926	(3,522,606)
Effect of Assumptions Change or Inputs	(3,539,219,367)	(16,863,656)
Benefits Payments	(1,504,151,535)	(8,033,512)
Balance as of June 30, 2022	$ 24,859,679,944	$ 124,630,160

E. Sensitivity of the Proportionate Share of the Total Pension Liability to Changes in the Discount Rate

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

	1 % Decrease 2.54%	Discount rate 3.54%	1 % Increase 4.54%
Total Pension Liability as of June 30, 2022	138,802,179	124,630,160	112,799,527

Fiscal Plan for Puerto Rico

The Fiscal Plan for Puerto Rico was approved by the Oversight Board of PROMESA on April 23, 2021. The approval was conditioned on the Puerto Rico government and the Board reaching an agreement to reduce benefit payments of the following systems by 8.5% in the aggregate to beneficiaries of more to $1,500 of monthly benefits:

- Puerto Rico Government Employees Retirement System
- Puerto Rico Judiciary Retirement System
- Puerto Rico Teachers Retirement System

The details of the reduction methodology, which will determine how the reductions impact each system, are not final at this time. A multi-year delay in implementation is also anticipated. These potential reductions are not reflected in the June 30, 2022 valuation. Also, note that the Fiscal Plan anticipates that PRGERS will be funded on a “Pay-As-You-Go” basis.

“Pay-As-You-Go” Funding

On June 27, 2017, the Treasury Department issued Circular Letter No. 1300-46-17 in order to convey to the central government agencies, public corporations and municipalities the new implementation procedures to adopt, effective July 1, 2017, a new “Pay-As-You-Go” (Pay-Go) mechanism for the PRGERS.

Subsequently, on August 23, 2017, the Governor signed into law the “Act to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants” (Act No. 106-2017), which reformed the Commonwealth Retirement Systems. Act No. 106-2017 terminated the previously existing pension programs for the PRGERS participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017 are now enrolled in a new defined contributions program. Act No. 106-2017 also established by law the Pay-Go mechanism for the payment of accumulated pension benefits and eliminated employers’ contributions and other analogous contributions. Approximately $2 billion was allocated for the payment of Pay-Go benefits in each of the budgets for fiscal years 2018 through 2021.

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

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

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

- Contributions to PRGERS are primarily based on statutory percentage of payroll.

- Disbursement are comprised of benefit payments, administrative expenses, and Pension Obligation Bond debt service.

Contributions and disbursements will experience natural variation due to emerging demographic experience. Contributions and disbursements can also be greatly impacted by specific management decisions, such as an early retirement incentive program or other workforce reduction.

A major issue that needs to be addressed by PRGERS and the Commonwealth is determining what the process of PRGERS budgeting for Pay-Go funding will be. While the PRGERS can set an expected Pay-Go amount at the time of budgeting for an upcoming fiscal year, both actual contributions and disbursements can vary from expectations during the fiscal year.

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

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

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

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

17. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 16, the Commonwealth provides other retirement benefits, such as Christmas Bonus, and healthcare benefits for its retired employees in accordance with local laws. Substantially, all of the employees may become eligible for these benefits if they reach normal retirement age while working for the Commonwealth.

Healthcare Benefits

The Municipality accounts for OPEB under the provisions of GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions",* that replaces GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"*, changes similar to those implemented on GASB No. 67, *Financial Reporting for Pension Plans*, and No. 68, "*Accounting and Financial Reporting for Pensions"* should be made. This statement has substantially revised the accounting requirements previously mandated under GASB Statements No. 43 and 45.

The most notable change is that the Annual Required Contribution (ARC) has been eliminated and the Net OPEB Liability will be an item on the employer's financial statement rather than a footnote entity.

GASB No. 75 governs the specifics of accounting for public OPEB plan obligation for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017 (Fiscal Year 2017-2018). GASB No. 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

As PRGERS is a multiple employer plan and the benefits are not funded by an OPEB trust, GASB No. 75 applies to the OPEB provided to each participating employer's own employees. The Central Government and its component units are considered to be one employer. Other employers also participate in PRGERS. Because certain employers that are component units of the Central Government prepare individual financial statements, a proportionate share or OPEB expense is determined for these employers.

Funding Policy – the contribution requirement of ERS Medical Insurance Plan (MIP), are established by Act No. 95- 1963. Its benefit consists of a maximum of $100 per month per retiree or disabled member. There are no member or employer contributions on behalf of the MIP. These benefits are financed on a "Pay-As-You-Go" basis from the General Fund of the Commonwealth of Puerto Rico and municipalities.

Christmas Bonus Benefits

The Christmas Bonus was $200 per retiree pursuant to Act No. 3-2013. This benefit is recorded as expenditures when paid in the General Fund of the Commonwealth of Puerto Rico.

Relationship Between Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is July 1, 2021. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2022. This is the date as of which the Total OPEB liability is determined. This report is for measurement year July 1, 2021 to June 30, 2022 for reporting period ending June 30, 2022 and 2023.

Significant Changes

There have been no significant changes between the valuation date and measurement year end. Participant Data as of July 1, 2021 was 88,700 retirees.

Deferred Inflows and Outflows

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

Total OPEB Liability

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

Total OPEB Liability	Total	Proportional Share -0.006560%
Total OPEB Liability	$ 802,689,035	$ 5,266,679
Covered Payroll	N/A	N/A
Total OPEB Liability as a % of Covered Payroll	N/A	N/A

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

Proportion- June 30, 2022	0.0068%
Proportion- June 30, 2023	0.0066%
Change-Increase (Decrease)	-0.0002%

The discount rate on June 30, 2021 and 2022, was as follow:

	June 30, 2021	June 30, 2022
Discount rate	2.16%	3.54%
20 Year tax-Exempt Municipal Bon Yield	2.16%	3.54%

As of June 30, 2023, the ERS have not issued its audited financial statements as of and for the fiscal year ended June 30, 2023 nor has it provided the Municipality with the audited schedules of employment allocations and OPEB amounts by employer as of June 30, 2023 (Municipality's measurement date), necessary to comply with the requirements of GASB Statement No. 75 and GASB Statement No. 73, as of June 30, 2023.

