d. Relacionado con las cartas finales de recomendaciones (*Management Letters*):

☒ El 31 de marzo de 2023 recibimos las cartas finales de recomendaciones (*Management Letters*) emitidas por los auditores externos el 29 de marzo de 2023. El archivo electrónico, en formato **PDF**, de las mismas fue remitido a su Oficina el 30 de enero EN de 2023.

☐ Los auditores externos no emitieron las cartas finales de recomendaciones (*Management Letters*).

e. Se incluye el archivo electrónico, en formato PDF, de los siguientes documentos e informes:

☐ Informes de auditorías emitidos en forma final

☒ Estados financieros auditados

☒ Informes de Control Interno sobre Cumplimiento y la Opinión sobre Cumplimiento

☒ *Single Audit Report*

☒ Copia del *Form SF-SAC, Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations*, y del recibo de envío al *Federal Audit Clearinghouse*.

☐ Otros (especifique): _____

f. Relacionado con el *Informe Especial Sobre el Cumplimiento de las Recomendaciones Contenidas en los Informes de Auditoría de la Oficina del Contralor de Puerto Rico y la Corrección de las Situaciones Comentadas en sus Informes Previos (Informe Especial)*:

☐ Se incluye el archivo electrónico, en formato **PDF**, del *Informe Especial* emitido por los auditores externos el ____ de _____ de _____.

☒ No aplica, ya que no tenemos recomendaciones pendientes de cumplimentar relacionadas con los informes publicados al 28 de febrero del año fiscal auditado.

4. ☐ No tenemos la obligación por ley, reglamento o acuerdo financiero, de contratar auditores externos para realizar la auditoría de los estados financieros del año fiscal terminado al ____ de _____ de _____.

En Municipio de Cayey, Puerto Rico, hoy 26 de enero de 2024.

_____
Firma del Funcionario Principal

OC-DA-123

jun. 22 (Rev.)
OC-22-12

Estado Libre Asociado de Puerto Rico
OFICINA DEL CONTRALOR
San Juan, Puerto Rico

Certificación de Cumplimiento con la *Ley 273-2003*, según enmendada; y de Notificación de Envío de Cartas de Recomendaciones (*Management Letters*), Informes de Auditoría, Estados Financieros Auditados y Otros[1]

Yo, Hno. Rolando Ortiz Velázquez (nombre del funcionario principal) Funcionario Principal de Muncipio de Cayey (nombre de la entidad)

4018 (número de entidad) certifico a la Oficina del Contralor de Puerto Rico (Oficina) que relacionado con el año fiscal terminado al 30 de junio de 2022 :

1. Recibimos fondos públicos por $15,167,693 .
2. Efectuamos desembolsos de fondos federales por $13,199,042 . No aplica ☐.
3. Tenemos la obligación de cumplir con ☒ la *Ley 273-2003, Ley de Normas Contractuales sobre Independencia en las Auditorías de Entidades Gubernamentales*[2], según enmendada, y con ☒ el *Single Audit Act*. En cumplimiento de estos:

   a. El 30 de marzo de 2022 formalizamos el contrato número 2023-00001 para realizar la auditoría de los ☒ Estados Financieros y/o el ☒ *Single Audit Report*.

   b. El 31 de marzo de 2023 recibimos el *Informe de Auditoria* del 29 de marzo de 2023 de los auditores externos.

   c. El 29 de marzo de 2023 los auditores externos comparecieron para presentar el informe final y comunicar los hallazgos y las recomendaciones.

[1] La entidad debe remitir a esta Oficina, en formato **PDF** y no más tarde del 31 de mayo siguiente al año fiscal auditado, el *Formulario OC-DA-123* firmado por el funcionario principal, con los documentos que se especifican en el Apartado 3-e y f del mismo. Esto, mediante la aplicación *Certificaciones Anuales de la Oficina del Contralor*. La aplicación se encuentra disponible en la sección de Contraloría Digital en nuestra página en Internet: *www.ocpr.gov.pr*.

[2] En el Artículo 1 de la *Ley 273-2003* se establece que, para propósitos de esta *Ley*, la frase *cualquier entidad de gobierno* incluye a todos los organismos con facultad de contratar, de las ramas Ejecutiva, Legislativa y Judicial tales como: departamentos, dependencias, municipios, corporaciones públicas y sus subsidiarias, afiliadas o cualesquiera entidades gubernamentales que tengan personalidad jurídica propia.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF CAYEY

BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION AND INDEPENDENT AUDITORS' REPORT (WITH THE ADDITIONAL REPORTS AND SCHEDULES REQUIRED BY THE GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE)

For the Fiscal Year Ended June 30, 2022

Autonomous Municipality of Cayey
PO Box 371330, Cayey, Puerto Rico 00737
Hon. Rolando Ortíz Velázquez

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López-Vega, CPA, PSC
Certified Public Accountants / Management Advisors

Member of:
- American Institute of Certified Public Accountants
- Puerto Rico Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
General Fund	Unmodified
Debt Service Fund	Unmodified
Head Start Fund	Unmodified
Bond Issuance Fund	Unmodified
Cayey Development Fund	Unmodified
Public Assistance Grants Fund	Unmodified
American Rescue Plan Act	Unmodified
Aggregate Remaining Fund Information	Unmodified

Qualified Opinion on Governmental Activities

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the **Autonomous Municipality of Cayey,** Puerto Rico, as of June 30, 2022, and the respective changes in financial position 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 "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report. We are required to be independent of the **Autonomous Municipality of Cayey**, 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.

Matters Giving Rise to the Qualified Opinion on Governmental Activities

Noncompliance 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"*

The Retirement System Administration (ERS) has not provided the audited 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 has not implemented the accounting and financial reporting requirements for pensions as set forth in the GASB Statement No. 73. Accounting principles generally accepted in the United States of America require that governmental employers whose employees are provided with defined benefit pensions recognize a liability and pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions administered through a trust that do not meet the requirements of GASB Statement No. 68. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Municipality's governmental activities has not been determined.

Also, the Municipality's financial statements do not disclose the descriptive information about the pension plans through which the pensions are provided required by the GASB Statement No. 73. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

In addition, the Retirement System Administration (ERS) has not provided the Municipality with the audited schedules of employment allocations and OPEB amounts by employer as of June 30, 2021, (Municipality's measurement date), necessary to comply with the requirements of GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", as of June 30, 2022. As a result, amounts to be reported as deferred outflows/inflows of resources related to OPEB, the total OPEB liability, applicable disclosures and required supplementary information have been omitted.

Emphasis of Matter

Change in Accounting Principle

As described in **Note 1** and **Note 7** to the financial statements, in 2022, the government adopted new accounting guidance, GASB Statement No. 87, "*Leases*". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and

Responsibilities of Management for the Financial Statements (continued)

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 Cayey's** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **Autonomous Municipality of Cayey'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 Cayey'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 Omitted

Management has omitted historical pension information and the applicable disclosures and required supplementary information, as stated in GASB Statement No. 73 and in GASB Statement No. 75, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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 **5–15** and **77–78** be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Autonomous Municipality of Cayey's** basic financial statements. The accompanying financial data schedule and schedule of expenditures of federal awards, as required by the *U.S. Department of Housing and Urban Development and by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, respectively, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 financial data schedule and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023 on our consideration of the **Autonomous Municipality of Cayey's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the **Autonomous Municipality of Cayey's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Autonomous Municipality of Cayey's** internal control over financial reporting and compliance.

LÓPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
March 29, 2023

Stamp No. E486972 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

This discussion and analysis of the **Autonomous Municipality of Cayey** (Municipality) financial performance provides an overview of the Municipality's financial activities for the fiscal year ended on June 30, 2022. The Management Discussion and Analysis (MD&A) should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements. The discussion and analysis include comparative data for the prior year as this information is available for the fiscal year ended on June 30, 2021. This MD&A is prepared in order to comply with such pronouncement and, among other purposes, to provide the financial statements users with the following major information:

1. a broader basis in focusing important issues;

2. acknowledgement of an overview of the Municipality's financial activities;

3. provide for an evaluation of its financial condition as of the end of the indicated fiscal year, compared with prior year results;

4. identification of uses of funds in the financing of the Municipality's variety of activities and;

5. assess management's ability to handle budgetary functions.

FINANCIAL HIGHLIGHTS

The following comments about the financial condition and results of operations as reflected in the financial statements prepared for fiscal year 2022 deserve special mention:

1. Total assets of the Municipality amounted to $271,263,856, which represents an increase of 10% when compared to the prior fiscal year.

2. At the end of fiscal year 2022, total liabilities amounted to $70,454,223. Out of said amount, $44,093,752 corresponded to long-term liabilities of which $22,149,173 represents the outstanding balance of bonds and notes issued. The Municipality continued to meet all debt service requirements, most of which were paid from self-generated revenues.

3. Total net position of the Municipality amounted to $200,809,633, which represents an increase of 13% when compared to the prior fiscal year.

4. Total revenues available for the financing of activities as reflected in the Statement of Activities amounted to $54,237,951 and are derived from the following sources: $3,092,780 charges for services; $11,738,332 from operating grants and contributions; $1,840,499 from capital grants and contributions, and $37,566,340 from general revenues available.

5. Total expenses incurred to afford the cost of all functions and programs as reflected in the Statement of Activities amounted to $35,614,007.

6. As reflected in the Statement of Activities, the current fiscal year operations contributed to an increase in the net position figure by $23,623,944.

7. As of the close of the current fiscal year, the Municipality's Governmental Funds reported combined ending fund balances of $70,465,963.

FINANCIAL HIGHLIGHTS (CONTINUED)

8. As of the end of the current fiscal year, the Municipality's General Fund fund balance amounted to $29,355,999 compared to a fund balance of $26,876,834, in the prior fiscal year.

9. The actual General Fund budgetary activities resulted in a favorable balance of $7,801,927.

FUNDAMENTALS OF FINANCIAL STATEMENTS PRESENTATION

The approach used in the presentation of the financial statements of the Municipality is based on a government-wide view of such statements as well as a presentation of individual funds behavior during fiscal year 2021-2022. The combination of these two perspectives provides the user the opportunity to address significant questions concerning the content of said financial statements and provide the basis for a comparable analysis of future years performance. The comparative analysis is a meaningful and useful management tool for municipal management in the decision-making process.

Under the aforementioned approach, assets and liabilities are recognized using the accrual basis of accounting which is similar to the method used by most private enterprises. This means that current year's revenues and expenses are accounted for regardless of when cash is received or paid.

FINANCIAL STATEMENTS COMPONENTS

The basic financial statements consist of the government-wide financial statements, the funds financial statements and the notes to the financial statements which provide details, disclosure, and description of the most important items included in said statements.

The Statement of Net Position reflects information of the Municipality as a whole on a consolidated basis and provides relevant information about its financial strength as reflected at the end of the fiscal year. Such financial level is measured as the difference between total assets and liabilities, with the difference between both items reported as net position. It is important to note that, although municipalities as governmental public entities were not created to operate under a profit motive framework, the return on assets performance plays an important role in their financial operations. The higher the increments achieved in net revenues, the higher the capacity to increase the net position figure either through additional borrowings or through internally generated funds. This in turn will benefit the welfare of the **Autonomous Municipality of Cayey's** constituents.

The Statement of Activities is focused on both gross and net cost of the various activities of the Municipality. It presents information which shows the changes in the Municipality's net position at the most recent fiscal year. Based on the use of the accrual basis of accounting, changes are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Under said approach, revenues and expenses are reported in the Statement of Activities based on the theory that it will result in cash flows to be realized in future periods.

A brief review of the Statements of Activities of the Municipality at June 30, 2022, shows total expenses incurred to afford the cost of all functions and programs amounted to $35,614,007. Upon examining the sources of revenues for the financing of said programs, the Statement reflects that $16,671,611 was derived from the following sources: $3,092,780 charges for services; $11,738,332 from operating grants and contributions; and $1,840,499 from capital grants and contributions. General revenues for the year amounted to $37,566,340. When such figure is added to the $16,671,611 previously mentioned, total revenues available for the financing of activities amounted to $54,237,951. There was an excess of revenues over expenses in the amount of $18,623,944 and $5,000,000 of the Community Disaster Loan cancelation, which contributed to an increase in the figure of net position attained at the end of the fiscal year.

FINANCIAL STATEMENTS COMPONENTS (CONTINUED)

The Fund Financial Statements are another important component of the Municipality's financial statements. A fund is a grouping of related accounts that are used to maintain accountability and controls over economic resources of the Municipality that have been segregated for specific activities. The municipal fund type of accounting is used to demonstrate compliance with related legal requirements. Information offered through these statements is limited to the Municipality's most significant funds and is particularly related to the local government only, instead of the government as a whole. Government funds are used to account for essentially the same functions as those reported as governmental activities. The funds are reported using an accounting method known as modified-accrual accounting which measures cash and all other financial assets that can be readily converted into cash.

The fund statement approach gives the user a short-term view of the Municipality's government operations and the basic services it provides. Since the focus of government funds is narrower than that of the financial statements as a whole, it also helps the user with comparable information presented in the governmental activities report. By doing so, readers of the basic financial statements may understand better the long-term effect of the Municipality's short-term financial decisions.

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 understand better the long-term impact of the Municipality's near-term financial decisions. The Governmental Fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

INFRASTRUCTURE ASSETS

Historically, a significant group of infrastructure assets (such as roads, bridges, traffic signals, underground pipes not associated with utilities, etc.) have not been recognized nor depreciated in the accounting records of the Municipality. GASB 34 requires that such type of assets be inventoried, valued, and reported under the governmental column of the Government-Wide Statement. The Municipality implemented the capitalization of infrastructure since July 1, 2002.

According to the requirements of GASB 34, the government must elect to either (a) depreciate the aforementioned assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery to near perpetuity. If the government develops the asset management system, (the modified approach), which periodically (at least every three years), by category, measures and demonstrate its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. In this particular respect, the Municipality has elected the use of recognizing depreciation under the useful life method, and it contemplates to continue this treatment on said basis.

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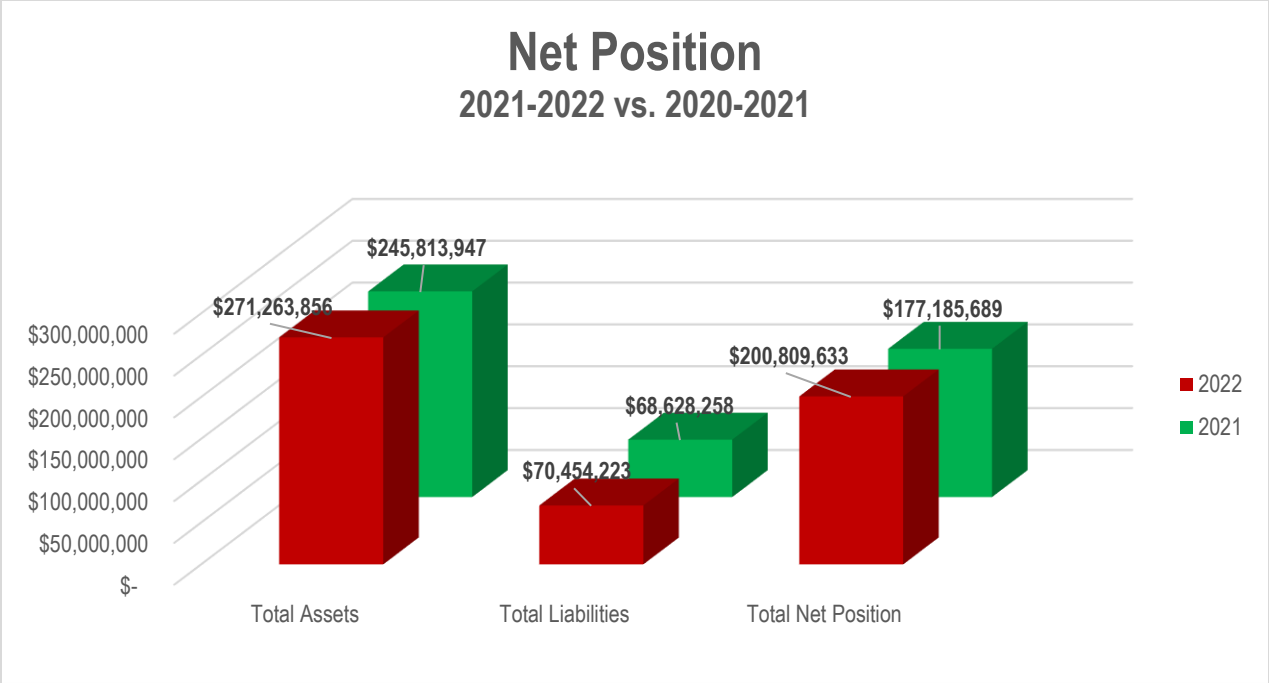
FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Net Position

The Statement of Net Position serves as an indicator of the Municipality's financial position at the end of the fiscal year. In the case of the **Autonomous Municipality of Cayey**, primary government assets exceeded total liabilities by $200,809,633 at the end of 2022, compared to $177,185,689 at the end of the previous year as showed in the following condensed Statements of Net Position of the Primary Government.

Condensed Statements of Net Position	2022	2021	Change	%
Current and other assets	$ 99,413,981	$ 85,233,858	$ 14,180,123	17%
Capital assets	171,849,875	160,580,089	11,269,786	7%
Total assets	271,263,856	245,813,947	25,449,909	10%
Current and other liabilities	26,360,471	19,180,087	7,180,384	37%
Long-term liabilities	44,093,752	49,448,171	(5,354,419)	(11%)
Total liabilities	70,454,223	68,628,258	1,825,965	3%
Net investment in capital assets	149,700,702	136,259,416	13,441,286	10%
Restricted	16,249,871	6,877,323	9,372,548	136%
Unrestricted	34,859,060	34,048,950	810,110	2%
Total net position	$ 200,809,633	$ 177,185,689	$23,623,944	13%



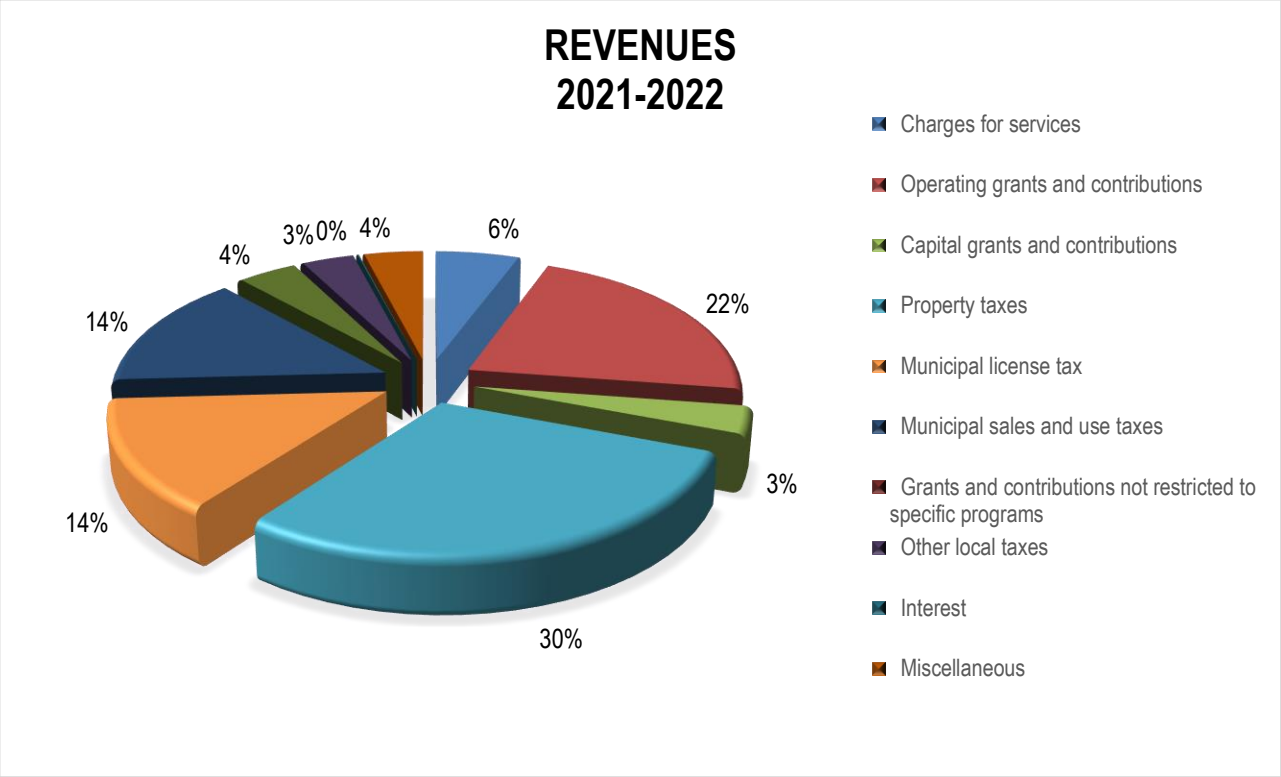
FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