Change in Total OPEB Liability	Total OPEB Liability	Proportional Share
Balance as of June 30, 2021	$ 926,426,253	$ 6,272,297
Change for the year:		
Service cost	-	-
Interest on Total OPEB Liability	19,193,582	129,868
Effect of Plan changes	-	-
Effect of Economic/Demographic (Gain) or Losses	33,187,045	19,857
Effect of Assumptions Change or Inputs	(100,042,418)	(632,784)
Benefits Payments	(76,075,427)	(522,559)
Balance as of June 30, 2022	$ 802,689,035	$ 5,266,679

Actuarial Methods and Assumptions

Actuarial Assumptions:

Valuation Date	July 1, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Inflation	Not Applicable
Municipal Bond Index	3.54%, as per Bond Buyer General Obligation 20-Bond Municipal bond Index
Projected Salary Increases	Not Applicable
Mortality	Pre-retirement Mortality: For general employees not covered under Act No. 127-1958, PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127-1958, the PubG-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of death while in active service are assumed to be occupational for members covered under Act

127.

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

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

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

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

	1 % Decrease 2.54%	Discount rate 3.54%	1 % Increase 4.54%
Total OPEB Liability as of June 30, 2022	$ 5,711,972	$ 5,266,679	$ 4,881,180

18. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The Municipality adopted the provisions of Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs issued by the Governmental Accounting Standard Board*. This statement established standards for accounting and reporting for solid waste landfill costs owned by governmental entities (including the Municipality) that are required by federal and local laws or regulations to incur closure and postclosure care costs.

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, 2023, the Municipality incurred in landfill post-closing costs which approximates to $331,200. The landfill obligation has been reduced to a total estimated current cost of $6,854,617 as of June 30, 2023. These estimates are subject to adjustment for inflation 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.

19. CONTINGENCIES

a. Federal and State Grants

The Municipality receives Federal Grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursements would not be material.

b. Litigations

The Municipality is a defendant and/or co-defendant in various lawsuits which claims for actual damages. Some of these lawsuits are covered by insurance. The Municipality's management and outside counsels believe that is probable that any potential liability that might exist, if any, in excess of the insurance, will not affect significantly the financial position of the Municipality.

20. COMMITMENTS

Leases

Leasing Arrangement with the Municipality as Lessor:

- **a.** The Municipality leases spaces in its Market Place and Transportation center under operating lease agreements with terms of one year or less.
- **b.** Total income from leases during the year ended June 30, 2023 was $2,601,047.
- **c.** The Municipality retains title to its leased property. The lessee pays taxes, licenses, insurance, and maintenance costs of the leased assets.

Leasing arrangements with the Municipality as lessee:

The Municipality leases office space and office equipment under operating lease agreements, which generally have terms of one year or less and are automatically renewed for the same terms. Management believes that the summary of the future minimum rental commitments under non-cancelable equipment leases with terms exceeding one year is not significant.

21. FUND BALANCES

	General	Debt Service	Other Governmental Funds	Total
Nonspendable				
Inventory	$ 2,712,735	$ -	$ -	$ 2,712,735
Restricted:				
Federal Programs	-	-	5,166,870	5,166,870
Debt service	-	28,606,633		28,606,633
Committed:				
Public works	-	-	1,727,059	1,727,059
Assigned:				
General government	86,820,217	-	1,263,566	88,083,783
Public safety	78,565	-	128,254	206,819
Public works	2,420,071	-	11,070,945	13,491,016
Culture and education	192,674	-	-	192,674
Health and sanitation	356,268	-	-	356,268
Economic Development		-	22,135,215	22,135,215
Unassigned	2,947,307	-	-	2,947,307
	$ 95,527,837	$ 28,606,633	$ 41,491,909	$ 165,626,379

22. NET INVESTMENT IN CAPITAL ASSETS

The investment in capital assets component of net position, net of related debt, is comprised of the following:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	$ 1,089,780,939	$ 17,831,082
Oustanding balance on capital related debt	(137,717,362)	(19,144,979)
Total	$ 952,063,577	$ (1,313,897)

23. TAX ABATEMENTS

Pursuant to the provisions of GASB Statement No. 77, *Tax Abatement Disclosures,* a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the Municipality or its citizens. 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. Also, the Commonwealth of Puerto Rico provides tax abatements in the Municipality through three programs— the Tax Incentives Act of 1998; Tax Incentives of 2008 and Act to Promote the Export of Services. For the fiscal year ended June 30, 2023, the Municipality abated taxes by the concept of municipal licenses as follows:

Programs Administered by the Municipality

Ordinance No. 97, Series 2001-2002- Purpose of the Program is to develop Municipality's commercial active and rehabilitate deteriorated urban areas. Taxes abated are Real and Personal Property Taxes and Volume of Business Taxes. Authority which abatement agreement are entered into is Law number 107 August 14,2020, as amended, known as the Autonomous Municipality Act of the Commonwealth of Puerto Rico; Law 82 of August 30,1991, known as Municipal Patents Law and Law Number 83 of August 30,1991, as amended, known as the Municipality Property Tax Act. The criteria to be eligible to received abatement, the taxpayer will contribute to maintain, over 60 employe es, and improve the economic stability of the industrial or commercial unit to be established or any other factor or circumstances that reasonably demonstrate that the concession of the tax incentives will result in the best socio - economic interest of the Municipality. Recipients taxes are reduced by reduction on real and personal property taxes of 40% for 10 years. Volume of business taxes reduction of 40% for 10 years. How amount of abatement is determined by a direct reduction on Municipality's revenues is based on abatement percentage approved applied to certified properties values, taxpayer annual income and total investment in construction projects. Gross dollar amount, on accrual basis, by which the Municipality's volume of business taxes were reduced as a result of abatement agreement.

Ordinance No. 50, Series 2013-2014- Purpose of the Program is to establish mechanism to incentive the Municipality's economic activity to promote stability and protection to Municipality's interests. Taxes abated are Real and Personal Property Taxes and Volume of Business Taxes. Authority which abatement agreement are entered into is Law number 107 August 14, 2020, as amended, known as the Autonomous Municipality Act of the Commonwealth of Puerto Rico; Law 82 of August 30,1991, known as Municipal Patents Law and Law Number 83 of August 30,1991, as amended, known as the Municipality Property Tax Act. The criteria to be eligible to received abatement, the taxpayer will conduct commercial activity in the Municipality. For medium business, should possess from 6 to 44 employees, gross annual sales from $1 to $10 million. And invest more than $ 100,000 to keep operation activity. Big business should comply with no more than 45 employees, gross annual sale of more than $ 10 million and invest with more than $1 million to keep operation activity. Recipients' taxes are reduced by reduction on real and personal property taxes of 40% for 10 years. Volume of business taxes reduction of 40% for 10 years. How amount of abatement is determined by a direct reduction on Municipality's revenues is based on abatement percentage approved applied to certified properties values, taxpayer annual income and total investment in construction projects. Gross dollar amount, on accrual basis, by which the Municipality's volume of business taxes were reduced as a result of abatement agreement.