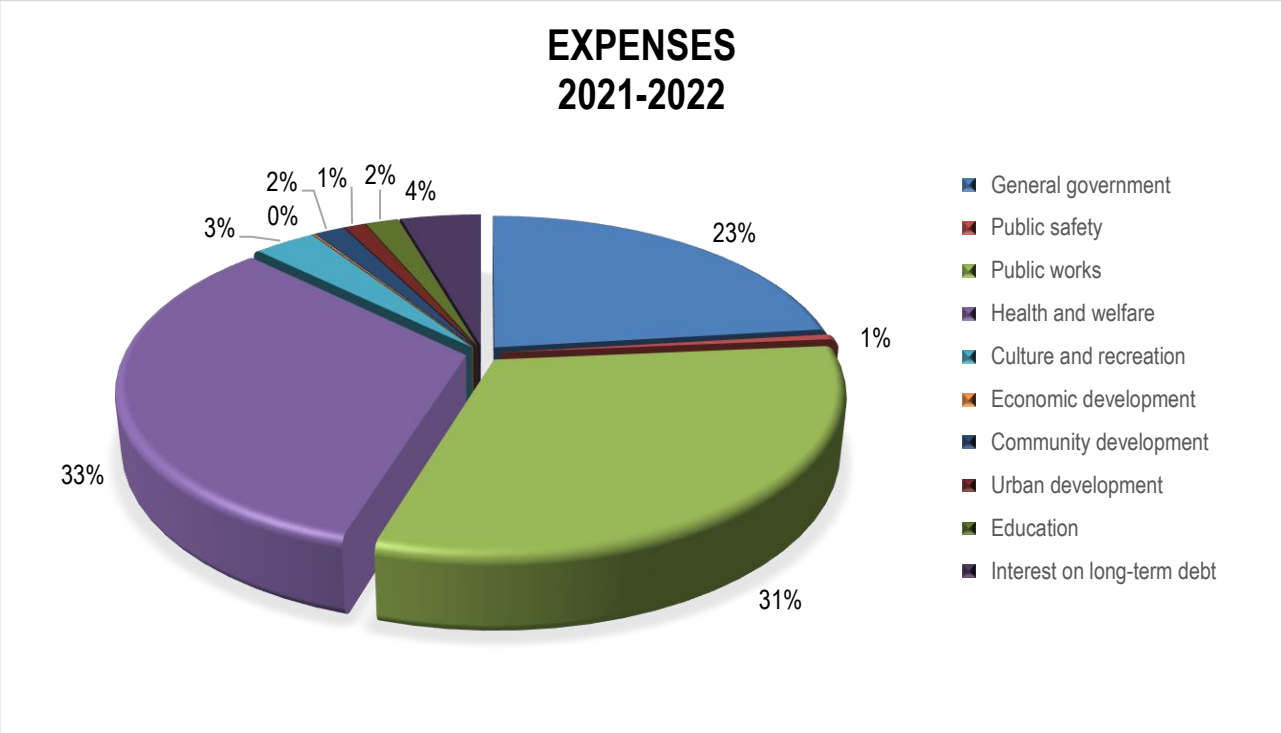
Changes in Net Position

The Statement of Activities reflects that, for the fiscal year 2022, total revenues derived from several programs plus current operating revenues, amounted to $54,237,951. Approximately 61% of the Municipality's total revenue came from taxes, while 22% resulted from grants and contributions, including federal aid. Charges for services provide 6% of the total revenues. The Municipality's expenses cover a range of services. The largest expenses were for public works with 31%, and health and welfare with 33%. As follows, a comparative analysis of governmental-wide data is presented. With this analysis, the readers have comparative information with the percentage of change in revenues and expenses from prior year to current year.

Condensed Statements of Activities	2022	2021	Change	%
Program revenues:				
Charges for services	$ 3,092,780	$ 393,320	$ 2,699,460	686%
Operating grants and contributions	11,738,332	10,937,893	800,439	7%
Capital grants and contributions	1,840,499	4,238,240	(2,397,741)	(57%)
General revenues:				
Property taxes	16,058,393	16,939,376	(880,983)	(5%)
Municipal license tax	7,490,933	7,928,722	(437,789)	(6%)
Municipal sales and use taxes	7,660,411	6,955,255	705,156	10%
Grants and contributions not restricted to specific programs	2,199,696	2,528,317	(328,621)	(13%)
Other local taxes	1,921,793	1,382,481	539,312	39%
Interest	47,576	199,941	(152,365)	(76%)
Miscellaneous	2,187,538	1,816,949	370,589	20%
Total revenues	54,237,951	53,320,494	917,457	2%
Expenses:				
General government	8,225,685	12,377,154	(4,151,469)	(34%)
Public safety	181,031	74,320	106,711	144%
Public works	11,085,957	5,669,847	5,416,110	96%
Health and welfare	11,604,083	13,435,543	(1,831,460)	(14%)
Culture and recreation	1,219,206	1,218,070	1,136	0.09%
Economic development	33,364	82,836	(49,472)	(60%)
Community development	597,320	647,817	(50,497)	(8%)
Urban development	416,061	299,158	116,903	39%
Education	659,124	4,812,891	(4,153,767)	(86%)
Interest on long-term debt	1,592,176	1,623,991	(31,815)	(2%)
Total expenses	35,614,007	40,241,627	(4,627,620)	(11%)
Cancellation of Community Disaster Loan	5,000,000	-	5,000,000	100%
Change in net position	23,623,944	13,078,867	10,545,077	81%
Net position, beginning of year	177,185,689	164,106,822	13,078,867	8%
Net position, end of year	$ 200,809,633	$ 177,185,689	$ 23,623,944	13%

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)





FINANCIAL ANALYSIS OF THE MUNICIPALITY'S INDIVIDUAL FUNDS

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

As of the end of the current fiscal year, the Municipality's governmental funds reported combined ending fund balances of $70,465,963, an increase of $6,354,190 when compared to the prior year. There are restrictions of fund balance amounting to $12,626,801. This is the portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions 1) to pay for specific program purposes $2,925,033; 2) to pay debt services $9,701,768. There are committed fund balance amounting to $8,915,801 that can only be used pursuant to constraint formally imposed by the Municipal Legislature by ordinances and resolutions 1) to pay for specific programs purposes $7,599,686 and 2) to pay for public works purposes $204,636. There are assigned fund balances amounting to $30,223,528 that represent resources for specific purposes that do not meet the definition to be classified as restricted or committed (generally executive orders approved by the Mayor to 1) pay for specific programs purposes $3,443,024 and; 2) pay for capital projects $26,780,504.

Within the governmental funds, it is included the general fund which is the chief operating fund of the Municipality. As of June 30, 2022, the general fund has an unassigned fund balance of $19,530,542.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Municipality Legislature revised the Municipality's budget in order to include increases in revenues that were identified during the course of the fiscal year based on current developments that positively affected the Municipality's finances. Increases in budgeted expenditures were also made since the law mandates a balanced budget.

The actual General Fund budgetary activities resulted in a favorable balance of $7,801,927, mainly due to unexpected variances in revenue and expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Municipality's investment in capital assets as of June 30, 2022, amounts to $255,541,375 with an accumulated depreciation of $83,691,500 leaving a net book value of $171,849,875. Depreciation charges for the year totaled $4,777,259. This investment in capital assets includes land, construction in progress, buildings, improvements, equipment, infrastructure, furnishings, computers, and vehicles. 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.

The Municipality finances a significant portion of its construction activities through bond or notes issuances. The proceeds from bond and notes issuances designated for construction activities are committed in its entirety for such purposes and cannot be used for any other activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

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 in additional general obligation debt if the deposits in such Municipality's Redemption Fund and the annual amounts collected with respect to such 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 of 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.

The following is a summary of the Municipality's outstanding debt as of June 30, 2022, and 2021:

Outstanding Long-Term Debt Fiscal Years Ended June 30,	**2022**	**2021, As Restated**
General and special obligation bonds payable	$ 22,149,173	$ 24,320,673
Payable to CRIM – Laws 42 and 146	2,626,085	2,805,109
Compensated absences	3,495,318	3,536,382
Landfill obligation	15,410,115	13,425,517
Lease liability	31,622	51,965
Note Payable to Community Disaster Loan Program	-	5,000,000
Christmas bonus	149,026	206,077
Claims and judgments	232,413	154,413
Total	**$ 44,093,752**	**$ 49,500,136**

On September 30, 2021, the United States Congress passed The Extending Government Funding and Delivering Emergency Assistance Act (P.L. 117-43) According to P.L. 117-43, Section 1601. (a), "Repayments of the remaining balances of all loans, as of September 30, 2021, by the Federal Emergency Management Agency under section 417 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5184) are hereby cancelled". Accordingly, the outstanding balance of principal and interest of the referenced loan as of September 30, 2021, was cancelled.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Municipality relies primarily on property and municipal taxes as well as federal and state grants to carry out the governmental activities. Federal and State grant revenues may vary if new grants are available, but the revenue also is very predictable. Those factors were considered when preparing the Municipality's budget for the fiscal year 2022-2023.

Fiscal Conditions for Municipalities in Puerto Rico

The Commonwealth of Puerto Rico has faced an increasing deterioration in its economy during the last decade. As a result, all governmental entities economies and fiscal operations has been affected, including the Municipalities. The Commonwealth's Fiscal Plan, implemented in accordance with requirements of PROMESA, provides for the reduction and eventual elimination of a substantial portion of the Commonwealth's subsidy transfer to the municipalities, which may adversely affect the ability of municipal governments to continue providing essential services and servicing their debt obligations. The reduction will be gradually implemented by 20% on each successive year starting at $44M in fiscal year 2018-2019, ultimately phasing-out in fiscal year 2024-2025.

As a consequence of the Commonwealth's fiscal crisis, the Government Development Bank for Puerto Rico ("GDB") completed its wind-down of its fundamental operations on March 23, 2018. GDB historically served as an important source of liquidity to municipal governments by providing financing to such entities. Certain mid-sized and small municipalities were not able to obtain financing from commercial financial institutions to continue funding their public work programs and operations since those institutions have strengthened their requirements for financing. In order to mitigate the impact of this events, the municipalities are obtaining other alternatives of long-term financing including federal loans from Rural Development, HUD (Section 108) and FEMA (CDL Loans).

Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of a new coronavirus (COVID-19) as a pandemic that continues to spread. The United States Government declared a nationwide public health emergency in order to make efforts to contain the virus and provide measures to mitigate the negative effect on the economy. Also starting in March 2020, the Governor of the Commonwealth of Puerto Rico issued various executive orders which, among other things, imposed an overnight curfew, ordered schools, non-essential businesses, nonprofit entities and Commonwealth and Municipal governmental organizations to close or partially operate.

Businesses, the Commonwealth, Municipal governments, and people of Puerto Rico were granted with financial assistance in order to alleviate the economic impact of the virus. The Municipality was awarded with financial support from the Federal Government through the Coronavirus Relief Fund (passed-through the Puerto Rico Departments of Health and Treasury) and the Coronavirus State and Local Fiscal Recovery Funds (passed-through the Puerto Rico Fiscal Agency and Financial Advisory Authority).

Impact of Hurricane Fiona

On September 18, 2022, Puerto Rico was directly impacted by Hurricane Fiona causing a level of widespread destruction in many areas of the island including infrastructure, housing, environment, and public and private property. The hurricane caused property damages which could not be currently determined. As a result of the massive impact of the hurricane, a series of actions and events have been taken by the Federal Government.

A major disaster declaration, FEMA-4671-DR-PR, was signed by the President of the United States on September 21, 2022. Under this declaration, all 78 Municipalities of the Commonwealth of Puerto Rico have been designated adversely affected by the disaster and eligible for Public Assistance (PA), Hazard Mitigation Grant (HMGP) and Individual Assistance

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

(IA) programs, implemented under the authority of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. The Municipality has been designated for IA and PA for debris removal and emergency protective measures (Categories A and B) and permanent work (Categories C-G).

Extraordinary fund for waste collection and disposal and implementation of recycling programs in municipalities Act No. 53-2021

Act No. 53, from October 26, 2021, states an extraordinary fund for waste collection and disposal and the implementation by the municipalities of recycling programs. This fund will be within the municipal equalization fund, but in a separate account.

This Act establishes that as the Government of Puerto Rico's Plan of Adjustment of the Debt includes reductions to the guaranteed debt, a portion of the economies generated will be made accessible to municipalities. This fund will have an annual appropriation from the Government's general fund, equivalent to 42% of the prior years' collection of the 1.03% Redemption Fund. This assignment will only be included in the fiscal year budget if the Medicaid funds received in the prior fiscal year exceeds the amounts projected in the Government's Fiscal Plan, certified by the Financial Oversight and Management Board.

This Act establishes that these funds will be used exclusively and specifically for the following purposes:

a) Waste collection and disposal

b) Solid waste collection and disposal

c) Debris collection and disposal

d) Implementation of a recycling program

Next year's budget

In addition to the fiscal factors discussed above, the Municipality's officials considered certain economic factors such as estimates for the growth or decline in population, personal income, housing statistics and unemployment rates when establishing the fiscal year's 2022-2023 budget. For the year 2022-2023, the Municipality applied a conservative approach in the development of budget estimates.

FINAL COMMENTS

The Municipality is an autonomous governmental entity whose powers and authority vested on its Executive and Legislative Branches are specifically established in the Municipal Autonomous Act approved in August 1991. By virtue of such powers, it provides a wide range of services to its constituents which includes, among others, public works, education, public safety, public housing, health, community development, recreation, waste disposal, welfare and others. The Municipality's principal sources of revenues are derived from property taxes, municipal license taxes, subsidies from the Commonwealth of Puerto Rico's General Fund and contributions from the Traditional and Electronic Lottery sponsored by said Government.

The Municipality's management is committed to a continued improvement in the confection of a budget that will respond to the needs of the public and private sectors in accordance with its permissible revenue levels. It further contemplates to maintain or improve its current levels of Net Position as indicative of a strong financial position which has been identified as one of the main short and long-term objectives of the Municipality.

FINANCIAL CONTACT

The Municipality's financial statements are designed to present users (citizens, taxpayer, customers, investors, and creditors) with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability. If you have questions about the report or need additional financial information, please contact the Municipality's Chief Financial Officer at P.O. Box 371330 Cayey, P.R. 00737-1330.

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	Governmental Activities
Assets	
Cash and cash equivalents	$ 39,189,265
Account receivables, net:	
Property taxes	199,026
Municipal license tax	17,110
Others	208,355
Due from:	
Commonwealth Government	198,806
Federal Government	956,717
Restricted assets:	
Cash and cash equivalents	46,581,151
Cash with fiscal agent in commercial banks	12,063,551
Capital assets:	
Land and construction in progress	84,970,701
Other capital assets, net	86,879,174
Total capital assets	171,849,875
Total assets	271,263,856
Liabilities	
Accounts payable and accrued liabilities	4,001,341
Due to:	
Commonwealth Government	489,046
Interest payable	930,556
Unearned revenues:	
Municipal license taxes	7,607,932
Commonwealth Government	64,561
Federal Government	13,267,035
Noncurrent liabilities:	
Due within one year	5,736,954
Due in more than one year	38,356,798
Total liabilities	70,454,223
Net position	
Net investment in capital assets	149,700,702
Restricted for:	
Debt service	13,324,838
Other purposes	2,925,033
Unassigned	34,859,060
Total net position	$ 200,809,633

The accompanying notes to the basic financial statements are an integral part of this statement.

Functions/Programs	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Change in Net Position: Governmental Activities
Governmental Activities:					
General government	$ 8,225,685	$ 113,958	$ 3,093,410	$ -	$ (5,018,317)
Public safety	181,031	61,952	3,056	-	(116,023)
Public works	11,085,957	805,117	1,423,615	1,711,664	(7,145,561)
Health and welfare	11,604,083	2,111,753	5,347,823	-	(4,144,507)
Culture and recreation	1,219,206	-	52,482	-	(1,166,724)
Economic development	33,364	-	109,947	-	76,583
Community development	597,320	-	1,656,218	128,835	1,187,733
Urban development	416,061	-	-	-	(416,061)
Education	659,124	-	51,781	-	(607,343)
Interest on long-term debt	1,592,176	-	-	-	(1,592,176)
Total governmental activities	$ 35,614,007	$ 3,092,780	$ 11,738,332	$ 1,840,499	$ (18,942,396)

General revenues:	
Taxes:	
Property taxes	16,058,393
Municipal license taxes	7,490,933
Sales and use taxes	7,660,411
Other local taxes	1,921,793
Grants and contributions not restricted to specific programs	2,199,696
Interest	47,576
Miscellaneous	2,187,538
Total general revenues	37,566,340
Extraordinary items:	
Cancellation of Community Disaster Loan	5,000,000
Change in net position	23,623,944
Net position - beginning	177,185,689
Net position - ending	$ 200,809,633

The accompanying notes to the basic financial statements are an integral part of this statement.