Ordinance No. 72, Series 2004-2005 - Purpose of the ordinance is to amend Ordinance Number 1, Series 2004-2005 in order to include the exemptions to be granted to other companies located nearby Cesar Castillo Inc., Inversiones José J. Castillo Inc., according to ordinance 97, Series 2001-2002. The abatement is to help the economic development of the pharmaceutical industry in the municipality. Taxes abate are Real and Personal Property Taxes and Volume of Business Taxes. The economic impact in our community that these companies will produce is 250 jobs, no less than $180 Millions in Volume of Business that the companies generate, and the companies will hold an inventory of approximately $30 million. The exemption granted is of 60% for a term of 7 years, alternative provided in Ordinance No. 34, Series 2002-2003. This exemption will prevail as long as Cesar Castillo Inc. and the companies nearby comply with the conditions established in Ordinance No. 97, Series 2001-2002, as amended by Ordinance 34, Series 2002-2003. How amount of abatement is determined by a direct reduction on Municipality's revenues is based on abatement percentage approved applied to certified properties values, taxpayer annual income and total investment in construction projects. Gross dollar amount, on accrual basis, by which the Municipality's volume of business taxes were reduced as a result of abatement agreement were $208,784 for the fiscal year ended June 30, 2023.

Ordinance No. 44, Series 2016-2017- Purpose of the ordinance is to grant a tax incentive in the payment of municipal licenses equivalent to fifty percent (50%) at the current rate for municipal licenses for those entities or individuals that have a decree valid under Law No. 20-2012 as amended and for every resident individual investor that has the certification of compliance under Law No. 22-2012, as amended. This abatement is to promote the exportation of services and to incentivize the movement of individual investors to Puerto Rico. A business that is eligible to have a decree under Law No. 20 may have this incentive for the special rate for a period of 10 consecutive years. For this ordinance, the designated areas in the municipality for the application of these incentives are: Amelia Industrial Park, City View Plaza and Metro Office Park. How amount of abatement is determined by a direct reduction on Municipality's revenues is based on abatement percentage approved applied to certified properties values, taxpayer annual income and total investment in construction projects. Gross dollar amount, on accrual basis, by which the Municipality's volume of business taxes were reduced as a result of abatement agreement.

Ordinance No. 4, Series 2017-2018- Purpose of this ordinance is to repeal Ordinance No. 50, Series 2013-2014; to establish a new program of tax benefits under the payment of certain municipality taxes for eligible units or businesses that establish themselves or are already established on the Municipality of Guaynabo; establish limitations, conditions, and requirements to apply and obtain said tax benefits. The eligible units or businesses are those whose operations and commercial activities are established in the municipality. The businesses participating of the decree will have an exemption of taxes over properties and real estate, during the first two (2) years will be an exemption of 30%, the next four (4) years an exemption of 40%, and during the next four (4) years, including those between the seventh and tenth year from the date of effectivity will enjoy an exemption of 60%. How amount of abatement is determined by a direct reduction on Municipality's revenues is based on abatement percentage approved applied to certified properties values, taxpayer annual income and total investment in construction projects. Gross dollar amount, on accrual basis, by which the Municipality's volume of business taxes were reduced as a result of abatement agreement.

Commonwealth of Puerto Rico Agreements

<u>Act 168 of 1968, as amended – "Act to Grant Tax Exemptions to Hospitals"</u>

Purpose: To grant tax incentives to hospitals and other applicable health providers' facilities in order to promote their development by providing the ability to raise funds to invest on their own operational needs.

Tax Benefits/Exemptions:

- Tax credit up to fifteen percent (15%) of the total eligible payroll expense to be used to reduce up to fifty percent (50%) of income taxes over eligible health service revenues.

- Exemption of a hundred percent (100%) from the payment of real and personal property over assets used to provide health services.

- Exemption of a hundred percent (100%) from the payment of state excise taxes over the acquisition of any equipment, machinery and effects used to provide medical diagnostics and treatments.

- No hospital or eligible health service facility shall be subject to municipal license taxes, excise taxes and other municipal income taxes levied by a municipal ordinance.

Act 225 of 1995, as amended – "Agricultural Tax Incentives Act"

Purpose: To establish public policy in the agricultural sector and other related economic sectors. Also, to establish the requirements to qualify as "bona fide farmers" and to provide them with all kinds of exemptions for the payment of income taxes, property taxes (real and personal), municipal licenses, construction excise taxes and any other state or municipal taxes or rights.

Tax Benefits (Exemptions):

- Exemption of ninety percent (90%) of income taxes for revenues earned from agricultural business.

- Tax credit up to fifty percent (50%) of the total eligible investment.

- Exemption of a hundred percent (100%) for the payment of real and personal property over assets used intensively for agricultural businesses and purposes.

- Exemption of a hundred percent (100%) for the payment of state excise taxes over the acquisition of any equipment, machinery and effects used in the agricultural business.

- No "bona fide farmer" shall be subject to municipal license taxes, excise taxes and other municipal income taxes levied by a municipal ordinance.

Act 135 of 1998, as amended – "Tax Incentives Act"

Purpose: To provide a tax incentives program that stimulates the creation of local capital; promotes the development of aerial and marine harbor infrastructure; the exportation of products manufactured in Puerto Rico; stimulates the development of strategic industries; promotes the creation of small and medium businesses; the establishment of regional and central corporate offices and distribution centers in Puerto Rico; the creation of jobs and the development of human resources; and to stimulate the development and distribution of technology in Puerto Rico.

Tax Benefits/Exemptions:

- Tax-exempt businesses that hold a decree under this Act shall be subject to a fixed income tax rate of seven percent (7%) on their net industrial development income (excluding the revenue earned from investments described in item (j) of Section 2 of this Act), with other provisions that would lower the tax rate.

- Tax-exempt businesses under this Act that manufacture textiles, clothing items produced with fabrics or other materials, articles made of leather or faux leather and shoes and/or dedicated to the canning of fish, shall be subject to a fixed income tax rate of four percent (4%), with other provisions that would lower the tax rate.

- Tax-exempt businesses under this Act whose operations are located in Vieques or Culebra or in a municipality with similar economic and/or employment situations shall be totally exempt from the payment of income taxes on the revenues from the industrial development activity during the first ten (10) years beginning on the year of commencement of operations. After the ten-year period, the tax-exempt business shall be subject to a fixed income tax rate of two percent (2%).

- Tax-exempt businesses that are service units that hold a decree under paragraph sixteen (16) of item (i) of Section 2 of this Act shall be subject to a fixed income tax rate of four percent (4%) on their net industrial development income from operations that exclusively cover markets in Central and South America, or to a two percent (2%) fixed rate on their net industrial income from operations that cover markets from North America through South America or the global market.

- Shareholders or partners of tax-exempt businesses that hold a decree under this Act that are individuals will have the right to an income tax credit equal to thirty percent (30%) of their proportional participation in the fix tax rate on the net industrial development income paid by the tax-exempt business.

- Tax-exempt businesses that hold a decree under this Act, are dedicated to manufacturing and generate a net industrial development income, calculated without taking into account the benefits of the special deductions provided by this Act, of less than $30,000 per production job, shall enjoy a special payroll deduction equal to a fifteen percent (15%) of the production payroll of the taxexempt business, up to fifty percent (50%) of the net industrial development income computed without taking into account this special deduction.

- Special deduction equal to the amount of job training expenses incurred to improve productivity and quality control, to promote total quality management and to better the communication skills of their employees, incurred in excess of the average annual amount incurred in these expenses during the three (3) tax years ending after the effective date of this Act.

- Special deduction that equals the amount of expenses incurred in the research, experimentation and development of new products or industrial processes, or in the improvement of existing ones, that is deductible in the tax year under Subtitle A of the Puerto Rico Internal Revenue Code.

- Tax-exempt businesses that hold a decree under this Act shall have the choice to deduct in the tax year in which they are incurred the amounts invested in the construction and/or purchase of buildings, structures, machinery and equipment, instead of capitalizing the expenses made as required by the Puerto Rico Internal Revenue Code, as long as the assets have not being previously used by another person or business in Puerto Rico and they are utilized for the manufacturing of products or for providing the services for which the benefits under this Act were granted.

- Special deduction for the purchase of products manufactured in Puerto Rico that equals fifteen percent (15%) of purchase amount, reduced by the average of the purchases made of these products during the year 2000. This deduction is granted only for purchases of products that have been manufactured by companies not related to the tax-exempt business.

- Ninety-percent (90%) exemption on municipal and Commonwealth taxes on real and personal property.

- Sixty-percent (60%) exemption on municipal license taxes, municipal construction excise taxes and other municipal taxes levied by any municipal ordinance. However, tax-exempt businesses described in paragraph (2) of item (a) of Section (3) of this Act shall be granted a seventy-five (75%) exemption on municipal license taxes, municipal construction excise taxes and other municipal taxes; and for those described in paragraph (3) of item (a) of Section (3) pf this Act, the exemption will be ninety percent (90%).

- Complete exemption on state excise taxes following the terms indicated in item (c) of Section (6).

<u>Act 255 of 2002 – “Savings and Loans Associations Act, as amended”</u>

Purpose: To permit the free offering of products and services by savings and loans associations under terms and conditions similar to the other participants of the financial markets; to promote the offering of financial resources and services to small and mediumsized businesses through savings and loans structures; and to facilitate the economic integration of the savings and loans associations with other economic and financial sectors.

Tax Benefits/Exemptions:

- The savings and loans associations, their subsidiaries or affiliates, as well as the revenue of all of their activities/operations, their assets, capital, reserves and surplus of income, will be exempt from the payment of income taxes, property taxes, state excise taxes or of any other tax imposed or to be imposed by the Commonwealth or any of its political subdivisions, except for the sales and use tax established in the Sections 4020.01 and 4020.02 of the Puerto Rico Internal Revenue Code; the tax authorized by Section 6080.14; the taxes established in Sections 4210.01, 4210.02 and 4210.03; and the excise taxes under Chapter 2 of Subtitle C of Act 1 of 2011.

- All shares and securities issued by the associations, their subsidiaries and affiliates, as well as the dividends and interest paid on them, will be exempt of any type of tax assessment, including income, property, excise, license or any other tax imposed or to be imposed by the Commonwealth or any of its political subdivisions.

- Exemption from the payment of state and municipal license and excise taxes, rights, charges, permits and registration fees.

Act 73 of 2008 – "Economic Incentives Act for the Development of Puerto Rico"

Purpose: To provide the adequate environment and opportunities to continue developing local industries; to offer an attractive tax proposal to attract direct foreign investment and to promote economic development and social betterment in Puerto Rico.

Tax Benefits/Exemptions:

- The tax-exempt businesses that hold a decree under this Act shall be subject to a fixed income tax rate of four percent (4%) on their net industrial development income, with other provisions that would lower the tax rate. Also, they will have a 100% exemption on the income earned from eligible investments.

- A special deduction for investment in buildings, structures, machinery and equipment in the taxable year during which these were incurred, in lieu of any capitalization of expenses.

- A tax credit for purchasing products manufactured in Puerto Rico equal to twenty-five percent (25%) of the purchases of such products.

- A tax credit to reduce the cost of electric power of up to 10% of the payments made to the Puerto Rico Electric Power Authority for the net electric power consumption.

- Sixty-percent (60%) exemption on municipal license taxes, municipal construction excise taxes and other municipal taxes levied by any municipal ordinance.

- Ninety-percent (90%) exemption on municipal and Commonwealth taxes on real and personal property.

Not-for-profit Organizations

Not-for-profit organizations are entities, incorporated or not, dedicated to the offering of services that, under the Puerto Rico Internal Revenue Code, qualify for an exemption from the payment of state income taxes. For example, entities created for charitable, literary, scientific and educational purposes; professional organizations and certain clubs and fraternity associations can request this exemption subject to their compliance with the requirements stated in the Puerto Rico Internal Revenue Code. Generally, these organizations are 100% exempt from the payment of property taxes, municipal license taxes and municipal construction excise taxes. Title V, Article 5.01, items (e) through (g) of Act 83 of 1991 – “Municipal Property Tax Act, as amended,” states the types of organizations that are exempt from the payment of personal and real property taxes. For municipal license taxes, Section 9 – “Exemptions” of Act 113 of 1974 – “Municipal License Taxes Act, as amended,” establishes the organizations that are exempt from the payment of municipal license taxes. Finally, municipal ordinances state the percentage of construction excise taxes, if any, that these types of organizations must pay.