Balance Sheet-Governmental Funds
June 30, 2022

	Major Funds								
	General Fund	Debt Service Fund	Head Start Fund	Bond Issuance Fund	Cayey Development Fund	Public Assistance Grants Fund	American Rescue Plan Act Fund	Other Governmental Funds	Total Governmental Funds
Assets									
Cash and cash equivalents	$ 36,943,155	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,246,110	$ 39,189,265
Receivables, net:									
Property taxes	199,026	-	-	-	-	-	-	-	199,026
Municipal license taxes	17,110	-	-	-	-	-	-	-	17,110
Others	205,320	-	-	-	-	-	-	3,035	208,355
Due from:									
Commonwealth Government	-	-	-	-	-	-	-	198,806	198,806
Federal Government	-	-	48,107	-	-	700,347	-	208,263	956,717
Other funds	1,879,671	-	-	-	-	-	-	194	1,879,865
Restricted assets:									-
Cash and cash equivalents	-	-	458,094	204,636	28,187,143	3,781,895	9,547,095	4,402,288	46,581,151
Cash with fiscal agent in commercial banks	-	12,063,551	-	-	-	-	-	-	12,063,551
Total assets	$ 39,244,282	$ 12,063,551	$ 506,201	$ 204,636	$ 28,187,143	$ 4,482,242	$ 9,547,095	$ 7,058,696	$ 101,293,846
Liabilities, Deferred Inflows of Resources and Fund Balances									
Liabilities:									
Accounts payable and accrued liabilities	$ 1,607,022	$ -	$ 203,297	$ -	$ 1,249,833	$ 723,217	$ 7,695	$ 210,277	$ 4,001,341
Mature bonds, notes and interest payable		2,361,783	-	-	-	-	-	-	2,361,783
Due to:									
Commonwealth Government	474,109	-	-	-	-	-	-	14,937	489,046
Other funds	194	-	3,135	-	156,806	1,252,113	-	467,617	1,879,865
Unearned revenues:									
Municipal license tax	7,607,932	-	-	-	-	-	-	-	7,607,932
Intergovernmental	-	-	-	-	-	-	-	64,561	64,561
Federal Government		-	299,769	-	-	2,506,912	9,539,400	920,954	13,267,035
Total liabilities	9,689,257	2,361,783	506,201	-	1,406,639	4,482,242	9,547,095	1,678,346	29,671,563
Deferred Inflows of Resources:									
Unavailable revenues- Property taxes	199,026	-	-	-	-	-	-	-	199,026
Unavailable revenues- Commonwealth	-	-	-	-	-	-	-	48,684	48,684
Unavailable revenues- Federal	-	-	-	-	-	700,347	-	208,263	908,610
Total deferred inflows of resources	199,026	-	-	-	-	700,347	-	256,947	1,156,320
Fund Balance:									
Restricted	-	9,701,768	-	-	-	-	-	2,925,033	12,626,801
Committed	7,599,686	-	-	204,636	-	-	-	1,111,479	8,915,801
Assigned	2,225,771	-	-	-	26,780,504	-	-	1,217,253	30,223,528
Unassigned (deficit)	19,530,542	-	-		-	(700,347)	-	(130,362)	18,699,833
Total fund balances (deficit)	29,355,999	9,701,768	-	204,636	26,780,504	(700,347)	-	5,123,403	70,465,963
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 39,244,282	$ 12,063,551	$ 506,201	$ 204,636	$ 28,187,143	$ 4,482,242	$ 9,547,095	$ 7,058,696	$ 101,293,846

The accompanying notes to the basic financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds
For the Fiscal Year Ended June 30, 2022

	Major Funds								
	General Fund	Debt Service Fund	Head Start Fund	Bond Issuance Fund	Cayey Development Fund	Public Assistance Grants Fund	American Rescue Plan Act Fund	Other Governmental Funds	Total Governmental Funds
Revenues									
Taxes:									
Property taxes	$ 8,232,039	$ 7,826,354	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,058,393
Municipal license taxes	7,490,933	-	-	-	-	-	-	-	7,490,933
Sales and use taxes	6,077,583	1,582,828	-	-	-	-	-	-	7,660,411
Intergovernmental:									
Commonwealth Government	1,846,193	-	-	-	-	-	-	423,111	2,269,304
Federal Government	-	-	3,895,955	-	-	1,840,499	2,346,076	4,815,859	12,898,389
Licenses, permits and other local taxes	1,533,954	-	-	-	-	-	-	-	1,533,954
Charges for services	3,091,862	-	-	-	-	-	-	-	3,091,862
Fines and forfeitures	918	-	-	-	-	-	-	-	918
Rent of property	387,839	-	-	-	-	-	-	-	387,839
Interest	47,576	-	-	-	-	-	-	-	47,576
Miscellaneous	1,326,777	-	-	-	521,568	-	-	339,193	2,187,538
Total revenues	30,035,674	9,409,182	3,895,955	-	521,568	1,840,499	2,346,076	5,578,163	53,627,117
Expenditures									
Current:									
General government	13,350,836	-	-	-	-	-	-	-	13,350,836
Public safety	150,325	-	-	-	-	-	-	-	150,325
Public works	7,212,116	-	-	656,111	3,204,186	2,539,070	2,333,253	871,436	16,816,172
Health and welfare	4,177,779	-	3,895,955	-	-	-	-	3,355,060	11,428,794
Culture and recreation	493,169	-	-	-	-	-	-	-	493,169
Economic development	-	-	-	-	-	-	-	33,014	33,014
Community development	178,069	-	-	-	-	-	-	678,726	856,795
Urban development	-	-	-	-	-	-	-	416,061	416,061
Education	189,098	-	-	-	-	-	-	169,917	359,015
Debt service:									
Principal	345,343	1,961,500	-	-	-	-	-	-	2,306,843
Interest	269,423	792,480	-	-	-	-	-	-	1,061,903
Total expenditures	26,366,158	2,753,980	3,895,955	656,111	3,204,186	2,539,070	2,333,253	5,524,214	47,272,927
Excess (deficiency) of revenues over (under) expenditures	3,669,516	6,655,202	-	(656,111)	(2,682,618)	(698,571)	12,823	53,949	6,354,190
Other financing sources (uses)									
Transfers in	2,560,686	-	-	-	4,978,992	-	-	83,898	7,623,576
Transfers out	(3,751,035)	(3,830,757)	-	-	(24,461)	(1,776)	(12,823)	(2,724)	(7,623,576)
Total other financing sources (uses)	(1,190,349)	(3,830,757)	-	-	4,954,531	(1,776)	(12,823)	81,174	-
Net change in fund balances	2,479,167	2,824,445	-	(656,111)	2,271,913	(700,347)	-	135,123	6,354,190
Fund balance, beginning	26,876,832	6,877,323	-	860,747	24,508,591	-	-	4,988,280	64,111,773
Fund balance, ending	$ 29,355,999	$ 9,701,768	$ -	$ 204,636	$ 26,780,504	$ (700,347)	$ -	$ 5,123,403	$ 70,465,963

The accompanying notes to the basic financial statements are an integral part of this statement

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2022

Total Fund Balances - Governmental Funds		**$ 70,465,963**
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		171,849,875
Other assets are not available to pay current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds:		
Due from Commonwealth Government:		
Department of Labor – Law No. 52	$ 48,684	
CRIM – Property tax final settlement	199,026	
Due from Federal Government:		
Federal grant – Public Assistance Grant	700,347	
Federal grant – Community Development Block Grant	156,528	
Federal grant – Federal Transit Administration	51,735	1,156,320
Interest liabilities are not due and payable in the current period and, therefore, are not reported in the funds		(530,273)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds and notes	(20,187,673)	
Note payable to CRIM – Laws No. 42 & No.146	(2,626,085)	
Compensated absences	(3,495,318)	
Lease liability	(31,622)	
Christmas bonus	(149,026)	
Claims and judgments	(232,413)	
Landfill obligation	(15,410,115)	(42,132,252)
Net position of governmental activities		**$ 200,809,633**

The accompanying notes to the basic financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds		**$ 6,354,190**
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital assets 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:		
Expenditures for capital assets	$ 15,863,178	
Less: current-year depreciation	(4,645,357)	11,217,821
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Department of Labor – Law No. 52	48,684	
CRIM – Property tax final settlement	199,026	
Federal grant – Public Assistance Grant	700,347	
Federal grant – Community Development Block Grant	156,528	
Federal grant – Federal Transit Administration	51,735	1,156,320
Revenues reported in the funds that are not reported as revenues in the Statement of Activities:		
Department of Labor – Law No. 52	(46,209)	
CRIM – Property tax final settlement	(271,109)	
Federal grant – Community Development Block Grant	(108,244)	
Federal grant – Child Care Program	(79,601)	
Federal grant – Title III	(27,890)	
Federal grant – Federal Transit Administration	(12,433)	(545,486)
Expenditures reported in the funds which are not reported as expenses in the Statement of Activities:		
Matured bonds and notes principal payments (net change)		449,990
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position:		
General and special obligation bonds and notes payable	2,286,500	
Other long-term liabilities	101,022	2,387,522
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures:		
Christmas bonus (net change)	57,051	
Compensated absences (net change)	41,064	
Landfill obligation	(1,984,598)	
Lease liability (net change)	20,343	
Community disaster loan (net change)	5,000,000	
Accrued interest (net change)	(530,273)	2,603,587
Change in net position of governmental activities		**$ 23,623,944**

The accompanying notes to the basic financial statements are an integral part of this statement.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **Autonomous Municipality of Cayey** (the Municipality) was founded in the year 1773. The Municipality's governmental system consists of an executive and legislature branch elected for a four-year term during the general elections of Puerto Rico. The Mayor is the executive officer and the legislative branch consists of sixteen members of the Municipal Legislature. The Municipality provides a comprehensive range of services to its citizens such as: general government administration; public works and sanitation; public safety; health; welfare programs; community, urban and economic development; culture and recreation activities and educational services.

The basic financial statements of the Municipality have been prepared in conformity with Generally Accepted Accounting Principles as applied to local governmental units in the United States of America (USGAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its governmental accounting and financial reporting standards which, along with subsequent GASB Statements and Interpretations, constitute GAAP for governmental entities.

A. Financial reporting entity

The financial reporting entity included in this report consists of the financial statements of the **Autonomous Municipality of Cayey** (primary government) and organizations for which the primary government is financially accountable. A primary government is any state government or general-purpose local government (i.e. a municipality). 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 information should be included with that of the primary government. Component units are legally separate organizations for which the primary government is financial 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 can be a governmental organization, a nonprofit corporation or a for-profit entity. A primary government's financial accountability for a legally separate organization is determined based on the following criteria:

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.

Also, as indicated above, it would be necessary to include other organizations as component units if their exclusion would cause the financial statements of the primary government to be misleading or incomplete.

In addition, "special criteria" applies when evaluating a legally separate, tax-exempt organization as potential component unit. Specifically, such entities must be treated as component units if they meet all of the following criteria:

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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Legally separate organizations that do not meet the financial accountability requirement or the above "special criteria" should still be included as a component unit if the financial statements of the primary government would be misleading or incomplete without them.

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 they meet 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.

4. The component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in the component unit's articles of incorporation or bylaws, and the component unit is included in the financial reporting entity pursuant to the provisions in paragraphs 21−37 of Statement No.14, "*The Financial Reporting Entity*", as amended.

Otherwise, the component unit should be presented as discrete. Those component units do not function as an integral part of the primary government and their data is presented discretely (separately) from the data of the primary government (*"discretely component units"*). Legally separate, tax-exempt organizations that meet the special 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. Financial statement 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, financial data schedule and required supplementary information other than the MD&A. 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:

Management's Discussion and Analysis

It provides a narrative introduction and analytical overview of the Municipality's financial activities which is similar to the analysis the private sector companies provide in their annual reports.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic financial statements

The basic financial statements include both the government-wide and fund financial statements. Both sets of statements categorize primary activities as governmental type, which are primarily supported by taxes and intergovernmental revenues.

Government-wide Financial Statements (GWFS)

The government-wide financial 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 in the period in which the associated liability is incurred, regardless of the timing of related cash flows. 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.

The Statement of Net Position presents all of the reporting entity's non-fiduciary assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. 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 direct expenses, including depreciation, by related program revenues, operating and capital grants and contributions. Direct expenses are those that are clearly identifiable with a specific function. As a policy, indirect expenses are not allocated in the Statement of Activities. Program revenues must be directly associated with the function.

The types of transactions included as program revenues are: charges for services, fees, rent, licenses and permits; 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. Likewise, general revenues include all taxes. Property taxes (imposed nonexchange transactions) are recognized as revenues in the year for which they are levied and municipal license taxes and sales and use taxes (derived tax revenues) when the underlying exchange has occurred, and time requirements are met. Revenues on both operating and capital grants are recognized when all eligibility requirements (including time requirements) imposed by the provider have been met. For certain expenditure-driven grants, revenue is recognized after allowable expenditures are incurred.

The Municipality reports unearned revenues in the government-wide statements. Unearned revenues arise when resources are received before the Municipality has a legal claim to them (such as advances of derived tax revenues) or before applicable eligibility requirements are met (in case of certain federal expenditure-driven grants if resources are received before allowable expenditures are incurred).

In subsequent periods, when the Municipality has a legal claim to the resources, the liability for unearned revenues is removed from the statement of net position and the revenue is recognized.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (FFS)

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 funds financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances with one column for the general fund, one 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 general operating fund of the Municipality. It is used to account for and report all financial resources not accounted for and reported in another fund.

Debt Service Fund – This fund is used to account for and report financial resources that are restricted for expenditure for the payment of principal and interest of general obligation bonds and notes issued by the Municipality. This fund accounts for the resources of three individual funds: 1) "CAE Fund", the sinking fund which accounts for the 3.75% of property taxes collected by the Municipal Revenue Collection Center ("CRIM"); 2) "Municipal Redemption Fund," the sinking fund that accounts for the 0.2% of the 0.5% collected from the sales and use tax that is, by law, deposited in the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF") for the financing of loans to Municipalities; and 3) operational loans that are paid from the general fund's operating revenues.

Head Start Fund – This fund is used to account for, and report revenues sources received from the U.S. Department of Health and Human Services that are restricted for expenditure for the activities performed under the Head Start program. These activities consist of providing services to pregnant women and children (birth to 5 years old) and their families that are under the poverty line or are eligible for public assistance.

Bond Issuances Fund – This fund is used to account fund and report the financial resources received from the issuance of general obligations bonds and notes for capital outlays, including the acquisition, development and improvement of capital assets.

Cayey Development Fund – This Fund is a special revenue fund used to account for financial resources from non-recurring sources to carry out school development programs, school infrastructure improvements, among other purposes. The main sources of collection of this income are: (1) transfers of excesses in property tax collections and sales tax accounted for in the Debt Service Fund, (2) surpluses from the General Fund, (3) grants non-recurring received from the state government that have no restrictive use, (4) net proceeds from property sales, (5) proceeds from litigation, among other sources. The uses and limitations of the fund are specified by Executive and Municipal Legislature Resolution.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Assistance Grants Fund – This fund is a special revenue fund used to account for and report revenue sources from the Federal Emergency Management Agency ("FEMA") for assistance in debris removal, emergency protective measures and the repair, restoration, reconstruction or replacement of public facilities or infrastructure damaged or destroyed by the devastating effects of natural disasters, the most significant Hurricanes Irma and Maria. Funds are received through the Central Office for Recovery, Reconstruction and Resilience of the Commonwealth of Puerto Rico.

American Rescue Plan Act – This fund accounts for revenue sources of the American Rescue Plan Act (ARPA) that is intended to help to combat the Covid-19 pandemic, including health and economic impacts.

The Municipality reports the remaining nonmajor governmental funds in a single column, which include the following types:

Special Revenue Fund – Is a governmental fund used to account for and report the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. Resources restricted or committed to expenditure for purposes normally financed from the general fund are generally accounted for in the general fund provided that all applicable legal requirements can be appropriately satisfied, and the use of special revenue funds is not required unless they are legally mandated.

Capital Projects Fund – Is a governmental fund used to account for and report financial resources that are restricted or committed to expenditure for capital outlays, including the acquisition or construction of major capital facilities, including those outlays financed by the general obligation bond proceeds (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).

The FFS 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 60 days of the end of the current fiscal period.

Revenues susceptible to accrual include property taxes, recognized as revenue in the year for which they are levied; municipal license taxes and sales and use taxes, recognized when the underlying exchange has occurred, and time requirements are met; and interest. 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, monies must be expended on the specific project or purpose (eligibility requirement), before any amounts are paid to the Municipality. Revenue, 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 at the time of receipt or earlier, if the susceptible-to-accrual criterion is met. Licenses and permits, charges for services, rent, fines and miscellaneous revenues are generally recorded as revenues when received or are recognized earlier if the susceptible-to-accrual criterion is met.

The Municipality reports unearned revenues in the governmental funds statements. Unearned revenues arise when resources are received before the Municipality has a legal claim to them (such as advances of derived tax revenues) or before applicable eligibility requirements are met (in case of certain federal expenditure-driven grants, if resources are received before allowable expenditures are incurred). In subsequent periods, when the Municipality has a legal

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

claim to the resources, the liability for unearned revenues is removed from the balance sheet 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 the following: (1) payments of principal and interest on general long-term debt, which are recorded as expenditures when due, except for principal and interest due on July 1 (in this case, amounts are recorded as liabilities and expenditures on June 30 since amounts have been accumulated or transferred to the debt service fund before July 1 payments are made) and (2) 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 GWFS, 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 FFS.

Likewise, long-term liabilities (generally, those unmatured that will not require the use of current financial resources to pay them) are also not accounted for in the FFS.

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

Notes to financial statements

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

Required Supplementary Information (RSI)

The Required Supplementary Information consists of the Budgetary Comparison Schedule – General Fund. Management decided to omit required supplementary information in accordance with **GASB Statement 73** and **75** as further explained in **Note 18** and **19** in the financial statements.

C. Deposits and investments

The Municipality's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Nonnegotiable certificates of deposits with original maturity of more than three months are considered time deposits as required by current standards. The Municipality follows the practice of pooling cash of all funds except for certain Commonwealth's grants, restricted funds generally held by outside custodians and federal grants. Available pooled cash balance beyond immediate needs is invested in certificates of deposits. Cash and cash equivalents related to Commonwealth and Federal grants (including Commonwealth Legislature Resolutions) are restricted since their use is limited by applicable agreements or required by law.

The laws and regulations of the Commonwealth of Puerto Rico authorize the Municipality to invest only in obligations of the Commonwealth, obligations of the United States of America, certificates of deposits, commercial paper, bankers' acceptances, or in pools of obligations of the municipalities of Puerto Rico, which are managed by the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF").

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Restricted assets

Restricted assets are liquid assets which have third-party limitations on their use. Cash and cash equivalents related to Commonwealth and Federal grants (including Commonwealth Legislature Resolutions) are restricted since their use is limited by applicable agreements or required by law. The cash was recognized in the Head Start Fund, Public Assistance Fund, American Rescue Plan Act, and Other Governmental Funds.

Restricted cash in the debt service fund consists of the undisbursed balance of cash collections retained by the Commonwealth of Puerto Rico which are restricted for the repayment of the Municipality's operational loans as established by law. Restricted cash with fiscal agent of the Bond Issuances Fund represent the undisbursed proceeds of certain bonds and notes which are maintained in a cash custodian account by the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF").

E. Receivables and due from governmental entities

Receivables are stated net of estimated allowances for uncollectible accounts, which are determined upon past collection experience and current economic conditions. Amounts reported as account receivables property taxes in the General Fund represent the property taxes settlement for the fiscal year 2021-2022 realized by the Municipal Revenues Collection Center ("CRIM") in the subsequent fiscal year. Account receivables reported for municipal license taxes and others correspond to revenues of the current fiscal year collected by the Municipality after year end. The amounts of due from Commonwealth and federal governments reported in the Other Governmental Funds represent amounts owed to the Municipality for the reimbursement of expenditures incurred pursuant to federally funded or state funded programs.

F. Interfund receivables and payables

The Municipality reports the following inter-fund transactions in the FFS:

Inter-fund-loans: 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.

Inter-fund transfers: Represent legal flows of assets without equivalent flows of assets in return and without a requirement for repayment. These are reported as "transfers-out" (other financing uses) in the fund that issue the transfers and as "transfers-in" (other financing sources) in the fund receiving the transfers.

Inter-fund reimbursements: Represent repayment from a fund responsible for particular expenditures or expenses to the fund that initially finances them.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories

The Municipality purchases gasoline, oil and other expendable supplies held for consumption. The cost of those purchases is recorded as expenditure when incurred in the appropriate fund but the year-end inventory is not recorded in the Statement of Net Position, as management believes is not significant.

H. Capital assets

Capital assets reported in the governmental activities in the Statement of Net Position include property, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) and right-to-use leased assets. The Municipality defines capital assets (except infrastructure assets) as assets with an individual cost of more than $100 and an estimated useful life in excess of one year. Infrastructure assets are capitalized based on a percentage of the estimated useful life. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are capitalized at historical cost or estimated historical cost if historical cost is not available. Donated assets are recorded as capital assets at their acquisition value/entry price (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date). Right-to-use leased assets are initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs and are amortized on a straight-line basis over their useful lives. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

Description	Useful Life
Buildings and site improvements	40 years
Infrastructure	40 years
Works of art	10 years
Vehicles	5 years
Furniture and fixtures	5 years
Machinery and equipment	3 to 5 years

In accordance with current accounting standards capital assets are reviewed for impairment. Impairment occurs when there is a significant decline in asset service utility due to the occurrence of a prominent event or change in circumstances affecting the asset. Current standards provide guidance for accounting and reporting for impairment and for insurance recoveries.

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 Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so, will not be recognized as an inflow of resources (revenue) until that time. In the government-wide Statement of Net Position, the Municipality reports deferred outflows/inflows of resources that result from the following transactions:

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. **Government-mandated or voluntary non-exchange transactions received before the time requirements have been met -** Federal and state grants received before the beginning of the fiscal year to which they pertain are recognized as deferred inflows of resources. The amounts deferred would be recognized as an inflow of resources (revenue) in the period in which the time requirements are fulfilled.

2. **Implementation of 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*" –** Amounts reported for changes in the calculation of the total pension liability that result from: a) differences between expected and actual experience; b) changes of assumptions; c) net difference between projected and actual earnings on pension plan investments; d) changes in proportion and difference between Municipality's contributions and proportionate share of contributions; and e) Municipality's contributions subsequent to the measurement date.

In the governmental funds Balance Sheet, the Municipality reports deferred inflows of resources that result from the following transactions:

1. **Government-mandated or voluntary non-exchange transactions received before the time requirements have been met** – Federal and state grants received before the beginning of the fiscal year to which they pertain are recognized as deferred inflows of resources. The amounts deferred would be recognized as an inflow of resources (revenue) in the period in which the time requirements are fulfilled.

2. **Unavailable revenue reported under the modified-basis of accounting** – Amounts are recognized as unavailable revenue from the following sources: property taxes, sales and use taxes and intergovernmental revenues collected or to be collected after the availability period. The amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available. Since this deferred inflow of resources is the result of the modified-accrual basis of accounting, it is only reported in the FFS.