Act's Name	Tax Category	Percent or Amount Abated	Amount Abated FY 2022-2023
Act 168 of 1968, as amended – "Act to Grant Tax Exemptions to Hospitals"	Personal Property Tax	100%	$ 343,675
			$ 343,675
Act 225 of 1995, as amended – "Agricultural Tax Incentives Act"	Real Property Tax	100%	$ 458,524
	Personal Property Tax	100%	692,028
			$ 1,150,552
Act 135 of 1998, as amended - "Tax Incentives Act"	Real Property Tax	90%	$ 506,369
			$ 506,369
Act 255 of 2002 – "Savings and Loans Associations Act, as amended"	Personal Property Tax	100%	$ 211,155
			$ 211,155
Act 73 of 2008 – "Economic Incentives Act of 2008	Real Property Tax	90%	$ 826,557
	Personal Property Tax	90%	8,991,718
			$ 9,818,275
Act 273 of 2012 – "Regularory Act from International Financing Center	Real Property Tax	90%	$ 58,860
	Personal Property Tax	90%	72,147
			$ 131,007
Act 83 of 2010 – "Act from green energy	Personal Property Tax	90%	$ 17,082,849
			$ 17,082,849
Other	Real Property Tax	90%	$ 396,364
	Personal Property Tax	90%	2,281,213
			$ 2,677,577
Foreign Trade Zone	Real Property Tax	90%	$ 252,710
	Personal Property Tax	90%	34,747,694
			$ 35,000,404
Not-for-profit organizations	Real Property Tax	100%	$ 650,133
	Personal Property Tax	100%	97,640
			$ 747,773

24. RESTATEMENT OF FUND BALANCE AND NET POSITION

The following table disclosed the net change in fund balances and net position at the beginning of year as previously reported in the financial statements. The beginning balances have been restated as follows:

	Fund Balances					Net Position	
Description	General Fund	Debt Services Fund	WIOA Fund	ARPA Fund	Other Governmental F unds	Government-Wide Statements	Business-Type Activities
Fund balance / net position, at beginning of year, as previously reported	$ 36,041,086	$ 22,457,108	$ (637,887)	$ 4,380,596	$ 31,034,415	$ 877,172,504	$ 903,602
To reclasify cash	(5,226,913)	-	-	-	5,226,913	-	-
To reclasify an account payable	2,554,144	(2,554,144)	-	-	-	-	-
Correction of errors:							
Understatement of cash	23,140,275	-	-	-	-	23,140,275	-
Understatement of account payable		-	-	-	-	-	(961,336)
Overstatement of due from agencies	(688,815)	-	-	-	-	(688,815)	-
Understatement of account receivable	-	-	637,887	-	-	637,887	-
Understatement of deferred revenue	-	-	-	(4,380,596)	-	(4,380,596)	-
Overstatement of capital assets	-	-	-	-	-	(1,292,449)	-
Understatement of accumulated depreciation	-	-	-	-	-	-	(44,789)
Understatement of due from other fund- propietary	(755,236)	-	-	-	-	(755,236)	755,236
Understatement of due from/ to other funds	(1,407,499)	-	-	-	1,407,499	-	-
Fund balance / net position, at end of year, as restated	$ 53,657,042	$ 19,902,964	$ -	$ -	$ 37,668,827	$ 893,833,570	$ 652,713

25. SUBSEQUENT EVENTS

The Municipality evaluated subsequent events through March 26, 2024, the date on which the basic financial statements were available to be issued. There are no material subsequent events that would require adjustments to or disclosures in the accompanying basic financial statements as of and for the year ended June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	$ 44,398,290	$ 44,398,290	$ 44,237,022	$ (161,268)
Municipal license taxes	49,700,160	49,700,160	61,682,912	11,982,752
Sales and use taxes	16,753,501	16,753,501	19,352,849	2,599,348
Contruction excise, licenses and permits	6,275,000	6,275,000	4,594,844	(1,680,156)
Charges for services and rent	2,799,927	2,799,927	1,921,080	(878,847)
Intergovernmental revenues:				
State contributions	5,422,432	5,422,432	4,972,433	(449,999)
Interest, fines, and penalties	2,961,000	2,961,000	6,542,274	3,581,274
Other revenues	1,675,000	7,855,412	1,508,552	(6,346,860)
Total revenues	129,985,310	136,165,722	144,811,966	8,646,244
EXPENDITURES				
Current:				
General government	78,637,270	90,088,109	75,308,185	14,779,924
Public safety	12,752,169	12,524,846	12,430,376	94,470
Public work	11,579,314	14,353,738	10,865,272	3,488,466
Culture and education	2,174,241	2,484,488	2,412,177	72,311
Health and sanitation	24,842,316	16,714,541	16,328,495	386,046
Total expenditures	129,985,310	136,165,722	117,344,505	18,821,217
Excess of revenues over expenditures	$ -	$ -	$ 27,467,461	$ 27,467,461

Explanation of Differences:

Sources/Inflows of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 144,811,966
Differences - budget to GAAP:	
Net change in receivables	413,756
Non-budgeted revenues	16,072,119
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	$ 161,297,841
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total changes to appropriations" from the budgetary comparison schedule	$ 117,344,505
Differences - budget to GAAP:	
Prior year encumbrances recorded as current year expenditures for GAAP basis	11,872,954
Net change in payables	4,838,133
Current year encumbrances recorded as expenditures for budgetary purposes	(8,711,142)
Non-budgeted expenditures	8,713,016
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	$ 134,057,466

See note to Budgetary Comparison Schedule.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

a. Budgetary Control

The Municipality prepares its annual budget for all of its operations and activities. Such legally adopted budget is based on expected expenditures by the program and estimated resources by source. The annual budgets are developed using elements of performance-based program budgeting and zero-based budgeting, and include estimates of revenues and other resources for the ensuing fiscal year under laws and regulations existing at the time the budgets are prepared.

The Mayor must submit, for the fiscal year commencing on the next July 1, an annual budgetary resolution project (the Project) to the Commissioner of Municipal Affairs of the Commonwealth (the Commissioner) and the Municipal Legislature no later than May 10 and May 15, respectively. The Commissioner preliminarily verifies that the Project complies with all the applicable laws and regulations and may provide comments and suggestions to the Mayor on or before June 13.