J. Long-term obligations

Long-term debt and other long-term obligations, which are reported as liabilities in the governmental activity's column in the Statement of Net Position, include general and special obligation bonds and notes, liabilities for compensated absences, claims and judgments, lease liability, landfill closure and post-closure costs, net pension liability 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.

K. Compensated absences

The Municipality's employees accumulate vacation, sick leave and compensatory time based on continuous service. Compensated absences are recorded as a liability if (1) are earned on the basis of services already performed by employees, (2) it is probable that will be paid (in the form of paid time off, cash payments at termination or retirement, or some other means) and (3) are not contingent on a specific event (such as illness). The compensated absences are accumulated on the basis of 2½ days per month of vacation and 1½ days per month of sick pay and compensatory time up to a maximum of 60 days of vacations and 90 days of sick leave.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upon separation from employment the accumulated vacations are liquidated up to the maximum number of days. Accumulated sick leave, which is accrued based on all vesting amounts for which payment is probable, is liquidated to employees with 10 years or more service up to the maximum number of days.

The accrual of compensated absences includes estimated payments that are related to payroll. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. The non-current portion of the liability is not reported.

Pursuant to Law No. 152 of August 20, 1996, effective July 1, 1997, the Municipality is required to pay any excess of vacations and sick leave accumulated over 90 days as of December 31 of each year. Payments should be made on or before March 31 of the following year.

L. Claims and judgments

In the GWFS, the liability and expense amounts for judgments and claims are recorded as incurred or when a loss is probable, and the amount reasonably estimated. In the FFS, amounts are recorded as liabilities and expenditures in the General Fund when they mature (when payment is due).

M. 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, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. The portion of the debt or deferred inflows of resources attributable to the unspent debt proceeds is not included in the calculation of net investment in capital assets. Instead, the portion of the debt or deferred inflows of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

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. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Restrictions are externally imposed (by creditors, grantors, contributors, or laws and regulations of other governments) or imposed by the law through constitutional provisions or enabling legislation.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

N. 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.

O. Fund balances

The GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions"* ("GASB No. 54") establishes 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:

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

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. Enabling legislation authorizes the Municipality to assess, levy, charge or otherwise mandate payment or resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legally enforceability means that the Municipality can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed: Amounts that can be used only for the specific purposes pursuant to constraints imposed through formal action (ordinance or resolution) by consent of the government's highest level of decision-making authority, which in the case of the Municipality is the Mayor and the Municipal Legislature. Those committed amounts cannot be used for any other purposes unless the Mayor and the Municipal Legislature removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to commit those amounts. Formal action to commit 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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 government's highest level of decision-making authority, (both the Mayor and the Municipal Legislature). It is the Municipality's policy that intent can be expressed by the Mayor, the Finance Director (the official to which the Mayor has also delegated the authority to assign amounts) or by any other official or body to which the Mayor delegates. 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.

Unassigned: Is the residual classification for the general fund and includes all spendable amounts not restricted, committed or assigned. The general fund is the only fund that reports a positive unassigned fund balance amount. 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.

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 signal 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 formal minimum fund balances amounts as of for the fiscal year ended June 30, 2022.

P. 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. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Q. Accounting for pension costs

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,

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACOUNTING POLICIES (CONTINUED)

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.

R. 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 PRGERS has not 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.

S. Risk financing

The Municipality is self-insured, and its insurance 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 money of this insurance is kept in a committed fund within the general fund, which was created by executive order of the mayor and approved by the municipal legislature. The lawyers of the Municipality are in charge of carrying out the proceedings related to any claim related to the insurance.

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 annual premium is also deducted from the monthly advances by the CRIM.

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

The unemployment and non-occupational disability insurance premiums are paid directly to DOL on a cost-reimbursement basis; the drivers' insurance premiums are paid based on the number of workweeks by each employee covered by law.

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Use of Estimates

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

U. Adoption of new accounting pronouncements

During the year the Municipality adopted the provisions of the following accounting pronouncement:

1. **GASB Statement No. 87**, "*Leases*" The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets. As a result of the implementation of GASB Statement No. 87, the Municipality made adjustments to the capital assets and long-term debts related to leases including restating the beginning balance. There was no material impact to net position.

   During the fiscal year the Municipality management realized a complete assessment of all its lease agreements and commitments to determine the impact in the financial statement as shown in **Note 7.**

2. **GASB Statement No. 89**, "*Accounting for Interest Cost Incurred before the End of a Construction Period*" The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

   The adoption of **GASB Statement No. 89** had no impact on the Municipality's current accounting practices nor its financial reporting.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. ***GASB Statement No. 90,*** "*Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*" The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (fiscal year ended June 30, 2020). Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

4. **GASB Statement No. 92**, "*Omnibus 2020*" Addresses practice issues that were identified during implementation and application of certain GASB Statements. The Statement addresses a variety of topics including Leases, Intra-Entity Transfers of Assets, Assets Accumulated for Defined Benefit Postemployment Benefits, Fiduciary Activities, Asset Retirement Obligations, Reinsurance Recoveries, Nonrecurring Fair Value Measurements, and Derivative Instruments.

   The adoption of **GASB Statement No. 92** had no impact on the Municipality's current accounting practices nor its financial reporting.

5. **GASB Statement No. 93**, "*Replacement of Interbank Offered Rates*" Establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates (IBOR) such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for certain hedging derivative instruments. However, Statement No. 99, Omnibus 2022, discussed further below, offers an extension of the use of LIBOR which is effective immediately. Therefore, in accordance with both Statements 93 and 99, since LIBOR continues to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021, the use of LIBOR as the benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt is in force.

   The adoption of **GASB Statement No. 93** had no impact on the Municipality's current accounting practices nor its financial reporting.

6. **GASB Statement No. 97**, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*"—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, clarifies component unit criteria for a potential component unit in the absence of a governing board in determining financial accountability; limits the applicability of financial burden criteria in paragraph 7 of GASB Statement No. 84; and classifies Section 457 Deferred Compensation plans as either a pension plan or other employee benefit plan.

   In Puerto Rico, with the issuance of Act No. 106-2017 terminated the previously existing pension programs for the ERS's participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017 are now enrolled in a new defined contributions program. Accordingly, this Statement had no impact on the Municipality's current accounting practices nor its financial reporting.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. **GASB Statement No. 99**, "*Omnibus 2022*" Addresses practice issues that were identified during implementation and application of certain GASB Statements. The Statement addresses a variety of topics including the extension of the use of LIBOR, accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments as well as clarification of provisions in Statement No. 34 and terminology updates related to Statements No. 53 and 63. These requirements are effective upon issuance and had no material impact on the Municipality's financial statements. The Municipality has not completed the process of evaluating the remaining requirements of this Statement that is effective for subsequent fiscal years but does not expect it to have an impact on its financials.

V. Future adoption of accounting pronouncements

The GASB has issued the following statements, which the Municipality has not yet adopted:

1. ***GASB Statement No. 91,*** *"Conduit Debt Obligations"* The primary objectives of this Statement are to provide a single method The of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for periods beginning after December 15, 2020 (fiscal year ended June 30, 2022). Earlier application is encouraged.

2. ***GASB Statement No. 94,*** *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

   This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, (fiscal year ended June 30, 2023) and all reporting periods thereafter. Earlier application is encouraged.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. ***GASB Statement No. 96,*** *"Subscription-Based Information Technology Arrangements"* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. The requirements of this Statement are effective for fiscal years beginning after December 15, 2022 (fiscal year ended June 30, 2024). Earlier application is encouraged.

4. ***GASB Statement No. 98,*** *"The Annual Comprehensive Financial Report"* The objective of this Statement is to address references in authoritative literature to the term comprehensive annual financial report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

   This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

5. ***GASB Statement No. 99,*** *"Omnibus 2022"* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

   - Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument,
   - Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives,
   - Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset,
   - Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability,
   - Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt,
   - Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP),
   - Disclosures related to nonmonetary transactions,

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Pledges of future revenues when resources are not received by the pledging government,
- Clarification of provisions in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements,
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

6. ***GASB Statement No. 100,*** *"Accounting Changes and Error Corrections—an amendment of GASB Statements No. 62"* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements."

   This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 (FY 2023-2024), and all reporting periods thereafter. Earlier application is encouraged.

7. ***GASB Statement No. 101***, *"Compensated Absences"* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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

X. Restatements and Reclassification

During the fiscal year the Municipality have been made a restatement related to the implementation of the GASB No. 87 in the accompanying basic financial statements which do not affect the comparability with the basic financial statements issued for previous fiscal years. As a result of the implementation of GASB Statement No. 87, the Municipality made adjustments to capital assets and long-term debts relating to leases. There was no material impact to net position.

Y. Subsequent events

Subsequent events have been evaluated through March 29, 2023, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2022.

2. CASH AND CASH EQUIVALENTS

The Municipality maintains its deposits in various commercial banks located in Puerto Rico. According to the aforementioned investment guidelines, the Municipality does not invest in marketable securities or any types of investments for which credit risk exposure (the risk than an issuer or other counterparty to an investment will not fulfill its obligations) may be significant.

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. The Municipality maintains cash deposits in commercial and governmental banks located in Puerto Rico. Under Commonwealth of Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of the insurance provided by the Federal Deposit Insurance Corporation (FDIC) (up to $250,000). All securities pledged as collateral by the Municipality are held by agents designated by the Puerto Rico Secretary of Treasury, but not in the Municipality's name.

As of June 30, 2022, the adjusted bank balance of deposits in commercial banks amounting to $97,833,967 ($39,189,265 unrestricted and $58,644,702 restricted) were covered by the FDIC and by pledged securities.

2. CASH AND CASH EQUIVALENTS (CONTINUED)

Interest rate risk – This is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Municipality manages its exposure to declines in fair values by: (1) not including debt or equity investments in its investments portfolio as of June 30, 2022, (2) limiting the weighted average maturity of its investments in certificates of deposit to periods of three months or less, and (3) keeping most of its banks deposits in certificates of deposit and in interest bearing accounts generating interest at prevailing market rates.

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.

3. RECEIVABLES

The amounts of $199,026, $17,110, and $205,320 reported in the General Fund corresponds to property taxes final settlement, municipal licenses taxes and others account receivables, respectively. The $3,035 reported as others account receivables in the Other Governmental Funds are derived from fraud recovery under the federal Section 8 Housing Choice Voucher Program as of June 30, 2022.

4. DUE FROM (TO) GOVERNMENTAL ENTITIES

A. Amounts due from governmental entities as of June 30, 2022 are as follows:

	Commonwealth Government	Federal Government
Major Fund-Head Start Fund		
Head Start Program	$ -	$ 48,107
Major Fund-Public Assistance Grants		
"Puentes de Matón"-FEMA 4017 DR PR	-	700,347
Other Governmental Funds:		
P.R. Department of Labor – Law 52	48,684	-
Municipal Consortium – P.R. Treasury Department	150,122	-
U.S. Department of Housing and Urban Development – Community Development Block Grant	-	15,979
U.S. Department of Housing and Urban Development – Community Development Block Grant Disaster Recovery	-	140,549
Federal Transit Administration	-	51,735
	$ 198,806	**$ 956,717**

Certain amounts are recorded as deferred inflows of resources in the governmental funds statements since they are not available as required by current standards. See related **Note 12.**

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4. DUE FROM (TO) GOVERNMENTAL ENTITIES (CONTINUED)

B. Amounts due to governmental entities as of June 30, 2022, follows:

Description	Commonwealth Government
General Fund:	
P.R. Employees' Retirement System (ERS) – PayGo Charges	$ 129,529
P.R. Aqueduct and Sewer Authority (PRASA)	228,624
P.R. Department of Labor	86,110
P.R. Electric Power Authority (PREPA)	22,975
P.R. Administration of General Services ("ASG")	50
P.R. Treasury Department	6,821
Other Governmental Funds:	
Municipal Revenue Collection Center ("CRIM")	14,937
	$ 489,046

5. INTERFUND TRANSACTIONS

A. Due from/to other funds

Amounts due from/to other funds in the general fund represent advances to other funds to finance payroll, payroll taxes and other expenditures as follows:

Receivable Funds	Payable Funds	Amount
General Fund	**Major Fund – Public Assistance Grant Fund:**	
	Public Assistance Grant Fund	$ 1,252,113
	Major Fund – Cayey Development Fund:	
	Cayey Development Fund	$ 156,806
	Major Fund – Head Start Fund:	
	Head Start Program	$ 3,135
	Other Governmental Funds:	
	Special Revenue State & Local – Law No. 52	$ 17,562
	Special Revenue Federal – Child Care	8,900
	Special Revenue Federal – Coronavirus Relief Fund	159,492
	Special Revenue Federal – Community Development Block Grant	46,214
	Special Revenue Federal – HOPWA	4,434
	Special Revenue Federal – 21st Century	38,874
	Special Revenue Federal – Community Development Block Grant - DR	129,799
	Special Revenue Federal – Section 8 Housing Choice Voucher	18,016
	Special Revenue Federal – Federal Transit Administration	44,326
		$ 467,617
Other governmental funds	**Major Fund - General Fund**	$ 194
	Total	**$ 1,879,865**

5. INTERFUND TRANSACTIONS (CONTINUED)

B. Transfers-in (out)

Transfers among individual funds were made for operational purposes as follows:

Originating Fund	Receiving Fund	Purpose	Amount
General Fund	Cayey Development Fund	Commitments of funds for special purposes.	$ 3,679,960
Debt Service Fund	General Fund	Transfer of excess funds available in sinking fund for operational purposes.	2,531,725
Debt Service Fund	Cayey Development Fund	Commitments of funds for special purposes.	1,299,032
General Fund	Other Governmental Funds	Commitments of funds for special purposes.	71,075
American Rescue Plan Act Fund	Other Governmental Funds	Transfer of incorrect deposit.	12,823
Cayey Development Fund	General Fund	Commitments of funds for operational purposes.	24,461
Other Governmental Funds	General Fund	Commitments of funds for operational purposes.	2,724
Public Assistance Grants Fund	General Fund	Reimbursement of operational expenditures.	1,776
		Total	**$ 7,623,576**

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6. FUND BALANCES (DEFICIT)

The governmental fund balances (deficit) classifications and amounts a June 30, 2022, are shown in the following table:

	General Fund	Debt Service Fund	Head Start Fund	Bond Issuance Fund	Cayey Development Fund	Public Assistance Grants Fund	American Rescue Plan Act Fund	Other Governmental Fund	Total Governmental Funds
Restricted:									
Public safety	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 504,576	$ 504,576
Health and welfare	-	-	-	-	-	-	-	647,024	647,024
Economic Development	-	-	-	-	-	-	-	21,755	21,755
Education	-	-	-	-	-	-	-	5,576	5,576
Debt service	-	9,701,768	-	-	-	-	-	-	9,701,768
Capital Projects	-	-	-	-	-	-	-	1,746,102	1,746,102
Commited:									
General Government	-	-	-	-	-	-	-	160,326	160,326
Public safety	-	-	-	-	-	-	-	55,000	55,000
Public works	7,599,686	-	-	204,636	-	-	-	246,316	8,050,638
Health and welfare	-	-	-	-	-	-	-	1,406	1,406
Culture and recreation	-	-	-	-	-	-	-	60,796	60,796
Education	-	-	-	-	-	-	-	587,635	587,635
Assigned:									
General Government	1,174,443	-	-	-	26,780,504	-	-	716,522	28,671,469
Public safety	2,682	-	-	-	-	-	-	-	2,682
Public works	370,199	-	-	-	-	-	-	-	370,199
Health and welfare	598,886	-	-	-	-	-	-	-	598,886
Culture and recreation	44,586	-	-	-	-	-	-	105,640	150,226
Education	34,975	-	-	-	-	-	-	60,000	94,975
Capital projects	-	-	-	-	-	-	-	335,091	335,091
Unassigned (deficit):	19,530,542	-	-	-	-	(700,347)	-	(130,362)	18,699,833
Total fund balance (deficit)	$ 29,355,999	$ 9,701,768	$ -	$ 204,636	$ 26,780,504	$ (700,347)	$ -	$ 5,123,403	$ 70,465,963

7. LEASES

As a lessee, the government should recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the government 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. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

• The government uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the government generally uses its estimated incremental borrowing rate as the discount rate for leases.

• The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the government is reasonably certain to exercise.

As of July 1, 2021, the Municipality management evaluated all of its lease agreements as a lessee to determine whether any of them met the requirements of GASB 87 of the Government Accounting Standards Board. The Municipality recognizes lease liabilities with an initial, individual value of $50,000 or more. During the years ended June 30, 2019, the Municipality entered into long-term, lease agreement as the lessee for the acquisition and use of various specialized equipment for the use in the Municipal Hospital. As a result of the implementation of the GASB Statement No. 87, "*Leases*", the Municipality restate the beginning balances of the capital assets and long-term debts and now reports those as a lease assets and lease liability as stated in **Notes 8** and **11**. The Municipality is required to make annual principal and interest payments ranging from $10,359 to $22,522. The leases have interest rate of 5.0%. The value of the right-to-use lease assets as of the end of the current fiscal year was $51,965 and had accumulated amortization of $25,983 for a net total balance of $25,982 as of June 30, 2022. The value of the lease liability as of June 30, 2022, is $31,622. The future principal and interest payments as of June 30, 2022, were as follows:

Year Ending June 30,	Principal	Interest
2023	$ 21,405	$ 1,117
2024	10,217	142
Total	**$ 31,622**	**$ 1,259**

The Municipality monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease assets and liabilities.

As a lessor, the Municipality recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

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

7. LEASES (CONTINUED)

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

- The government uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

As of July 1, 2021, the Municipality management evaluated all of its lease agreements as a lessor to determine whether any of them met the requirements of GASB 87 of the Government Accounting Standards Board. Based on the foregoing, the
Municipality determined that none of its leases meets the criteria established by the GASB No. 87 because the term of its commitments are short-term leases by definition (has a maximum possible term under the lease contract of twelve (12) month or less, including any options to extend, regardless of their probability of being exercised). Accordingly, no lease receivable or deferred inflows of resources were recognized in the financial statements as of June 30, 2022. The inflows of resources related to these short-term leases are recorded as a rent revenue in the Municipality financial statements.

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

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8. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2022 is as follows:

Governmental Activities:	Balance July 1, 2021, As Restated	Additions	Retirements	Balance June 30, 2022
Capital asset, not being depreciated:				
Construction in progress	$ 50,121,398	$ 11,584,149	$ (5,122,342)	$ 56,583,205
Land	28,302,074	85,422	-	28,387,496
Total capital assets, not being depreciated	78,423,472	11,669,571	(5,122,342)	84,970,701
Capital assets, being depreciated:				
Buildings and building improvements	95,550,345	1,829,752	-	97,380,097
Infrastructure and infrastructure improvements	43,726,697	5,328,492	-	49,055,189
Equipment	10,563,106	1,389,539	(133,204)	11,819,441
Works of art	7,350	-	-	7,350
Vehicles	11,355,262	901,370	-	12,256,632
Right-to-use leased assets	51,965	-	-	51,965
Total capital assets, being depreciated	161,254,725	9,449,153	(133,204)	170,570,674
Less accumulated depreciation for:				
Buildings and buildings improvements	(36,117,605)	(2,192,314)	-	(38,309,919)
Infrastructure and infrastructure improvements	(22,669,788)	(1,775,995)	-	(24,445,783)
Equipment	(9,341,054)	(585,608)	131,902	(9,794,760)
Works of art	(7,350)	-	-	(7,350)
Vehicles	(10,910,346	(197,359)	-	(11,107,705)
Right-to-use leased assets	-	(25,983)	-	(25,983)
Total accumulated depreciation	(79,046,143)	(4,777,259)	131,902	(83,691,500)
Total capital assets, being depreciated, net	82,208,582	4,671,894	(1,302)	86,879,174
Governmental activities capital assets, net	**$ 160,632,054**	**$ 16,341,465**	**$ (5,123,644)**	**$ 171,849,875**

8. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	Amount
General government	$ 2,234,643
Public safety	30,706
Public works	846,314
Community development	294,238
Culture and recreation	727,137
Health and welfare	328,392
Economic development	350
Education	315,479
Total depreciation expense-governmental activities	**$ 4,777,259**

As a result of the impact of Hurricane Maria, the Municipality performed an assessment of all suffered damages to its capital assets and performed significant recovery efforts, financed with municipal funds and insurance recoveries. Management evaluated capital assets in terms of impairment, as required by current governmental accounting standards and determined that none of its capital assets are subject to impairment loss.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2022 are summarized as follows:

Description	General Fund	Head Start Fund	Cayey Development Fund	Public Assistance Grants Fund	American Rescue Plan Act Fund	Other Governmental Fund	Total
Accounts payable	$ 1,487,051	$ 203,297	$ 1,249,833	$ 723,217	$ 7,695	$ 210,277	$ 3,881,370
Accrued liabilities	119,971	-	-	-	-	-	119,971
Total	**$ 1,607,022**	**$ 203,297**	**$ 1,249,833**	**$ 723,217**	**$ 7,695**	**$ 210,277**	**$ 4,001,341**

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10. UNEARNED REVENUES

The amounts reported as unearned revenues as of June 30, 2022, are detail as follows:

	Municipal license tax	Commonwealth Government	Federal Government
Major fund – General Fund:			
Municipal license taxes collected in the fiscal year 2020-2021 that correspond to the 2021-2022 fiscal year budget	$ 7,607,932	$ -	$ -
Major fund – Head Start Fund:			
Head Start Cluster funds received for which qualifying expenditures have not been incurred:			
Head Start Program	-	-	299,769
Major fund – Public Assistance Grants Fund:			
FEMA funds received for which qualifying expenditures have not been incurred:			
Disaster Grants-DR-4339PR	-	-	2,443,019
Disaster Grants-DR-4336PR	-	-	63,893
Major fund – American Rescue Plan Act Fund:			
Coronavirus State and Local Fiscal Recovery Funds	-	-	9,539,400
Other Governmental Funds:			
Federal and intergovernmental funds received for which qualifying expenditures have not been incurred:			
Municipal Consortium Fund	-	64,561	-
21 st Century Program	-	-	171,241
Coronavirus Relief Fund (CRF)	-	-	385,252
COVID-19 Section 8 HCV Cares Act Funding	-	-	68,669
Section 8 Housing Choice Vouchers	-	-	93,957
Emergency Housing Vouchers	-	-	26,487
Family Self Sufficiency	-	-	42,033
Residents Contributions	-	-	90,365
Homeland Security	-	-	27,606
Title III	-	-	11,225
Community Development Block Grant – DR (R3)	-	-	4,115
Federal Transit Administration – Hurricane Maria	-	-	4
	$ 7,607,932	**$ 64,561**	**$ 13,267,035**

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11. LONG-TERM LIABILITIES

A. Summary of long-term debt activity

Long-term liability activity for the year ended June 30, 2022, was as follows:

Description	Beginning Balance, As Restated	Borrowings or Additions	Payments or Deductions	Ending Balance	Due Within One Year
General and special obligation bonds payable	$ 24,320,673	$ -	$ (2,171,500)	$ 22,149,173	$ 2,306,500
Note payable to CRIM-Law No. 42	2,617,982	-	(162,012)	2,455,970	2,455,970
Note payable to CRIM-Law No.146	187,127	-	(17,012)	170,115	170,115
Lease liability	51,965	-	(20,343)	31,622	20,343
Compensated absences	3,536,382	448,679	(489,743)	3,495,318	635,000
Landfill obligation	13,425,517	1,984,598	-	15,410,115	-
Christmas bonus	206,077	149,026	(206,077)	149,026	149,026
Community Disaster Loan	5,000,000	-	(5,000,000)	-	-
Claims and judgments	154,413	78,000	-	232,413	-
Total	**$ 49,500,136**	**$ 2,660,303**	**$ (8,066,687)**	**$ 44,093,752**	**$ 5,736,954**

B. Legal debt margin

For general obligation debt, the Municipality is subject to a legal debt margin requirement, which is equal to 10% of the total assessment of the property located within the Municipality plus a balance of the ad valorem taxes in the debt service fund, for bonds payable to be repaid with the proceeds of property taxes restricted for debt service. In addition, before any new bonds are issued, the revenues in the debt service fund should be sufficient to cover the projected debt service requirements. Long-term debt, except for the general and special obligation bonds and notes and the special obligation Bond Anticipation Note, is paid with unrestricted funds.

The Municipality issues general and special obligation bonds to provide funds for the acquisition of equipment and construction of major capital facilities. During the current year, the Municipality did not issue general obligation bonds or notes. Bonds payable outstanding as of June 30, 2022, are as follows:

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11. LONG-TERM LIABILITIES (CONTINUED)

C. Bonds Payable - The Municipality issues general and special obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds payable outstanding as of June 30, 2022 are as follows:

Description	Balance at June 30, 2022
1998 General obligation bond for the acquisition of capital assets with an original amount of $1,015,000 due in installments of $10,000 to $85,000, through July 1, 2022, with interest ranging from 4.9% to 6.7%.	$ 85,000
1999 General obligation bond for the acquisition of capital assets with an original amount of $685,000 due in installments of $10,000 to $60,000 through July 1, 2023, with interest ranging from 2.7% to 7.8%.	110,000
2001 General obligation bond for construction of capital assets with an original amount of $270,000 due in installments of $5,000 to $25,000 through July 1, 2025, with interest ranging from 2.7% to 6.1%.	85,000
2002 General obligation bond for improvements of capital assets with an original amount of $255,000 due in installments of $5,000 to $20,000 through July 1, 2026, with interest ranging from 2.7% to 5.6%.	90,000
2001 General obligation bond for improvements of capital assets with an original amount of $1,010,000 due in installments of $15,000 to $90,000 through July 1, 2025, with interest ranging from 2.7% to 6.13%.	315,000
2003 General obligation bond for construction and improvements of various capital assets with an original amount of $1,110,000 due in installments of $15,000 to $85,000 through July 1, 2027, with interest ranging from 4.2% to 5.3%.	435,000
2003 General obligation bond for infrastructure construction and improvements with an original amount of $1,415,000 due in installments of $25,000 to $115,000 through July 1, 2027, with interest ranging from 4.2% to 5.3%.	565,000
2003 General obligation bond for the construction of capital assets with an original amount of $205,000 due in installments of $5,000 to $15,000 through July 1, 2027, with interest ranging from 4.2% to 5.3%.	80,000
2004 General obligation bond for acquisition of property with an original amount of $140,000 due in installments of $5,000 to $10,000 through July 1, 2028, with interest ranging from 2.4% to 5.3%.	50,000
2005 General obligation bond for property acquisition with an original amount of $160,000 due in installments of $5,000 to $10,000 through July 1, 2029, with interest ranging from 3.3% to 5.3%.	75,000
2005 General obligation bond for infrastructure improvements with an original amount of $330,000 due in installments of $10,000 to $25,000 through July 1, 2024, with interest ranging from 4.2% to 5.3%.	75,000

11. LONG-TERM LIABILITIES (CONTINUED)

Description	Balance at June 30, 2022
2005 General obligation bond for acquisition of capital assets with an original amount of $1,210,000 due in installments of $25,000 to $80,000 through July 1, 2029, with interest ranging from 4.2% to 5.3%.	$ 555,000
2006 General obligation bond for property acquisition with an original amount of $135,000 due in installments of $5,000 to $10,000 through July 1, 2030, with interest ranging from 4.2% to 5.3%.	55,000
2006 General obligation bond for acquisition of a capital asset with an original amount of $145,000 due in installments of $5,000 to $10,000 through July 1, 2030, with interest ranging from 4.2% to 5.3%.	65,000
2006 General obligation bond for acquisition of capital assets with an original amount of $305,000 due in installments of $5,000 to $25,000 through July 1, 2030, with interest ranging from 4.2% to 5.3%.	165,000
2006 General obligation bond for the construction and improvements of capital assets with an original amount of $905,000 due in installments of $25,000 to $75,000 through July 1, 2025, with interest ranging from 4.2% to 5.3%.	270,000
2006 General obligation bond for acquisition of capital assets with an original amount of $5,755,000 due in installments of $95,000 to $445,000 through July 1, 2030, with interest ranging from 1.5% to 6.6%.	3,117,118
2010 General obligation bond for the acquisition of various capital assets with an original amount of $3,750,000 due in installments of $50,000 to $315,000 through July 1, 2034, with interest ranging from 6.0% to 7.5%.	2,404,017
2010 General obligation bond for the construction of capital assets with an original amount of $3,165,000 due in installments of $40,000 to $265,000 through July 1, 2034, with interest ranging from 6.0% to 7.5%.	1,972,045
2011 General obligation bond for infrastructure construction with an original amount of $2,015,000 due in installments of $40,000 to $185,000 through July 1, 2030, with interest ranging from 6.0% to 7.5%.	1,260,745
2011 Special obligation bond for infrastructure improvements with an original amount of $6,030,000 due in installments of $230,000 to $640,000 through July 1, 2025, with interest ranging from 6.0% to 7.5%.	594,008
2012 Special obligation bond for construction and improvements of infrastructure with an original amount of $3,420,000 due in installments of $145,000 to $330,000 through July 1, 2027, with interest ranging of 6.0%.	1,735,000
2012 General obligation bond for improvements of the Municipal Hospital with an original amount of $4,850,000 due in installments of $70,000 to $410,000 through July 1, 2043, with interest ranging of 3.4%.	4,535,000

11. LONG-TERM LIABILITIES (CONTINUED)

Description	Balance at June 30, 2022
2014 General obligation bond for construction and improvement of infrastructure with an original amount of $1,640,000 due in installments of $20,000 to $140,000 through July 1, 2039, with interest ranging from 6.0% to 7.5%.	$ 511,740
2015 General obligation bond for construction and improvement of infrastructure with an original amount of $4,530,000 due in installments of $226,500 through July 1, 2034, with interest ranging from 5.9% to 8.0%.	2,944,500
Total	**$ 22,149,173**

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11. LONG-TERM LIABILITIES (CONTINUED)

These bonds are payable from the special ad valorem property tax of 3.75% which is restricted for debt service and retained by the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF") for such purposes, except the 2011 amounting $6,030,000, payable with the revenues generated from the collection of the .2% of the municipal sales and use tax imposed by the Municipality and collected by the Commonwealth of Puerto Rico Treasury Department.

Bonds Payable

Year Ending June 30,	Principal	Interest
2023	$ 2,311,500	$ 1,180,212
2024	1,895,508	1,241,173
2025	1,866,500	1,121,503
2026	1,956,500	998,335
2027	1,866,500	873,247
2028-2032	7,447,103	2,601,078
2033-2037	2,750,562	682,075
2038-2042	1,645,000	244,181
2043	410,000	13,838
Total	**$ 22,149,173**	**$ 8,955,642**

D. **Note payable to CRIM (Law No. 42) –** Law No. 42 of January 26, 2000 (as amended by Law No. 146 of October 11, 2001 and Law No. 172 of August 11, 2002) was enacted to authorize the CRIM to obtain a special loan in the form of a line of credit from the Government Development Bank for Puerto Rico (GDB) to finance a debt the municipalities of Puerto Rico owe to CRIM for excess property tax advances as of June 30, 2000. Principal and interest payments are financed through .48% of the net increase of subsidy provided by the Commonwealth of Puerto Rico's general fund. Amounts are retained from advances of property tax and amounts of municipal equalization fund sent to the Municipality by the CRIM. Law No.42 was amended by Law No. 146 to extend from 10 to 30 years the financing period and by Law No. 172 to extend the debt period to June 30, 2001. Debt service requirements in future years are as follows:

Year Ending June 30,	Principal	Interest
2023	$ 172,191	149,340
2024	183,010	138,541
2025	194,509	127,023
2026	206,731	114,801
2027	219,720	101,811
2028-2032	1,323,867	283,787
2033-2037	155,942	4,824
Total	**$ 2,455,970**	**$ 920,127**

11. LONG-TERM LIABILITIES (CONTINUED)

E. Note payable to CRIM (Law No. 146) – On July 7, 2007, the Municipality entered into a restructured financing agreement with the CRIM in the amount of $425,339, to finance the remaining balance of delinquent property tax accounts sold to private investors, under the provision of Law No. 146 of October 11, 2001. The original agreement signed in July 2002 was in the form of a non-revolving line of credit bearing interest of 6.5% for the first five years and variable for the next twenty-five years at 125 points over London Interbank Offered Rate (LIBOR). As described in Law No. 146, interest payments for the first five years were financed through .48% of the net increase of subsidy provided by the Commonwealth of Puerto Rico's general fund. Also, during the first five years, any collection from those delinquent accounts was credited to the loan principal. After the five-year period, the loan outstanding balance was restructured for a twenty-five years period at an interest rate of 2.50% ending on March 31, 2032. Debt service requirements in future years are as follows:

Year Ending June 30,	Principal	Interest
2023	$ 17,012	$ 44,540
2024	17,012	4,986
2025	17,012	4,432
2026	17,012	3,878
2027	17,012	3,324
2028-2032	85,055	8,310
Total	**$ 170,115**	**$ 69,470**

F. Christmas Bonus – Represents the accrued portion corresponding to the fiscal year 2022 of the Christmas bonus to be paid in December 2022. The outstanding amount is $149,026.

G. Compensated Absences – The government-wide statement of net position includes approximately $3,495,318 of accrued sick leave and accrued vacation benefits, representing the Municipality's commitment to fund such costs from future operations.

H. Claims and judgments – Represents the estimated loss of legal cases to be paid subsequent to June 30, 2022. The awarded amount, if any, will be paid with unrestricted funds. The outstanding amount for fiscal year 2021-2022 is $232,413.

I. Landfill Obligation – State and federal laws and regulations require the Municipality to place a final cover on its landfill site, when it stops accepting waste, and perform certain maintenance and monitoring functions at the site for 30 years after closure. In accordance with Statement No. 18 of the GASB, "*Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs*", the Municipality has performed a study of the activities that need to be implemented at the Municipality's landfill to guarantee the maximum yield of available space and to comply with applicable state and federal regulations. During the fiscal year 2021-2022, the Municipality revised the estimate of closure and post-closure costs of the landfill and has determined that the total costs are estimated in $18,371,329 as of June 30, 2022.

11. LONG-TERM LIABILITIES (CONTINUED)

Based on this study, the Municipality has recognized $15,410,115 as the Municipality's estimated current cost for landfill closure and post-closure costs as of June 30, 2022. The annual estimate of post closure costs has been assessed approximately to be $175,000 for a period of approximately 30 years. Actual costs may be different due to inflation, changes in technology, or changes in laws and regulations. The balance of closure and post-closure costs are reported in the government-wide statement of net position.

J. Community Disaster Loan – The Community Disaster Loan was granted under Section 417 of the Stafford Act and FEMA Regulation 44 CFR 206.367 under major disaster declaration of September 20, 2017, for the Territory of Puerto Rico (FEMA-DR-4339-PR). The promissory note to the Municipality is for $5,000,000 at an interest rate of 2.75% (the rate for five-year maturities as determined by the Secretary of Treasury in effect on the date the Promissory Notes is executed, adjusted to the nearest 1/8 percent). The note is payable and secured by a pledge of the Municipality's revenues. The Municipality has requisitioned $5,000,000 as of June 30, 2020. Accrued interest for the period is $308,712.

On September 30, 2021, the United States Congress passed The Extending Government Funding and Delivering Emergency Assistance Act (P.L. 117-43). According to P.L. 117-43, Section 1601. (a), "Repayments of the remaining balances of all loans, as of September 30, 021, by the Federal Emergency Management Agency under section 417 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5184) are hereby cancelled". Accordingly, the outstanding balance of principal and interest of the referenced loan as of September 30, 2021, was cancelled.

K. Lease Liability – As explained in **Note 7** the Municipality has leases arrangements related to specialized equipment for the use in the Municipal Hospital. The outstanding balance at June 30, 2022 was $31,622.

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12. DEFERRED INFLOWS OF RESOURCES – GOVERNMENTAL FUNDS

As required by current standards, revenues and other governmental fund financial resources should be recognized in the accounting period in which they become both measurable and available. When an asset is recorded in governmental funds' financial statements, but the revenue is not available, the Municipality should report a deferred inflow of resources until such time as the revenue becomes available. A detail of these balances follows:

	Property Taxes	Commonwealth Government	Federal Government Grants
General Fund:			
Property tax final settlement	$ 199,026	$ -	$ -
Public Assistance Grants Fund:			
"Puentes de Matón"-FEMA 4017 DR PR	-	-	700,347
Other Governmental Funds:			
P.R. Department of Labor – Law 52	-	48,684	-
U.S. Department of Housing and Urban Development – Community Development Block Grant	-	-	15,979
U.S. Department of Housing and Urban Development – Community Development Block Grant Disaster Recovery	-	-	140,549
Federal Transit Administration	-	-	51,735
Total	**$ 199,026**	**$ 48,684**	**$ 908,610**

13. NET INVESTMENT IN CAPITAL ASSETS

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, mortgages or any other liabilities that are attributable to the purchase, construction and improvement of those assets. The portion of the debt attributable to unspent proceeds should not be included in the calculation. As of June 30, 2022, the amount of net investment in capital assets is as follows:

Description	Amount
Capital assets, net	$ 171,849,875
Outstanding balance on capital related debt	(22,149,173)
Total	**$ 149,700,702**

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14. PROPERTY TAXES

The Municipal Revenue Collection Center (CRIM) of the Commonwealth of Puerto Rico is responsible for the assessment, collection and distribution of real and personal property taxes. The tax on personal property is self-assessed by the taxpayer. The assessment is made on a return, which must be filed with the CRIM by May 15 of each year and is based on the current value at the date of the assessment. Real property is assessed by the CRIM. The tax is general assessed on January 1 on all taxable property located within the Municipality and is based on the current value existing in the year 1957. For personal property, the tax is due with the return filed on or before May 15. Taxes on real property may be paid on two equal installments, July 1st and January 1st. Total tax rates in force as of June 30, 2022, are 8.58% for personal property and 10.58% for real property. The distribution of these rates follows:

Description	Personal Property	Real Property
Basic property tax rate, which is appropriated for general purposes and accounted in the Municipality's general fund:	4.00%	6.00%
Percent that belongs to the Commonwealth's debt service fund:	1.03%	1.03%
Percent that belongs to the Municipality's debt service fund:	3.75%	3.75%
Total tax rate:	8.78%	10.78%
Discount granted by law to the taxpayers but reimbursed to the Municipality by the P.R. Treasury Department:	(.20%)	(.20%)
Total percent to be paid by taxpayers:	**8.58%**	**10.58%**

Residential real property occupied by its owner is exempt by law from property taxes on the first $15,000 of the assessed value. For such exempted amounts, the Puerto Rico Department of Treasury assumes payment of the basic tax to the Municipality, except for residential units assessed at less than $3,500 on which a complete exemption is granted. Revenue related to exempt property is recorded in the General Fund. The Municipality grants a complete exemption from personal property taxes up to an assessment value of $50,000 to retailers with annual net sales of less than $150,000.

Collections from the Basic Tax, plus 35% of net revenues from the lottery system and 2.5% of net internal revenues from the Commonwealth's General Fund corresponding to the municipalities are deposited by the CRIM in a trust known as the *Municipal Matching Fund*, where AAFAF serves as trustee and a private bank serves as the custodian. Collections of this fund are distributed among the municipalities following specific rules and formulas set forth by law. Collections that correspond to the Commonwealth CAE Tax are transferred to the *Commonwealth General Obligation Redemption Fund* and those that correspond to the Municipal CAE Tax and any other revenues that are needed to service municipal general obligations are transferred to the *Municipal Public Debt Redemption Fund*.

The *Municipal Public Debt Redemption Fund* is a trust fund in which AAFAF serves as trustee and a private bank serves as the custodian. Pursuant to the Trust Deed, the *Municipal Public Debt Redemption Fund* is composed of two Sub-Funds: (1) the GDB Sub-Fund and (2) the MFA/Private Sector Sub-Fund. The *GDB Sub-Fund*, accounts for the Municipal CAE Tax revenues necessary to meet annual debt service on bonds, notes and loans issued by GDB. Since April 2016, Municipal CAE Tax collections of the GDB Sub-Fund are deposited in a private commercial bank. The *MFA/Private Sector Sub-Fund* accounts for the Municipal CAE Tax revenues necessary to meet annual debt service on bonds, notes and loans issued or bought by the Municipal Finance Agency ("MFA"), the federal government or private banks. Municipal CAE Tax collections of the MFA/Private Sector Sub-Fund are deposited in a private commercial bank. Once a reserve equivalent to twelve months of debt service on all outstanding general obligations is funded, any surplus in the *Municipal Public Debt Redemption Fund* is placed at the disposal of the Municipality. Upon request and approval of AAFAF, once in a year these surplus funds, known as "excess CAE funds" are distributed to the Municipality net of withdrawal for payment of debts to governmental agencies, if any.