The Municipal Legislature has 10 business days, but not later than June 13, to discuss and approve the Project with modifications. The Municipal Legislature may amend the budgets submitted by the Mayor but may not increase any items so far to cause a deficit without imposing taxes or identifying other sources of revenue to cover such deficit. After the Municipal Legislature modifies and preliminarily approves the Project, the modified Project is sent back to the Mayor for his approval or rejection within 6 days. The Mayor may decrease or eliminate any line item but may not increase or insert any new line item in the budgets. The Mayor may also veto the budgets in their entirety and return it to the Municipal Legislature with his objections. If the Mayor rejects the Project, the Municipal Legislature will have up to 8 days to adopt or reject the recommendations or objections of the Mayor. The approved Project is sent again to the Mayor, which then would have 3 days to sign and approve it. If the budgets are not adopted prior to the end of the deadlines refined to above, the annual budgets for the preceding fiscal year, as approved by the Legislature and the Mayor, are automatically renewed for the ensuing fiscal year until the Municipal Legislature and the Mayor approve new budgets. This permits the Municipality to continue doing payments for its operations and other purposes until the new budgets are approved.

The annual budget may be updated for any estimate revisions as well as fiscal year-end encumbrances, and may include any additional information requested by the Municipal Legislature. The Mayor may request subsequent amendments to the approved budgets, which are subject to the approval of the Municipal Legislature. The Municipality's Department of Finance and the Office of Management and budget have the responsibility to ensure that budgetary spending control is maintained. For day-to-day management control purposes, expenditures plus encumbrances may not exceed budgeted amounts at the expenditure-type level of each cost center (activity within a program within a fund). The Mayor may transfer unencumbered appropriations within programs and among funds. The Municipal Legislature may transfer amounts among programs within and among funds.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the functions/program level (general government, public safety, urban affairs, culture and recreation, health and welfare, urban development, economic development, education, and capital outlays) within the general fund. Under the laws and regulations of the Commonwealth, the appropriations made for any fiscal year shall not exceed the total revenues, including available surplus, estimated for said fiscal year unless the imposition of taxes sufficient to cover said appropriations is provided.

b. Budgetary Accounting

The Municipality's annual budget is prepared using the budgetary (statutory) basis of accounting, which is not in accordance with GAAP. According to the budgetary basis of accounting, revenue is generally recorded when cash is received, except in the case of municipal license taxes collected prior to June 30 but pertaining to the next fiscal year are recorded as revenue in the following budget year. Borrowings may be used to finance budgetary excess of expenditures over revenues.

The Municipality uses encumbrance accounting to record the full amount of purchase orders, contracts and other commitments of appropriated resources as deductions from the appropriation prior to actual expenditure. In the governmental funds, encumbrance accounting is a significant aspect of budgetary control. Accordingly, expenditures are generally recorded when the related expenditure is incurred or encumbered. Available appropriations and encumbrances are established to lapse one fiscal year after the end of the fiscal year. Amounts required to settle claims and judgments against the Municipality, and certain other liabilities, are not recognized until they are encumbered or otherwise processed for payment.

Unencumbered appropriations and encumbrances lapse at fiscal year-end. Other appropriations, mainly capital projects appropriations, are continuing accounts for which the Municipal Legislature has authorized that an unspent balance from the prior year be carried forward and made available for current spending.

The accompanying supplemental budgetary comparison schedule - general fund provides information about the general fund's original budget, its amendments, and the actual results of operations of the general fund under the budgetary basis of accounting for the ensuing fiscal year. At June 30, 2023, the Municipality has outstanding encumbrances in the general fund amounting to $8.7 million.

SUPPLEMENTARY INFORMATION REQUIRED BY THE U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
FINANCIAL DATA SCHEDULE - RQ-016
SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM
JUNE 30, 2023

Balance Sheet

Line Item Number	Description		Amount
Assets			
111	Cash - unrestricted	$	881,168
113	Cash - other restricted		124,504
100	Total cash	$	1,005,672
Liabilities and Equity			
312	Account payable	$	653
333	Account payable-Other Government		92,240
310	Total current liabilities		92,893
300	Total liabilities		92,893
400	Deferred inflow of resources		
Equity			
509.3	Restricted Fund Balance		124,504
512.3	Unassigned Fund Balance		788,275
513	Total equity - net position		912,779
600	Total liabilities and equity	$	1,005,672

See notes to Financial Data Schedule.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
FINANCIAL DATA SCHEDULE - RQ-016
SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM
FOR THE YEAR ENDED JUNE 30, 2023

Income Statement

Line Item Number	Description		Amount
Revenues			
70600	HUD PHA operating grants	$	1,589,125
71100	Investment Income-Unrestricted		27,264
71400	Fraud recovery		3,598
71500	Other revenue		50
70000	Total revenues		1,620,037
Expenses			
	Administrative:		
91100	Administrative salaries		52,130
91500	Employee benefit contributions		13,409
91900	Other		18,903
91000	Total operating - administrative		84,442
97300	Housing assistance payments		1,484,316
90000	Total expenses		1,568,758
10000	*Excess (deficiency) of total revenues over (under) total expenses*	$	51,279

See notes to Financial Data Schedule.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
FINANCIAL DATA SCHEDULE - RQ-016
SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM
FOR THE YEAR ENDED JUNE 30, 2023

Memo Account Information

11170	Administrative fee equity	$	788,275
11180	Housing assistance payments equity	$	124,504
11190	Unit months available		4,596
11210	Number of unit months leased		2,894

See notes to Financial Data Schedule.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
NOTES TO FINANCIAL DATA SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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.

SUPPLEMENTARY INFORMATION

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass Through Grantor Program Title	Assistance Listing Number	Agency or Pass-Through Grant Number	Passed-Through to Subrecepient	Federal Disbursements/ Expenditures
U.S. Department of Housing and Urban Development (HUD)				
Section 8 Housing Choice Vouchers	14.871			$ 1,589,125
Community Development Block Grant Program/Entitlement Grants	14.218			1,903,516
HOME Investment Partnership Program	14.239			592,401
Pass-through Municipality of San Juan:				
Housing Opportunity for Persons with AIDS	14.241			27,599
Subtotal U.S. Department of HUD				4,112,641
U.S. Department of Health and Human Services (HHS)				
Head Start	93.600			10,027,930
Early Head Start	93.600			2,245,601
Pass-through the Puerto Rico Elderly Commission:				
Special Programs for Aging Title III, Part C, Nutrition Services	93.045			350,982
Special Programs for Aging Title III, Part C, Nutrition Services-ARPA	93.045			18,500
Nutrition Services Incentive Program	93.053			91,279
Subtotal U.S. Department of HHS				12,734,292
U.S. Department of Agriculture				
Pass-through Puerto Rico Department of Education:				
Child and Adult Care Food Program	10.558			342,098
Subtotal U.S. Department of Agriculture				342,098
U.S. Department of Labor				
Pass-through Puerto Rico Department of Economic Development and Commerce				
WIOA				
Adult	17.258			1,137,940
Youth Activities	17.259			1,162,582
Dislocated Workers	17.278			1,496,563
Subtotal U.S. Department of Labor				3,797,085
U.S. Department of Treasury				
Direct Program:				
Coronavirus Relief Fund	21.019			2,086,804
Pass-through State - PR Fisacl Agency and Financial Advisory				
Coronavirus State and Local Fiscal Recovery Funds	21.027			361,724
Subtotal U.S. Department of Treasury				2,448,528
U.S. Dapertment of Homeland Security				
Pass-Through the Commonwealth of Puerto Rico Governor Office – Public Security Affairs Office				
Disaster Grants - Public Assistance				86,386
Subtotal U.S. Department of Homeland Security	97.036			86,386
U.S. Department of Transportation				
Pass-through the P.R. Traffic Safety Commission				
Guaynabo Community Traffic Safety Program				
Federal Transit Enforcement	N/AV			102,790
National Infrastucture Investments	20.600			353,828
Subtotal U.S. Department of Transportation				456,618
U.S. Department of Justice				
Justice Forfetuire Program	N/AV			1,946
Coronavirus Emergency Supplemental Funding	16.034			28,780
Victims of Crime Assistance	16.575			32,125
Public Safety Partnership and Community Policing Grant	16.710			701,912
Subtotal U.S. Department of Jutice				764,763
TOTAL				$ 24,742,411

See notes to Schedule of Expenditures of Federal Awards.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Municipality under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position and changes in net position of the Municipality.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. INDIRECT COST RATE

The Municipality did not elect to use the ten (10) percent of the minimum indirect cost rate allowed under the Uniform Guidance.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS FOR SINGLE – EMPLOYER PENSION PLANS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The Schedule of Changes in the Total Pension Liability for Single-Employer Pension Plans presents the changes in the liability for the Employees' Retirement System (ERS) of the Municipality of Guaynabo at June 30, 2023.

	2019	2020	2021	2022
Total pension liability:				
Services cost	$ 907,017	$ 1,074,716	$ 1,146,940	$ 1,075,659
Interest on total pension liability	5,571,746	5,276,809	3,885,889	3,697,355
Effect of plan changes	-	(1,915,650)	-	(25,816,576)
Effect of plan changes economic/ demographics/ gain or loss	1,868,480	5,259,944	(3,246,485)	(3,522,606)
Changes in assumptions or inputs	6,429,040	23,396,052	1,663,667	(16,863,656)
Benefit payments	(8,163,432)	(8,130,547)	(8,039,415)	(8,033,512)
Net changes	6,612,851	24,961,324	(4,589,404)	(49,463,336)
Total pension liability - beginning	147,108,725	153,721,576	178,682,900	174,093,496
Total pension liability - ending	$ 153,721,576	$ 178,682,900	$ 174,093,496	$ 124,630,160
Covered employee payroll	$ 28,740,960	$ 28,273,160	$ 26,431,038	$ 7,897,596
Employer's total pension liability as a percentage of cover-employee payroll	534.85%	631.99%	658.67%	1578.08%

Notes:

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 CHANGES IN TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS FOR SINGLE – EMPLOYER OPEB PLANS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The Schedule of Changes in the Total Other Post-Employment Benefits Liability for Single-Employer Pension Plans presents the changes in the liability for the Employees' Retirement System (ERS) of the Municipality of Guaynabo at June 30, 2023.

	2019	2020	2021	2022
Total OPEB liability:				
Services cost	$ -	$ -	$ -	$ -
Interest on total OPEB liability	235,817	212,497	140,318	129,868
Effect of plan changes	-	-	-	-
Effect of plan changes economic/ demographics/ gain or loss	114,459	(24,901)	(10,222)	19,857
Changes in assumptions or inputs	166,000	615,587	50,778	(632,784)
Benefit payments	(540,289)	(536,000)	(512,800)	(522,559)
Net changes	(24,013)	267,183	(331,926)	(1,005,618)
Total OPEB liability - beginning	6,361,053	6,337,040	6,604,223	6,272,297
Total OPEB liability - ending	$ 6,337,040	$ 6,604,223	$ 6,272,297	$ 5,266,679
Covered employee payroll	N/A	N/A	N/A	N/A
Employer's total OPEB liability as a percentage of cover-employee payroll	N/A	N/A	N/A	N/A

Notes:

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.

INTERNAL CONTROL AND COMPLIANCE

Rodríguez-Sanabria & Co.
Certified Public Accountants and Advisors

Members of the American Institute of
Certified Public Accountants
www.rscpr.com

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, 2023, and the related notes to the financial statements, which collectively comprise the Municipality basic financial statements and have issued our report thereon dated March 26, 2024. 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 weakness.

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 items **2023-001** and **2023-002** 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 **2023-003** and **2023-004**.

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.

Rodríguez Sanabria & Co., CPA's, PSC

San Juan, Puerto Rico
March 26, 2024

Stamp No. E565501 was affixed to the
original of the report

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of Certified Public Accountants
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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, 2023. 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, 2023.

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, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

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 qualified and unmodified opinions 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 **2023-003 (Reporting)**.

Compliance which 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 **2023-004 (Reporting)**.

Compliance which 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.

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 **2023-003 and 2023-004** 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.

Rodríguez Sanabria & Co., CPA's, PSC

San Juan, Puerto Rico
March 26, 2024

Stamp No. E565502 was affixed to the
original of the report.

FINDINGS AND QUESTIONED COSTS

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF GUAYNABO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023.

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:	**Opinion**
Governmental activities	Qualified
General Fund	Unmodified
Business - Type Activities	Unmodified
Debt Service Fund	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?	Yes	X	No	
- Significant deficiency (ies) identified? That's not considered a material weakness.	Yes		No	X
- Noncompliance material to financial statement noted?	Yes	X	No	

Federal Awards:

Internal control over major programs:

	Yes		No	
- Material weakness (es) identified?	Yes	X	No	
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes		No	X
- Any audit findings disclosed that are required to be reported under §200.516 audit finding paragraph?	Yes	X	No	

Identification of major programs:

Name of Federal Program	**CFDA**	**Auditors' report**
Section 8 Housing Choice Vouchers	14.871	Qualified
Community Development Block Grants/Entitlement Grants	14.218	Unqualified
Head Start and Early Head Start Cluster	93.600	Unqualified
Head Start and Early Head Start Cluster Disaster Assistance	93.356	Unqualified
Workforce Innovation and Opportunity Act Cluster:		
Adult	17.258	Unqualified
Youth	17.259	Unqualified
Dislocated	17.278	Unqualified
Coronavirus Relief Fund	21.019	Unqualified

Dollar threshold used to distinguish between type A and type B programs: $750,000

Audit qualified as low-risk audited? Yes ______ No X

Section II - Financial Statements Findings

Finding 2023-001

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, 2023.The ERS has not issued audited financial statements related to the Municipality as of and for the fiscal year ended June 30, 2023.