14. PROPERTY TAXES (CONTINUED)

Generally, these funds are transferred to the Municipality's general fund. The Municipality recorded these excess CAE funds as transfers-out in the debt service fund and as transfers-in the general fund.

The CRIM advances funds to the Municipality based on an estimate of special governmental subsidies and the property taxes to be levied and which are collected in subsequent periods. This distribution includes advances of property tax and amounts of municipal equalization fund from the Commonwealth government. 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. The CRIM prepares a preliminary settlement not later than three months after fiscal year-end and a final settlement not later than six months after fiscal year-end. If actual collections exceed the advances, a receivable from CRIM is recorded. However, if advances exceed actual collections, a payable to CRIM is recorded.

Property tax revenues in the general and debt service funds amounted to $8,232,039 and $7,826,354, respectively, for the fiscal year ended June 30, 2022. As disclosed in **Note 12**, a receivable of $199,026 resulting from the final liquidation of fiscal year 2021-2022 is recorded as deferred inflows of resources since is not available as required by current standards.

15. MUNICIPAL LICENSE TAXES

Municipal license taxes are assessed annually by the Municipality to all organizations or entities subject to the tax doing business in the Municipality's location except for entities totally or partially exempt pursuant to certain Commonwealth's statutes. This tax is based generally on volume of business or gross sales as shown in a tax return that should be submitted on or before April 15.

During the fiscal year ended June 30, 2022, the tax rates were as follows:

- Financial business – 1.50% of gross revenues
- Other organizations –.50% of gross revenues

15. MUNICIPAL LICENSE TAXES (CONTINUED)

The tax is due in two equal installments on July 1 and January 1 of each fiscal year. Tax revenue is recognized at that moment by the Municipality. Municipal license tax revenues for the fiscal year ended June 30, 2022, amounted to $7,490,933 in the accompanying financial statements. A discount of 5% is allowed when full payment is made on or before April 15. Municipal license taxes collected prior to June 30 but pertaining to the next fiscal year in the amount of $7,607,932 are recorded as unearned revenues.

16. SALES AND USE TAX

As imposed by Commonwealth and Municipal laws and regulations, the citizens of Puerto Rico are subject to a sales and use tax ("SUT") on a broad range of goods and services. The total tax is imposed at a combined 11.5% rate of which 10.5% belongs to the Commonwealth (collection process administered through the Puerto Rico Department of Treasury) and 1% for the municipalities (collection process administered through the Municipal Finance Corporation – "COFIM").

The tax is due the 20th day of each month based on tax collected in the preceding month. Merchants at the **Autonomous Municipality of Cayey** render their tax return and payment through COFIM's web site, through a bank institution or by submission and payment at the Municipality's Collections Office.

16. SALES AND USE TAX (CONTINUED)

Effective on February 1, 2014, the Commonwealth approved Act No. 18 and Act No. 19 to provide for the restructuring and creation of financing structures from sales and use tax sources to guarantee and pay municipal long-term debt issuances. As a result of these legislations, the municipalities of Puerto Rico may improve their credit capacity along with maintaining sufficient resources for operations.

Act No. 18 known as the "Municipal Administration Fund Law" improves the financing capacity of the Puerto Rico Sales Tax Financing Corporation ("COFINA"), a component unit of the Commonwealth and a related entity of GDB and creates a special fund called "Municipal Administration Fund" ("FAM") under custody of the GDB. The FAM permits the Municipalities to guarantee and pay long-term debt and provide funds for their general operations. The Act includes provisions for municipalities that do not want to be covered by the Act. Special rules apply for those municipalities. The **Autonomous Municipality of Cayey** signed the agreement to be covered.

The FAM will be funded in all fiscal years with an amount attributable to the .5% of the Commonwealth's SUT for the current fiscal year once all required deposits by law have been made to COFINA from the 10% Commonwealth's SUT. The .5% is distributed as follows:

- .2% deposited in the Municipal Development Fund to be distributed to the municipalities to finance operational costs,
- .2% deposited in a Municipal Redemption Fund or may be deposited in the municipalities' general fund. The municipalities have the option to maintain funds in the Municipal Redemption Fund to increase their debt margin and,
- .1% deposited in a Municipal Improvement Fund to finance capital improvement projects; these funds will be distributed based on legislation from the Commonwealth's Legislature.

To the extent the amount of Commonwealth SUT collections available for deposit into the FAM during any fiscal year is less than the amount attributable to 0.5% of the Commonwealth sales and use tax for such fiscal year, the Commonwealth's General Fund is required to cover any such shortfall.

Effective July 22, 2016, the Commonwealth approved Act No. 84 of 2016 which amends Acts 18 and 19 of 2014 to establish, among other provisions, that the FAM, and accordingly, the Municipal Development Fund, Municipal Redemption Fund and the Municipal Improvements Fund, are no longer under the custody of GDB, but instead are under the custody of a private commercial bank designated by COFIM. Starting July 2017 all FAM's .2% SUT revenues belonging to the Municipal Redemption Fund, deposited in a private commercial bank designated by COFIM, is used to service all principal and interest payments on bonds, notes and loans, guaranteed with SUT revenues.

The debt service fund reported revenues of $1,582,828 corresponding to the IVU Municipal Redemption Fund under the custody of a private commercial bank. Once a reserve equivalent to twelve months of debt service on all outstanding general obligations is funded, any surplus in the IVU Municipal Redemption Fund is placed at the disposal of the Municipality. Upon request, these surplus funds, known as "excess IVU funds" are distributed to the Municipality at any time and whenever requested. Generally, these funds are transferred to the Municipality's general fund. The Municipality recorded these excess IVU funds as transfers-out in the debt service fund and as transfers-in the general fund.

Act No. 19 created the Municipal Finance Corporation ("COFIM"), a public corporation and a component unit of the GDB to issue bonds and use other financing mechanisms to pay or refinance all or a portion of the municipalities' debt obligations payable from the 1% municipal SUT. The Act includes provisions for municipalities that do not want to be covered by Act No. 18. Special rules apply for those municipalities. As discussed above, the **Autonomous Municipality of Cayey** signed the agreement to be covered by Act No. 18.

16. SALES AND USE TAX (CONTINUED)

The first collections of the 1% municipal SUT are deposited into the COFIM's sinking fund until the greater of: .3% of the 1% municipal SUT or an Annual Rental Fee ("RFA"). The RFA for fiscal year 2020-2021 and thereafter will be 1.5% of the RFA of the preceding fiscal period. The excess amount of 1% municipal SUT remaining after the required deposit to the COFIM's sinking fund (the "1% Municipal Transfer") is transferred to the general fund of municipalities or to the IVU Municipal Redemption Fund as decided by the municipality. If at any moment the required deposits to the COFIM's sinking fund were not sufficient to pay principal and interest of any outstanding obligation, the deficiency will be covered by appropriations of the Commonwealth's general fund budget.

For the year ended June 30, 2022, the Municipality recorded as revenue in the general fund $6,077,583 which corresponds to the COFIM 1% Municipal Transfer. The debt service fund reported $1,582,828 corresponding to the FAM Municipal Redemption and Development Funds.

17. INTERGOVERNMENTAL REVENUES AND FEES, FINES AND CHARGES FOR SERVICES –GENERAL FUND

A. Intergovernmental revenues in the general fund are comprised of the following:

	Amount
Compensation lieu of tax from the Puerto Rico Electric Power Authority (PREPA)	$ 758,063
Amount of municipal equalization fund sent by CRIM	944,482
Other state assignments	143,648
	$ 1,846,193

The Municipality reported as compensation in lieu of tax ("CELI") an amount equal to the electric power expense of $758,063 as reported by PREPA, as estimated during the Municipality's budget process. PREPA's revised Fiscal Plan was certified by the Oversight Board on April 19, 2018. With respect to measures impacting the Municipalities, the Plan emphasize on changes in the treatment of the Contribution in-Lieu of Taxes ("CILT") that are currently in process of implementation, by enacting Act No. 57 of 2014 and Act No. 4 of 2016. As part of this legislation, one of the primary goals is the full recovery by PREPA of CILT and public lighting costs. Measures include moving all the municipal public lighting to the subsidies' rider in the customer bill, removal of all municipal for-profit entities from receiving an electric service credit from the CILT, establishing a maximum consumption cap on the municipal CILT (which will also be reduced by 15% in a three-year period) providing that the municipalities will pay for any excess.

B. Charges for services revenues reported in the general fund are comprised of the following:

	Amount
Health services	$ 2,948,012
Other services	143,850
	$ 3,091,862

18. PENSION PLAN

General description

The Municipality is a participating employer in a retirement plan administered by the Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS), a trust created by the Commonwealth's Legislature. ERS covered all regular full-time public employees working for the executive and legislative branches of the Commonwealth and the municipalities of Puerto Rico (including mayors); the firefighters and police of Puerto Rico and employees of certain public corporations not having their own retirement systems. Prior to July 1, 2013, the system operated under the following benefits structures:

- Act No. 447 of May 15, 1951 ("Act 447") effective on January 1, 1952, for members hired up to March 31, 1990,
- Act No. 1 of February 16, 1990 ("Act 1") for members hired on or after April 1, 1990, and ending on or before December 31, 1999,
- Act No. 305 of September 24, 1999 (which amended Act 447 and Act 1) for members hired from January 1, 2000, up to June 3, 2013.

Employees under Act 447 and Act 1 are participants of a cost-sharing multiple employers defined benefit plan. Act 305 members are participants under a pension program known as System 2000, a hybrid defined contribution plan. Under System 2000, there was a pool of pension assets invested by the System, together with those of the current defined benefit plan. Benefits at retirement age were not guaranteed by the Commonwealth and were subjected to the total accumulated balance of the savings account.

Effective on July 1, 2013, Act No. 3 of 2013 ("Act 3") amends the provisions of the different benefits structures under the ERS. Act 3 moves all participants (employees) under the defined benefit pension plans (Act 447 and Act 1) and the defined contribution plan (System 2000) to a new defined contribution hybrid plan. Contributions are maintained by each participant in individual accounts. Credits to the individual accounts include: (1) retirement benefits accrued and savings account balances under the provisions of Act 447, Act 1 and System 2000 as of June 30, 2013; (2) contributions made by all members of ERS after June 30, 2013; and (3) the investment yield for each semester of the fiscal year.

Benefits provided

Eligibility for retirement: Act 3 establishes the following retirement eligibility requirements: (1) Act 447 regular employees upon attaining a range between 59 to 61 years (depending of date of birth) and 10 years of creditable service, (2) Act 1 employees upon attaining 55 years with 30 years of creditable service, (3) System 2000 regular employees upon attaining a range between 61 to 65 years (depending of date of birth) and, (4) Act 3 employees hired after July 1, 2013 upon reaching 67 years. High risk employees (state and municipal police, firefighters and custody officials) under Act 447 and Act 1 will be eligible at 55 years with 30 years of creditable service, for System 2000 employees at 55 years of service and for Act 1 employees hired after July 1, 2013, upon reaching 58 years.

Accrued benefits: All members are entitled to a lifetime annuity based on the balance of the deferred contribution individual account at the time of the retirement calculated based on a factor that will incorporate the individual's life expectancy and a rate of return. For Act 447 and Act 1 active participants, all retirement benefits accrued through June 30, 2013, were frozen, and thereafter, all future benefits accrue under Act 3 plan.

These participants will receive a pension at retirement age equivalent to what they have accrued under Act 447 and Act 1 up to June 30, 2013, plus the lifetime annuity corresponding to contributions made to the individual account after July 1, 2013, as described above. Act 447 participants, except police and mayors, may elect to coordinate

18. PENSION PLAN (CONTINUED)

coverage with Social Security benefits ("Coordinated plan"). Under this option, participants are subject to a benefit recalculation upon attainment of the Social Security Retirement Age. For all members, if the balance of the defined contribution individual account is less than $10,000 the amount shall be paid as a lump sum instead of an annuity. Effective July 1, 2013, the minimum monthly pension amount for members who retired or disabled before July 1, 2013, is $500.

Termination benefit: Members are eligible to a lump sum payment of the defined contribution individual account as of the date of the permanent separation of service upon termination of service prior to 5 years of service or if the balance of the defined contribution individual account is less than $10,000.

Deferred retirement: Members are eligible at the applicable retirement eligibility age to a lifetime annuity based on the balance of the deferred contribution individual account plus the accrued benefit as of June 30, 2013 (for Act 447 and Act 1 members) upon termination of service with 5 or more years of service (10 years of creditable service for Act 447 and Act1 members) but prior to the applicable retirement eligibility, provided the member has not taken a lump sum withdrawal from the defined contribution individual account.

Death benefits: For non-retired members, their designated beneficiaries will receive a refund of the balance of the deferred contribution individual account plus the accrued benefit as of June 30, 2013 (for Act 447 and Act members). For pensioned members retired prior to June 30, 2013, the annual income to a widow or widower o dependent children is equal to 60% of the retirement benefit payable for life for a surviving spouse or disabled children and payable until age 18 or age 25 if pursuing studies for nondisabled children. For pensioned members retired after June 30, 2013, payments to beneficiaries will be the excess, if any, of the balance of the deferred contribution individual account plus the accrued benefit as of June 30, 2013 (for Act 447 and Act 1 members) over the total annuity payments paid to the member and any beneficiaries.

Disability benefits: Members who are permanently separated from service due to total and permanent disability, due to disability pursuant to Act No. 127 of June 27, 1958, as amended, or due to terminal illness, as determined by the Administrator, shall be entitled to the balance of the deferred contribution individual account in a lump sum, or through the grant of an annuity, or any other optional form of payment pursuant to Section 5-110 of Act No. 447, at the option of the participant, plus the accrued benefit as of June 30, 2013 (for Act 447 and Act 1 members) at the applicable retirement eligibility age. Beginning on June 30, 2013, no disability pensions shall be awarded pursuant to Sections 2-107 thru 2-111 of Act No. 447. A disability benefits program is established which shall provide a temporary annuity in the event of total and permanent disability. Disability benefits may be provided through one or more disability insurance contracts with one or more insurance companies authorized by the Office of the Commissioner of Insurance of Puerto Rico to conduct business in Puerto Rico. The determination as to whether a person is partially or totally and permanently disabled shall be made by the insurance company that issues the insurance policy covering the participant.

Special laws and pensioner additional benefits: The Municipality is required to cover other retirement benefits of its retired employees (if retired prior to July 1, 2013) as required by Commonwealth's laws, including: (1) various special laws – ad-hoc cost-of-living allowance adjustments (COLA) provided in prior years; (2) various special laws –additional minimum pension benefits and, (3) Act 3 retired pensioners "Additional Benefits Program". All of these other retirement benefits are applicable only to employees who retired prior to July 1, 2013, under Act 447 and Act 1. The "Additional Benefits Program" includes: (1) a medication bonus of $100 per member which shall be paid no later than July 15 of each year; (2) a Christmas bonus of $200 per member which shall be paid no later than December 20 of each year and, (3) a matching share of $1,200 for healthcare insurance plan. These costs are billed by ERS and paid by the Municipality through the PayGo system.

18. PENSION PLAN (CONTINUED)

Retirement systems reform

Act No. 106 of August 23, 2017 ("Act 106") was enacted to reform the Commonwealth retirement systems and, among other dispositions, provide the necessary legal and operational structure of the determination and payment of accrued pension benefits as of June 30, 2017, the creation and transition to a new defined contribution plan and the reform of ERS's governance and administration, effective on July 1, 2017. Those dispositions are summarized as follows:

Determination of accrued pension benefits as of June 30, 2017, and payments

Effective July 1, 2017, participants ceased to accrue new pension benefits and are no longer able to make direct credit payments or to make additional contributions to the ERS. The ERS created and will maintain, for each participant or actual beneficiary, an individual record as of June 30, 2017, which includes the accrued pension benefits, employment history and accumulated contributions made. All benefits including retirement, disability, death, and other pensioner additional benefits were determined in accordance with the specific benefit structures under Act 447, Act 1, Act 305 and Act 3 and will be paid based on the information provided in the individual record. The accrued pension benefits will be funded through:

- The net proceeds of the sale of ERS's assets,
- A pay-as-you-go ("PayGo") charge to the participant employers determined by ERS and billed by the PRDT,
- Commonwealth's legislative expenditure appropriations,
- Donations by any public or private entity,
- 25% of first or periodic payments on public-private partnership contracts,
- Other funds determined by the Commonwealth's Legislature.

Also, effective July 1, 2017, retirement benefits for retirees of the Commonwealth, the Municipalities and other participants of the ERS will be guaranteed through a PayGo funding system. 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. This funding method allows the retirement systems to continue to pay benefits even after the plans' assets have been exhausted. Payments are made by the employers (the Municipality) through a government treasury single account (TSA) maintained on a separate trust under the custody of PRDT. TSA funds are deposited and maintained in a commercial bank.

On June 27, 2017, the PRDT issued the Circular Letter No. 1300-46-17 to communicate to the Commonwealth, the Municipalities and other participants of the ERS the conversion procedures to a new PayGo model, effective on July 12017. Under the PayGo funding, the participant employers directly pay the pension benefits (including other special laws and additional pensioner benefits) as they are due rather than attempt to build up assets to pre-fund future benefits. This funding method allows the retirement systems to continue to pay benefits even after the plans' assets have been exhausted. In addition, as a result of the implementation of PayGo funding, employers' contributions related to additional uniform contributions were eliminated. Payments are made by the employers (the Municipality) through a government treasury single account (TSA) maintained on a separate trust under the custody of PRDT. TSA funds are deposited and maintained in a private commercial bank. It is expected that, as the ERS's assets become depleted, the PayGo charge will increase. On July 20, 2017, ERS sold investments for approximately $297 million.

Act 106 includes penalties and specific procedures for collection of unpaid PayGo charges. Each beneficiary, participant or pensioned will have personal collection rights against every incumbent, head of agency, director of budget or finance or any officer with responsibility at government, public enterprise or municipality to claim unpaid contributions starting on the effective date of the Act and demand that they be paid as required. For municipalities, it authorized a legal lien of property tax to be collected by the CRIM through the monthly advances.

18. PENSION PLAN (CONTINUED)

Creation and transition to a new defined contribution plan

General - Effective July 1, 2017, a new defined contribution plan ("DC Plan") is created and maintained in a separate trust. It covers all active participants of the ERS as of that date and participants enrolled in the public service after that date. The Retirement Board (as discussed later) is responsible for oversight of the DC Plan; the PRDT currently serves as the trustee and custodian of the DC Plan's assets, which are deposited in a private bank account. The transition to the new DC Plan is currently in process. In accordance with Act 106 requirements, the Retirement Board is evaluating proposals to appoint a plan administrator which will perform recordkeeping and management functions for the DC Plan, including the development and adoption of a plan document, effective July 1, 2019. The transition includes the creation of a separate trust and the transfer of participant accounts.

Participant accounts and contributions - Funds are maintained in individual accounts for each participant which are credited with participant's pre-tax contributions and investment earnings. Participants are required to contribute at least 8.5% of gross salary. The Plan provides for voluntary additional pre-tax contributions as permitted by the Puerto Rico Internal Revenue Code of 2011 ("2011 PR Code"). After July 1, 2019, participants may direct the investment of their contributions into various investment options offered by the DC Plan.

Payment of benefits - Upon termination of service a participant or the participant beneficiaries may elect to receive an amount equal to the value of the participant's interest in his or her account in a lump-sum amount, maintain his or her account in the DC Plan, or roll-over their account to a qualified plan under the 2011 PR Code. Upon participant's death the account balance will be distributed to its designated beneficiaries. Distributions are subject to income tax in accordance with the provisions of the 2011 PR Code. For participants of the DC Plan with accrued pension benefits as of June 30, 2017, benefits will include amounts of participant's interest in his or her account plus accrued pension benefits funded through the PayGo system.

Reform of ERS's governance and administration

Act 106 creates a Retirement Board composed of thirteen (13) members (government officials, representatives of teachers, judicial system, public corporations and mayors) which replaces the Board of Trustees and perform overall governance of all retirement systems, including ERS, the Teachers and Judiciary Retirement Systems. ERS' employees that are not retained under the new administrative structure will be transferred to public agencies in conformity to Act No. 8 of 2017.