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

Cause: The ERS has not provided the Municipality with its latest audited financial statements. Accordingly, the Municipality cannot ascertain if balances provided are accurate and complete and in accordance with auditing standards.

Effect of condition: The Municipality's Government - Wide Financial Statements does not necessarily 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, 2023.

Recommendation: We recommend the Municipality to maintain a constant communication with the ERS to obtain the latest audited financial statements of it and evaluate if it covers the Municipalities balances.

Section II - Financial Statements Findings

Finding 2023-001 (Continued)

Prior year finding:	This finding was presented in the prior year Schedule of findings and Questioned Costs (2022-001).
Views of responsible officials and planned corrective action:	See the Municipality's Corrective Action Plan.

Section II - Financial Statements Findings

Finding 2023-002

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

Type of finding: **Material Weakness**

Condition: The Employer Retirement System ERS has not provided the Municipality with the audited schedules of employment allocations and OPEB amounts by employer as of June 30, 2023, as required by GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB).

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 with its latest audited financial statements. Accordingly, the Municipality cannot ascertain if balances provided are accurate and complete and in accordance with auditing standards.

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, 2023.

Recommendation: We recommend the Municipality to maintain a constant communication with the ERS to obtain the latest audited financial statements of it and evaluate if it covers the Municipalities balances.

Prior year finding: This finding was presented in prior year Schedule of Findings and Questioned Costs (2022-002).

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

Section III - Federal Awards Findings and Questioned Costs

Finding 2023-003

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 HUD - 52681B report was submitted late. Please see below for details:

Month	Date Filled
August 2022	September 23, 2022
October 2022	November 23, 2022
February 2022	March 23, 2023

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.

Prior year finding: This finding was presented in prior year Schedule of Findings and Questioned Costs (2022-003).

Questioned costs: N/A

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

Finding 2023-004

Category: Reporting

Program: 93.600 – Head Start Cluster

Type of finding: Material Noncompliance/ Material Weakness

Condition: During our Reporting Test, we noted that forms SF-425, Federal Financial Reports were submitted late. Please see below for details:

Federal Grant ID	Report Type	Reporting Period End Date	Reporting Period Due Date	Report Submit Date
02CH01196702	Semi-Annual	2023-02-28	2023-04-30	2023-05-23
02CH01196702	Semi-Annual	2022-08-31	2022-10-30	2023-05-23

Criteria: The U.S. Department of Health and Human Services Reporting Requirements establish due dates for several financial reports. The Payment Management System requires that such report be submitted on or before 60 days after report period ends.

Cause: The Municipality was aware of the situation but due to lack of personnel was not able to complete it on time.

Effect of condition: The lack of proper filing of required reports may lead the Department of Health and Human Services to impose special conditions regarding the use of funds to the Municipality. Also, the Department of Health and Human Services 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.

Section II – Financial Statements Findings

<u>Finding 2022-001</u>

Requirements: 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"

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.

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 does not provide such information, the Municipality may contract an external actuary to perform such analysis.

Current status: Not corrected, see Finding 2023-001.

Section II – Financial Statements Findings

Finding 2022-002

Requirements:	Financial Reporting - GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"
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 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.
Current status:	Not corrected, see Finding 2023-002.

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 reported was submitted late. Please see below for details:

Month	Date filed
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 newly 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.

Current status: Not corrected, see Finding 2023-003.

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.

Current status: Corrected, current year unaudited report submitted on 8/31/2023.

Finding 2022-005

Category: Allowable Cost/ 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 the amount paid was in excess of the 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 a 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

Current status: Corrected, no issues noted in this year Disbursement test.

Finding 2022-006

Category: Special Test and Provisions – Federal interest

Program: 93.600 Head Start

Type of finding: Material Noncompliance/ Material Weakness

Condition: 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:

"Colegio Pre-Escolar Sagrados Corazones" (cadaster number 114-045-046-49-00) located in the Municipality of Guaynabo for $1,010,000.00

Criteria: 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.

Cause: As per conversation with Municipality's officials, they stated that they were not aware of such a 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.

Current status: Corrected, on February 22, 2024, the Municipality received a letter from grantor that actions taken are appropriate.

Finding 2022-005

Category: Allowable Cost/ 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 the amount paid was in excess of the 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 a 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

Current status: Corrected, no issues noted in this year Disbursement test.

Finding 2022-006

Category: Special Test and Provisions – Federal interest

Program: 93.600 Head Start

Type of finding: Material Noncompliance/ Material Weakness

Condition: 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:

"Colegio Pre-Escolar Sagrados Corazones" (cadaster number 114-045-046-49-00) located in the Municipality of Guaynabo for $1,010,000.00

Criteria: 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.

Cause: As per conversation with Municipality's officials, they stated that they were not aware of such a 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.

Current status: Corrected, on February 22, 2024, the Municipality received a letter from grantor that actions taken are appropriate.

Audit Period: July 1, 2022 – June 30, 2023

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

ORIGINAL FINDING NUM	STATEMENT OF CONCURRENCE OR NON CONCURRENCE	CORRECTIVE ACTION
2023-001 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
2023-002 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

Audit Period: July 1, 2022 – June 30, 2023

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

ORIGINAL FINDING NUM	STATEMENT OF CONCURRENCE OR NON CONCURRENCE	CORRECTIVE ACTION
2023-003 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 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, since march 2023 the Internal Audit Office gives follow-up in and require evidence of the remittance in compliance with this action. Implementation Date: Immediately. Responsible Individuals: Ms. Ada Bones, Federal Affairs Office Director
2023-004 Reporting 93.600-Head Start Cluster	Concur with the finding.	Supervision personnel were assigned to ensure that 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. In addition, the Internal Audit Office gives follow-up in and require evidence of the remittance in compliance with this action. Implementation Date: Immediately. Responsible Individuals: Ms. Marisol Monserrate, Head Start Program Director

COMMONWEALTH OF PUERTO RICO
AUTONOMUS MUNICIPALITY OF GUAYNABO

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDEND JUNE 30,2023

Audit Period: July 1, 2022 – June 30, 2023

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

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT **MARCH 30, 2024**

Ms. Ivette Báez Hernández
Finance Director