Pension liabilities, pension expense, and deferred outflows/inflows of resources related to pensions; other required disclosures under GASB Statement No. 73

As discussed above, pursuant to Act 106, participants ceased to accrue new pension benefits and are no longer able to make direct credit payments or to make additional contributions to the ERS. In addition, benefit payments are made through a PayGo funding system, a TSA account under the custody of PRDT and maintained in a separate trust fund. Plans operated under various benefit structures prior to July 1, 2017, are administered by the new Retirement Board through a trust fund that do not meet the requirements of ***GASB Statement No. 68*** as of July 1, 2017. Instead, the employers may be subject 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 Statement 68".*

18. PENSION PLAN (CONTINUED)

However, as indicated in the Basis for Qualified Opinion section of the independent auditors' report, the ERS has not provided to the Municipality the audited actuarial and financial information necessary for the proper recognition and reporting of its total pension liability as of June 30, 2022. As a result, management has not been able to implement the accounting and financial reporting requirements for pensions that are provided to the employees of state and local governmental employers through pension plans trusts that do not comply with the criteria set forth in the **GASB Statement No. 68.** The effects of this departure from U.S. generally accepted accounting principles in the assets, liabilities, deferred inflows/outflows of resources and net position of the Municipality's governmental activities cannot be determined at this time.

19. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan description

The Municipality is a participating employer in the Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities Medical Insurance Plan Contribution ("ERS-MIPC"). ERS-MIPC is an unfunded, cost sharing, multi-employer defined benefit plan sponsored by the Commonwealth. Substantially all fulltime employees of the Commonwealth's primary government, and certain municipalities of Puerto Rico and certain component units of the Commonwealth not having their own postemployment benefit plan, are covered by the OPEB. Commonwealth employees became members upon their date of employment. Plan members were eligible for benefits upon reaching the pension benefits retirement ages.

Benefits provided

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

Contributions

The contribution requirement of ERS-MIPC is established by Act No. 95 approved on June 29, 1963. This OPEB plan is financed by the Commonwealth on a pay-as-you-go basis. The funding of the OPEB benefits is provided to the ERS through legislative appropriations each July 1 by the Commonwealth's General Fund for former government and certain public corporations without own treasuries employees, and by certain public corporations with own treasuries and municipalities for their former employees. The Municipality's contribution is financed through the monthly PayGo charge. There is no contribution requirement from the plan member during active employment. Retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. As a result, these OPEB are 100% unfunded. The legislative appropriations are considered estimates of the payments to be made by the ERS for the healthcare benefits throughout the year.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB; other GASB Statement 75 required disclosures

The ERS have not provided to the Municipality the audited actuarial and financial information necessary for the proper recognition as of and for the fiscal year ended June 30, 2022, nor has it provided the Municipality with the audited schedules of employment allocations and OPEB amounts by employer as of June 30, 2021, (Municipality's measurement date), necessary to comply with the requirements of ***GASB Statement No. 75*** *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions",* as of June 30, 2022. As a result, amounts to be reported as deferred inflows/outflows of resources related to OPEB, the total OPEB liability, applicable disclosures and required supplementary information have been omitted.

20. TAX ABATEMENTS

Commonwealth of Puerto Rico Agreements

A. *Act 168 of 1968, as amended – "Act to Grant Tax Exemptions to Hospitals"*

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 or resolution.

B. *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; promote the exportation of products manufactured in Puerto Rico; stimulate the development of strategic industries; promote the creation of small and medium businesses; promote the establishment of regional and central corporate offices and distribution centers in Puerto Rico; promote 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 year of the 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%).

20. TAX ABATEMENTS (CONTINUED)

B. *Act 135 of 1998, as amended – "Tax Incentives Act" (continued)*

- 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 tax-exempt 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 or resolution. 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).

20. TAX ABATEMENTS (CONTINUED)

C. *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 or resolution.

D. *Act 255 of 2002 – "Savings and Loans Associations Act, as amended"*

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 medium-sized 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.

20. TAX ABATEMENTS (CONTINUED)

E. *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.

F. *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 fraternal 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 and resolutions state the percentage of construction excise taxes, if any, that these types of organizations must pay.

Those individual tax abatement agreements that exceeded 35%, 50% and 42% of the total tax abated amount under the categories of real property, personal property and municipal license taxes, respectively, are disclosed as follows:

Industry Type	Act's Name	Tax Category	Percent Abated	Amount Abated FY 2021-2022
		Real property tax	90%	$ 884,537
Manufacture	Act 135 of 1998, as amended	Personal property tax	90%	4,567,371
		Municipal license tax	60%	1,045,102
				$ 6,497,010

20. TAX ABATEMENTS (CONTINUED)

Act's Name	Tax Category	Percent Abated	Amount Abated
Act 168 of 1968, as amended – *"Act to Grant Tax Exemptions to Hospitals"*	Real property tax	100%	$ 393,837
	Personal property tax	100%	1,477,252
			$ 1,871,089
Act 135 of 1998, as amended – *"Tax Incentives Act"*	Real property tax	90%	$ 2,553,674
	Personal property tax	90%	9,072,499
	Municipal license tax	60%	2,476,584
			$ 14,102,757
Act 73 of 2008, as amended – *"Economic Incentives Act for the Development of Puerto Rico"*	Real property tax	90%	$ 22,716
	Personal property tax	90%	529,347
	Municipal license tax	60%	41,572
			$ 593,635
Act 255 of 2002, as amended – *"Savings and Loans Associations Act"*	Real property tax	100%	$ 27,400
	Personal property tax	100%	84,010
			$ 111,410
Act 225 of 1995, as amended – "*Agricultural Tax Incentives Act*"	Personal property tax		$ 65,608
Not-for-Profit Organizations	Real property tax	100%	$ 180,466
	Personal property tax	100%	7,434
			$ 187,900
Total of tax abatements			**$ 16,932,399**

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21. COMMITMENTS AND CONTINGENCIES

A. Federal and Commonwealth Grants:

The Municipality participates in a number of Federal and Commonwealth financial assistance programs funded by the Federal and Commonwealth Government. Although the Municipality's grant programs have been audited in accordance with the provisions of the Single Audit Act of 1996, through June 30, 2022, these programs are still subject to financial and compliance audits by the granting agencies and the resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by such audits cannot be determined at this time, although the Municipality management expects such amounts, if any, not to be material.

B. Claims and lawsuits:

The Municipality is a defendant in a number of lawsuits arising principally from claims against the Municipality for alleged improper actions, and other legal matters that arise in the ordinary course of the Municipality's activities.

It is management's opinion, based on the advice of the legal counsel, that the potential claims against the Municipality not covered by insurance will not materially affect the financial resources for its payment.

C. Encumbrances:

As of June 30, 2022, the general fund had commitments of approximately $2,225,771 for executory purchase orders or contracts that will be honored during the subsequent year. Purpose classification as follows:

Purpose	General Fund assigned fund balance:	
General government	$	1,174,443
Health and welfare		598,886
Public works		370,199
Culture and recreation		44,586
Education		34,975
Public safety		2,682
Total	**$**	**2,225,771**

22. FISCAL AND ECONOMIC CONDITIONS

The Municipality faces fiscal and economic risks and challenges due to different conditions including, among others, the economic and fiscal crisis of the Commonwealth, lack of financing alternatives from commercial banking, the consideration of the municipalities as covered entities under PROMESA, and the implementation of eight amended POA.

22. FISCAL AND ECONOMIC CONDITIONS (CONTINUED)

Elimination of Commonwealth's subsidy transfer

On May 3, 2017, a petition of relief was filed by the Oversight Board on behalf of the Commonwealth under Title III of PROMESA, incorporating the automatic stay provisions of Bankruptcy Code section 362 and 922. As a covered entity, the Commonwealth was required to prepare and eventually revise its Fiscal Plan. The Commonwealth provide to the Municipalities subsidy transfers of funds from the 35% of net revenues from the lottery system and 2.5% of net internal revenues from the Commonwealth's General Fund. The latest revised Fiscal Plan provides for the reduction and eventual elimination of the 2.5% Commonwealth transfer. Starting in fiscal year 2017-2018, the total municipal appropriations were reduced by $150 million, bringing a new baseline of $220 reduction in the Commonwealth's subsidies to the municipalities. The reduction will be gradually implemented by 20% on each successive year starting at $44M in fiscal year 2018-2019. However, due to the COVID-19 pandemic, the transfer of fiscal year 2020-2021 was kept to provide financial support to the municipalities during the crisis. The reduction will resume in fiscal year 2021-2022 to fiscal year 2023-2024, before ultimately phasing-out in fiscal year 2024-2025.

The Fiscal Plan propose incentivizing consolidations of municipal services and a property tax reform to help the Municipalities to offset the reduction and become more solvent.

The Municipality cannot adequately estimate the possible effects of the elimination of the 2.5% Commonwealth transfer on its operations in future fiscal years.

Lack of financing alternatives from commercial banking

As a result of significant fiscal challenges, the Government Development Bank for Puerto Rico ("GDB") completed its wind-down of its fundamental operations on March 23, 2018. GDB historically served as an important source of liquidity to municipal governments by providing financing to such entities. However, given GDB's situation it is no longer in a position to provide such financings.

While certain mid-sized and small municipalities may be able to obtain financing from commercial financial institutions to continue funding their public work programs and operations, those institutions have strengthened their requirements for financing. In order to mitigate the impact of this events, the municipalities are obtaining other alternatives of long-term financing including federal loans from Rural Development, HUD (Section 108) and FEMA. Notwithstanding, the lack of additional financing alternatives limits the capacity of the municipalities of performing capital projects and improvements including buildings, recreational facilities and infrastructure.

Impact of COVID-19

On March 2020, the World Health Organization declared the outbreak of a new coronavirus (COVID-19) as a pandemic that continues to spread. The United States Government declared a nationwide public health emergency in order to make efforts to contain the virus and provide measures to mitigate the negative effect on the economy. Also starting on March 2020, the Governor of the Commonwealth of Puerto Rico issued various executive orders which, among other things, imposed an overnight curfew, ordered schools, non-essential businesses, nonprofit entities and Commonwealth and Municipal governmental organizations to close or partially operate.

Businesses, the Commonwealth, Municipal governments and people of Puerto Rico were granted with financial assistance in order to alleviate the economic impact of the virus. The Municipality was awarded with financial support from the Federal Government through the Coronavirus Relief Fund (passed-through the Puerto Rico Departments of Health and Treasury) and the Coronavirus State and Local Fiscal Recovery Funds (passed-through the Puerto

22. FISCAL AND ECONOMIC CONDITIONS (CONTINUED)

Rico Fiscal Agency and Financial advisory Authority).

Due to the economic and financial uncertainties described, the extent to which COVID-19 may impact the Municipality's future financial condition or results of operations is undeterminable.

Implementation of Eight Amended POA

The "Modified Eight Amended Title III Joint Plan of Adjustment" of the Commonwealth of Puerto Rico (the Eight Amended POA) became effective on March 15, 2022. The conditions precedent to that date were satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Eight Amended POA has been confirmed and is currently effective as of the date hereof. Following is a brief description of certain settled agreements:

a) In relation to the Commonwealth:

i. The Eight Amended POA reduced the Commonwealth's total funded debt obligations from approximately $34.3 billion of prepetition debt to only approximately $7.4 billion, representing a total debt reduction of 78%. This debt reduction will also reduce the Commonwealth's maximum annual debt service (inclusive of COFINA debt service) from approximately $4.2 billion to $1.15 billion, representing a total debt service reduction of 73%.
ii. All of the legacy Commonwealth general obligation bonds, ERS bonds, and PBA bonds were discharged, and all of the Commonwealth, ERS, and PBA obligations and guarantees related thereto were discharged.
iii. All Commonwealth laws that require the transfer of funds from the Commonwealth to other entities are deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws.
iv. Effectuating the Plan of Adjustment provides a path for Puerto Rico to access the credit markets and develop balanced annual budgets.

b) In relation to pension plan of ERS (municipal employees are participants):

i. Employees who joined ERS on or after January 1, 2000, were enrolled in a hybrid cash balance plan. The hybrid account balances were credited with the employee contributions made to the plan and interest that was connected to the overall ERS trust return. As a result of Act 106-2017, these accounts were frozen as of June 30, 2017, and no longer were credited with either employee contributions or interest. Pursuant to a settlement incorporated into the Eighth Amended POA, on the effective date the System 2000 participants received the value of their contributions and any interest accrued under the terms of the plan through the Commonwealth petition date as a deposit into their Act 106-2017 new defined contribution plan accounts. Upon the payment of these refunds, all claims related to the System 2000 Program were discharged.
ii. Funding of the Pension Reserve Trust: On the Effective Date, the Commonwealth shall contribute, or cause to be contributed, to the Pension Reserve Five Million Dollars $5,000,000.00 to fund the initial administrative fees, costs and expenses of the Pension Reserve Trust. This Trust will be established and funded to ensure that future PayGo benefits can be supported regardless of the future economic or political situation in the Commonwealth. The trust will be independently managed by a committee whose members shall meet the independence, professionalism, experience, and qualification standards set forth in the Pension Reserve Deed of Trust. Funding for the pension reserve trust is to be provided according to a formula based on the Commonwealth's annual surpluses. The pension reserve trust is projected to be fully funded by FY2039, at which point withdrawals can be made to fund PayGo pension payments under certain conditions.
iii. For ERS participants hired prior to January 1, 2000, defined benefits accrued and payable under Act 1 and Act 447 were frozen as of June 30, 2013 by Act 3-2013. As a result, from July 1, 2013 through June 30, 2017, these employees also accrued benefits under a hybrid plan from employee contributions and interest associated with ERS trust returns similar to System 2000. These benefits are annuitized and paid out along with the defined benefits calculated under Act 1/Act 447. Additionally, such individuals employed as of the effective date received a one-time contribution of $2,600 to their Act 106-2017 new defined contribution plan accounts.
iv. Elimination of "Cost of Living Adjustments" (COLA) to Pension Benefits upon effective date.

23. PRIOR PERIOD ADJUSTMENTS

Governmental-Wide Financial Statements

The following restatements have been made in the governmental-wide financial statements, which are reported as an adjustment to the beginning balance of capital assets and long term debts:

	Fund Balance	Net Position
As previously reported, as of June 30, 2021	$ 64,111,775	$177,185,689
Adoption of GASB No. 87 "Leases":		
Recognition of Lease liability	-	(51,965)
Recognition of Lease asset	-	51,965
Beginning balance, as restated	**$ 64,111,775**	**$177,185,689**

24. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 29, 2023, which is the date the financial statements were available to be issued and determined that no other material subsequent events require disclosure or an estimate to be recorded as of June 30, 2022.

Impact of Hurricane Fiona

On September 18, 2022, Puerto Rico was directly impacted by Hurricane Fiona causing a level of widespread destruction in many areas of the island including infrastructure, housing, environment, and public and private property. The hurricane caused property damages which could not be currently determined. As a result of the massive impact of the hurricane, a series of actions and events have been taken by the Federal Government.

A major disaster declaration, FEMA-4671-DR-PR, was signed by the President of the United States on September 21, 2022. Under this declaration, all 78 Municipalities of the Commonwealth of Puerto Rico have been designated adversely affected by the disaster and eligible for Public Assistance (PA), Hazard Mitigation Grant (HMGP) and Individual Assistance (IA) programs, implemented under the authority of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. The Municipality has been designated for IA and PA for debris removal and emergency protective measures (Categories A and B) and permanent work (Categories C-G).

CRIM Debt Settlement Agreement - Act No. 146-2001 and Act No. 42-2000

Pursuant to Section 207 of the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA"), the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board") must approve all debt transactions by the Government of Puerto Rico or its instrumentalities. In connection with this responsibility, on August 1, 2022, the Oversight Board approves the Debt Transaction described therein (the "Debt Transaction"). The Debt Transaction, consists of a Settlement Agreement (the "Settlement") between the Municipal Revenue Collection Center ("CRIM," for its Spanish acronym) and the Government Development Bank ("GDB") Debt Recovery Authority (the "DRA") providing for the consensual settlement of: (i) the term loan in the original principal amount of $166,500,000 granted pursuant to a Loan Agreement by and between GDB and CRIM dated June 28, 2001, as amended, to cover the deficit that resulted from the payment of excess remittances to municipalities over several fiscal years (the "2001 Term Loan"), and (ii) the term loan in the original principal amount of $105,000,000 granted pursuant to a Loan Agreement by and between GDB and CRIM dated March 18, 2002, as amended, to repurchase certain municipal property tax liens that had been sold to the Puerto Rico Public Finance Corporation in 1998 (the "2002 Term Loan" and, together with the 2001 Term Loan, the "CRIM Loans"). The CRIM Loans were subsequently

24. SUBSEQUENT EVENTS (CONTINUED)

transferred by GDB to the DRA pursuant to the terms of the Master Transfer Agreement between GDB and the DRA in connection with GDB's debt restructuring process under Title VI of PROMESA.

The Settlement brings resolution to approximately $130,906,530 of legacy debt dating back to the early 2000s. It provides much needed cash flow relief by fully settling the outstanding balances of 59 municipalities, in addition to agreeing to 3-year and 5-year shortfall notes for 13 municipalities (the "Shortfall Notes").

The Municipality has evaluated subsequent events through March 29, 2023, which is the date the financial statements were available to be issued. Management is not aware of any additional subsequent events that requires adjustment or disclosure in the financial statements or its related notes.

Municipalities inflation fund

On June 30, 2022, the Financial Oversight and Management Board certified the Government of Puerto Rico's 2022-23 fiscal year budget.

In its general fund an amount of $40 million was assigned under a non-recurring fund for operational costs due to inflation. The amount assigned to each municipality is based on the following criteria: fiscal year budget and property valuation. The amount to be distributed to the **Autonomous Municipality of Cayey** as a one-time economic support is $311,039.

END OF NOTES

Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive
	Original	Final	(See Note 1)	(Negative)
REVENUES:				
Taxes:				
Property taxes	$ 8,232,038	$ 8,232,038	$ 8,232,038	$ -
Municipal license tax	7,208,798	7,208,798	7,526,950	318,152
Municipal sales and use taxes	4,483,233	4,483,233	6,077,583	1,594,350
Licenses, permits and other local taxes	1,610,000	1,610,000	1,377,187	(232,813)
Charges for services	3,383,086	3,383,086	3,571,985	188,899
Intergovernmental:				
Commonwealth Government	1,900,979	1,900,979	944,482	(956,497)
Fines and forfeitures	10,000	10,000	918	(9,082)
Rent of property	1,325,000	1,325,000	387,838	(937,162)
Interest	350,000	350,000	90,821	(259,179)
Miscellaneous	885,000	885,000	1,360,542	475,542
Total revenues	**29,388,134**	**29,388,134**	**29,570,344**	**182,210**
EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES:				
Current:				
General government	16,741,538	16,648,556	12,119,288	4,529,268
Public safety	166,693	188,542	141,393	47,149
Public works	5,005,055	5,106,179	4,000,637	1,105,542
Health and welfare	5,677,097	5,679,162	4,571,406	1,107,756
Culture and recreation	842,466	836,062	534,301	301,761
Community development	338,405	366,450	178,069	188,381
Education	616,880	563,183	223,323	339,860
Total expenditures, encumbrances and other financing uses	**29,388,134**	**29,388,134**	**21,768,417**	**7,619,717**
EXCESS OF REVENUES OVER EXPENDITURES	$ -	$ -	**$ 7,801,927**	**$ 7,801,927**

Explanation of differences:

Sources/inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	$	29,570,344
Differences - budget to GAAP:		
GAAP adjustments to revenues		465,330
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	**$**	**30,035,674**
Uses/outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	$	21,768,417
Differences - budget to GAAP:		
Prior year encumbrances		3,216,597
Current year encumbrances		(2,225,771)
GAAP adjustments to revenues		3,606,915
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	**$**	**26,366,158**

See notes to the Budgetary Comparison Schedule-General Fund.

1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Control

The Municipality's annual budget is prepared on the budgetary basis of accounting, which is not in accordance with USGAAP, and represents departmental appropriations recommended by the Mayor and approved by the Municipal Legislature prior to the beginning of the fiscal year. Amendments to the budget require the approval of the Municipal Legislature. Transfers of appropriations within the budget, known as Mayor's Resolutions, do not require the approval of the Municipal Legislature.

The Municipality prepares its annual budget including the operations of the general fund. For budgetary purposes, encumbrance accounting is used. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For USGAAP reporting purposes, encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The unencumbered balance of any appropriation at the end of the fiscal year will lapse at the end of such fiscal year. Other appropriations, mainly capital project appropriations, are continuing accounts for which the Municipal Legislature has authorized that an unspent balance from the prior year be carried forward and made available for current spending.

The annual budget as presented in the Budgetary Comparison Schedule-General Fund is the budget ordinance as of June 30, 2022, representing the original budget. There were no supplemental appropriations for the year ended June 30, 2021.

END OF NOTES

Line Item No.	Balance Sheet	Housing Choice Vouchers ALN (14.871)	HCV Cares Act Funding (14.HCC)	Emergency Housing Voucher (14.EHV)	Total
	Assets				
111	Cash – unrestricted	$ 428,016	$ -	$ 10,804	$ 438,820
113	Cash - other restricted	156,342	68,669	48,943	273,954
100	**Total cash**	584,358	68,669	59,747	712,774
128	Accounts receivable - Fraud Recovery	3,035	-	-	3,035
120	**Total receivables, net of allowance for doubtful accounts**	3,035	-	-	3,035
150	**Total current assets**	587,393	68,669	59,747	715,809
164	Furniture, equipment and machinery - administration	58,006	-	-	58,006
166	Accumulated depreciation	(53,139)	-	-	(53,139)
160	**Total capital assets, net of accumulated depreciation**	4,867	-	-	4,867
290	**Total assets and deferred outflow of resources**	**$ 592,260**	**$ 68,669**	**$ 59,747**	**$ 720,676**
	Liabilities and equity				
312	Accounts payable <= 90 days past due	1,626	-	579	2,205
333	Account payable – other government	18,016	-	-	18,016
342	Unearned revenue	93,957	68,669	26,487	189,113
310	**Total current liabilities**	113,599	68,669	27,066	209,334
353	Non-current liabilities - other	42,033	-	-	42,033
350	**Total Non-current Liabilities**	42,033	-	-	42,033
300	**Total liabilities**	155,632	68,669	27,066	251,367
	Equity				
508.4	Net Investment in capital assets	4,867	-	-	4,867
511.4	Restricted net position	34,821	-	21,877	56,698
512.4	Unrestricted net position	396,940	-	10,804	407,744
513	**Total equity/net position**	436,628	-	32,681	469,309
600	**Total liabilities, deferred inflows of resources and equity/net position**	**$ 592,260**	**$ 68,669**	**$ 59,747**	**$ 720,676**

See notes to the Financial Data Schedule.

Line Item No.	Income Statement	Housing Choice Vouchers ALN (14.871)	HCV Cares Act Funding (14.HCC)	Emergency Housing Voucher (14.EHV)	Total
	Revenues				
70600-010	Housing assistance payments	$ 939,748	$ -	$ 25,268	$ 965,016
70600-020	Ongoing administrative fees earned	165,402	-	3,573	168,975
70600	**HUD PHA operating grants**	**1,105,150**	**-**	**28,841**	**1,133,991**
71100	Investment income - unrestricted	349	-	-	349
71400	Fraud Recovery	-	-	-	-
71500	Other revenue	54,279	-	3,595	57,874
72000	Investment income - restricted	92	-	-	92
700	**Total revenue**	**1,159,870**	**-**	**32,436**	**1,192,306**
	Expenses				
91100	Administrative salaries	84,222	-	-	84,222
91500	Employee benefit contributions- administrative	17,183	-	-	17,183
91200	Auditing Fees	2,930	-	-	2,930
96200	Other general expenses	4,712	-	2,082	6,794
91000	**Total operating - administrative**	**109,047**	**-**	**2,082**	**111,129**
92100	Tenant Services - salaries	-	-	**1,873**	**1,873**
96900	**Total operating expenses**	**109,047**	**-**	**3,955**	**113,002**
97000	**Excess revenue over operating expenses**	**$ 1,050,823**	**$ -**	**$ 28,481**	**$ 1,079,304**
97300-041	Portability - out	35,277	-	-	35,277
97300-045	FSS Escrow Deposits	4,212	-	-	4,212
97300-050	All other	910,987	-	9,708	920,695
97300	**Housing assistance payments**	**950,476**	**-**	**9,708**	**960,184**
97350	HAP Portability-in	50,601	-	-	50,601
97400	Depreciation expense	4,866	-	-	4,866
90000	**Total expenses**	**$ 1,114,990**	**$ -**	**$ 13,663**	**$ 1,128,653**
10000	**Excess (deficiency) of revenue over (under) expenses**	**$ 44,880**	**$ -**	**$ 18,773**	**$ 63,653**

See notes to the Financial Data Schedule.

COMMONWEALTH OF PUERTO RICO
AUTONOMOUS MUNICIPALITY OF CAYEY

Financial Data Schedule
Income Statement
For the Fiscal Year Ended June 30, 2022

Line Item No.	Income Statement	Housing Choice Vouchers ALN (14.871)	HCV Cares Act Funding (14.HCC)	Emergency Housing Voucher (14.EHV)	Total
11030	**Beginning equity**	**$ 346,292**	**$ -**	**$ 7,591**	**$ 353,883**
11170-001	Administrative fee equity - beginning balance	346,292	-	7,591	353,883
11170-010	Administrative fee revenue	165,402	-	3,573	168,975
11170-040	Investment income	349	-	-	349
11170-050	Other revenue	54,279	-	3,595	57,874
11170-051	Comment for other revenue	Port In. Revenues.		Service Fee	
11170-060	**Total administrative fee revenues**	**220,030**	**-**	**7,168**	**227,198**
11170-080	Total operating expenses	109,048	-	3,955	113,003
11170-090	Depreciation	4,866	-	-	4,866
11170-095	Housing assistance portability in	50,601	-	-	50,601
11170-110	**Total expenses**	**164,515**	**-**	**3,955**	**168,470**
11170-002	**Net administrative fee**	**55,515**	**-**	**3,213**	**58,728**
11170-003	Administrative fee equity - ending balance	401,807	-	10,804	412,611
11170-005	Pre-2004 administrative fee reserves	401,807	-	10,804	412,611
11170-006	Post-2003 administrative fee reserves	-	-	-	-
11170	**Administrative fee equity**	**$ 401,807**	**$ -**	**$ 10,804**	**$ 412,611**
11180-001	Housing assistance payments equity - beginning balance	45,456	-	6,317	51,773
11180-010	Housing assistance payments revenues	939,748	-	25,268	965,016
11180-015	Fraud Recovery Revenue	-	-	-	-
11180-025	Investment income	92	-	-	92
11180-030	**Total housing assistance payments revenue**	**939,840**	**-**	**25,268**	**$ 965,108**
11180-080	Housing assistance payments	950,475	-	9,708	960,183
11180-002	Net housing assistance payments	(10,635)	-	15,560	4,925
11180-003	Housing assistance payments equity - ending balance	34,821	-	21,877	56,698
11180	**Housing assistance payments equity**	**$ 34,821**	**$ -**	**$ 21,877**	**$ 56,698**
11190	Unit months available	2,620	-	54	2,674
11210	Unit months leased	2,572	-	25	2,597

See notes to the Financial Data Schedule.

1. BASIS OF PRESENTATION

The accompanying Financial Data Schedule (FDS) presents the financial position of the Section 8 Housing Choice Voucher Program, administered by the Municipality. The FDS was created in order to standardize the financial information reported by the Public Housing Authorities (PHA) to the Real Estate Assessment Center (REAC) as required by the Uniform Financial Reporting Standards (UFRS). REAC is the U.S. 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.

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. It was prepared using the accrual basis of accounting, as required by REAC regulations.

END OF NOTES

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal ALN	Pass-through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:				
Direct Programs:				
Rural Business Development Grant	10.351	N/AV	$ -	$ 118,706
Pass-through the Commonwealth of Puerto Rico – Department of Education:				
Child and Adult Care Food Program	10.558	N/AV	-	224,377
Total U.S. Department of Agriculture			-	**343,083**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Direct Programs:				
Community Development Block Grants – Entitlement Grants	14.218	N/A	-	499,810
Community Development Block Grants - CDBG-CV	14.218	N/A	-	47,280
Community Development Block Grants - CDBG-DR	14.218	N/A	-	144,821
Continuum of Care Program	14.267	N/A	-	197,959
Section 8 Housing Choice Voucher	14.871	N/A	-	1,105,150
Emergency - Section 8 - Housing Choice Voucher	14.EHV	N/A	-	32,436
Pass-through the Commonwealth of Puerto Rico - Municipality of San Juan:				
Housing Opportunities for Persons with AIDS	14.241	N/AV	-	34,615
Total U.S. Department of Housing and Urban Development			-	**2,062,071**
U.S. DEPARTMENT OF TRANSPORTATION:				
Direct Programs:				
Federal Transit – Formula Grants	20.507	N/A	-	293,075
COVID-19 - Federal Transit – Formula Grants	20.507	N/A	-	122,986
Total U.S. Department of Transportation			-	**416,061**

The accompanying notes are an integral part of this schedule.

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal ALN	Pass-through Entity Identifying Number	Pass Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TREASURY:				
Direct Programs:				
Coronavirus State and Local Fiscal Recovery Funds - County & Entitlement	21.027	N/A	$ -	$ 2,333,252
Pass-through the Commonwealth of Puerto Rico - Fiscal Agency and Financial Advisory Authority (AAFAF):				
Coronavirus Relief Fund (CRF)	21.019	N/AV	-	1,000,365
Pass-through the Commonwealth of Puerto Rico - Health Department:				
Coronavirus Relief Fund (CRF) -Testing and Contact Tracing Program	21.019	N/AV	-	307,498
Total U.S. Department of Treasury			**-**	**3,641,115**
U.S. DEPARTMENT OF EDUCATION:				
Pass-through the Commonwealth of Puerto Rico - Department of Education:				
Twenty-First Century Community Learning Centers	84.287	N/AV	-	169,916
Total U.S. Department of Education			**-**	**169,916**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Pass-through the Commonwealth of Puerto Rico – Governor's Office (Elderly Office):				
Special Program for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	N/AV	-	28,399
Pass-through the Commonwealth of Puerto Rico, Department of Family - Office of Administration for the Care and Comprehensive Development of Children ("ACUDEN"):				
Child Care and Development Block Grant	93.575	N/AV	-	182,182
Head Start Cluster:				
Early Head Start Program	93.600	N/AV	-	234,066
Head Start Program	93.600	N/AV	-	3,465,563
Total U.S. Department of Health and Human Services			**-**	**3,910,210**

The accompanying notes are an integral part of this schedule.

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal ALN	Pass-through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Direct Programs:				
Community Disaster Loan (CDL)	97.030	N/AV	$ -	$ 98,767
Pass-through the Government of Puerto Rico Central Office for Recovery Reconstruction and Resiliency (COR3):				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4017-DR-PR	-	2,465,940
	97.036	FEMA 4339-DR-PR	-	73,129
Hazard Mitigation Grant Program (HMGP)	97.039	N/AV	-	18,750
Total U.S. Department of Homeland Security			-	**2,656,586**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ -**	**$ 13,199,042**

The accompanying notes are an integral part of this schedule.

A. 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, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 assets of the Municipality.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified-accrual basis of accounting, except for Section 8 Housing Choice Voucher Program (HCV). Expenditures are recognized when the related liability is incurred following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures for HCV Program are reported on a statutory basis as required by the U.S. Department of Housing and Urban Development. Such expenditures should equal the net ACC subsidy for the PHA's fiscal period. Expenditures for Public assistance grants (FEMA) are recognized in the period when: (1) FEMA has approved the PW, and (2) eligible expenditures are incurred.

The Assistance Listing Number (ALN), formerly known as the Catalog of Federal Domestic Assistance (CFDA) Number, is a five-digit number assigned in the awarding document for all federal assistance award mechanisms, including federal grants and cooperative agreements. Assistance listings are detailed public descriptions of federal programs that provide grants, loans, scholarships, insurance, and other types of assistance awards. The Sam.gov assistance listing is the publicly available online database showing all available Federally-funded programs.

State or local government redistributions of federal awards to the Municipality, known as "pass–through awards", should be treated by the Municipality as though they were received directly from the federal government. The Uniform Guidance requires the schedule to include the name of the pass–through entity and the identifying number assigned by the pass-through entity for the federal awards received as a sub recipient. Numbers identified as N/A are not applicable and numbers identified as N/AV are not available.

C. INDIRECT COSTS

The Municipality elected not to use the 10% de minimis cost rate and did not charge indirect costs to federal grants during the year ended June 30, 2022.

D. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule are included in the Head Start Fund, Public Assistance Grants Fund, American Rescue Plan Act Fund and in the Other Governmental Funds in the Municipality's funds financial statements. The reconciliation between the expenditures in the fund's financial statements and expenditures in the Schedule of Expenditures of Federal Awards is as follows:

D. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS (CONTINUED):

Description	Amount
General Fund	$ 26,366,158
Debt Service Fund	2,753,980
Head Start Fund	3,895,955
Bond Issuance Fund	656,111
Cayey Development Fund	3,204,186
Public Assistance Grants Fund	2,539,070
American Rescue Plan Act Fund	2,333,253
Other Governmental Funds	5,524,214
Less:	
Non-Federal Expenditures	(34,073,885)
Total expenditures in Schedule of Expenditures of Federal Awards	**$ 13,199,042**

E. CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – ASSISTANCE LISTING NUMBER 21.027

On March 11, 2021, was signed into law the American Rescue Plan Act (ARPA) of 2021, the latest COVID-19 stimulus package. Within ARPA, the Coronavirus State and Local Fiscal Recovery Fund provides $350 billion for states, municipalities, counties, tribes, and territories, including $130.2 billion for local governments split evenly between municipalities and counties. The **Autonomous Municipality of Cayey** will start receiving the funds and incurred in expenditures in the following fiscal years.

END OF NOTES

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Autonomous Municipality of Cayey**, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the **Autonomous Municipality of Cayey's** basic financial statements, and have issued our report thereon dated March 31, 2023. Our report includes emphasis of matter paragraph regarding Municipality adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases,* effective July 1, 2021. Also, our report on the governmental activities was qualified because management has not recorded the liabilities and pension expenses, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB as required by GASB Statement No. 73 & 75, also, do not include the required disclosures.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **Autonomous Municipality of Cayey'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 **Autonomous Municipality of Cayey's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Autonomous Municipality of Cayey's** internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items **2022-001** and **2022-002** that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Autonomous Municipality of Cayey's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our

Report on Compliance and Other Matters (continued)

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items **2022-001 and 2022-002**.

Autonomous Municipality of Cayey's Response to Findings

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

Purpose of this Report

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

We noted certain matters that we reported to management of the **Autonomous Municipality of Cayey** in a separate letter dated March 29,2023.

LÓPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
March 29, 2023

Stamp No. E486973 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, the **Autonomous Municipality of Cayey** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Cayey** and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the **Autonomous Municipality of Cayey's** compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the **Autonomous Municipality of Cayey'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 Cayey's** compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the **Autonomous Municipality of Cayey'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 Cayey'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 **Autonomous Municipality of Cayey'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 Cayey's** internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item **2022-003.** Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the **Autonomous Municipality of Cayey's** response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The **Autonomous Municipality of Cayey'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item **2022-003** to be significant deficiency.

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 Cayey's** response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The **Autonomous Municipality of Cayey'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.

We noted certain matters that we reported to management of the **Autonomous Municipality of Cayey** in a separate letter dated March 29, 2023.

LÓPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
March 29, 2023

Stamp No. E486974 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

Section I – Summary of Auditors' Results

Financial Statements

Opinion Units	Type of Opinions
Governmental Activities	Qualified
General Fund	Unmodified
Debt Service Fund	Unmodified
Head Start Fund	Unmodified
Bond Issuance Fund	Unmodified
Cayey Development Fund	Unmodified
Public Assistance Grants Fund	Unmodified
American Rescue Plan Act Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:		
Material weakness(es) identified?	☐Yes	☒No
Significant deficiency(ies)?	☒Yes	☐None Reported
Noncompliance material to financial statements noted?	☒Yes	☐No

Federal awards

Internal Control over major programs:		
Material weakness(es) identified?	☐Yes	☒No
Significant deficiency(ies)?	☒Yes	☐No
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section 200.516(a) of the Uniform Guidance?	☒Yes	☐No

Identification of Major Federal Programs:

ALN	Name of Federal Program or Cluster
14.218	Community Development Block Grants - Entitlement Grants
21.027	Coronavirus State and Local Fiscal Recovery Funds
93.600	Early Head Start/Head Start Program
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs	$750,000	
Auditee qualified as low-risk auditee?	☐Yes	☒No

Section II – Financial Statements Findings

Finding Reference 2022-001

Requirement: **Implementation of Requirements Set Forth by GASB Statement No. 73 and GASB Statement No. 75 (SD) & (NC)**

Type of finding: **Significant Deficiency in Internal Control (SD), Instance of Noncompliance (NC)**

This finding is similar to prior-year finding(s) ***2021-001*** *and* ***2020-001****.*

Statement of Condition

The Municipality has not implemented the accounting and financial reporting requirements for pensions that are provided to the employees of state and local government employers through pension plans trust that do not comply with GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement No. 68*". The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Municipality's governmental activities has not been determined.

In addition, the Municipality's financial statements do not disclose the descriptive information about the pension plans through which the pensions are provided required by the GASB Statement No. 73 for single-employer pension plans. Also, management has omitted historical pension information that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements.

Also, the Municipality did not implement the accounting and financial reporting requirements for schedules of employment allocations and OPEB amounts by employer as of June 30, 2022, to comply with the requirements of GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Municipality's governmental activities has not been determined. Applicable disclosures and required supplementary information that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements has been omitted.

Criteria

GASB Statement No. 73 states the accounting and financial reporting requirements for employers and governmental non employer contributing entities for pensions that are not within the scope of GASB Statement No. 68 comply with the criteria set forth in the Statement. This requires that the Municipality report in its financial statements its total pension liability, pension expense and deferred outflows and inflows of resources related to pensions as of the measurement date. It also requires detailed disclosures related to the actuarial and financial information used in the calculation of the total pension liability and the reporting of historical pension data as Required Supplementary Information.

Section II – Financial Statements Findings

Finding Reference 2022-001 (Continued)

Criteria (continued)	Also, GASB Statement No. 75 states standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. It also requires detailed disclosures related to the actuarial and financial information used in the calculation of the net OPEB liability and the reporting of historical data as Required Supplementary Information.
Cause of Condition	The Employees' Retirement System Administration (ERS) has not provided the financial and technical information necessary for the implementation of GASB Statement 73 and GASB Statement No. 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. Also, the required supplementary information has been omitted.
Recommendation	We recommend the Municipality maintains a constant communication with the Retirement System Administration (ERS), in order to obtain the necessary financial and technical information to implement the requirements of the GASB Statements No. 73 and 75.
Questioned Cost	None
Views of Responsible Officials and Planned Corrective Action	We concur with the auditors' recommendations. We haven't received a response from the Commonwealth's Employees Retirement System Administration with the audited information requested to comply with GASB Statement No. 73 and GASB No. 75 requirements. Implementation Date: Single Audit for fiscal year 2022-2023 due on March 31, 2024. Responsible Persons: Mrs. Eunice Díaz Torres Finance Department Director

Section II – Financial Statements Findings

Finding Reference **2022-002**

Requirement: **Financial Reporting – Accounting Records**
Type of Finding: **Significant Deficiency in Internal Control (SD), Instance of Noncompliance (NC)**

This finding is similar to prior-year finding(s) ***2021-002*** *and* ***2020-002****.*

Statement of Condition

During our examination of the Municipality's accounting system, we noted that the accounting data still requires significant reporting adjustments in order to present the Municipality's financial statements in the modified-accrual basis of accounting. Also, the accounting data requires significant reporting adjustments to produce government-wide financial statements.

The Municipality hires the professional services of local accounting firms to perform the required adjustment entries to present properly the modified-basis financial statements and compile the necessary information to convert its accounting records from modified-basis to accrual-basis as required by GAAP and Law No. 107.

Criteria

Chapter VIII, Article 2.095(b) of State Act Number 107- "Código Municipal de Puerto Rico" of August 14, 2020, as amended, states that the Municipality must maintain its fund accounting in accordance with GAAP. In addition, Article 2.095(c) states that a uniform accounting system used by the Municipality must produce reliable reports, financial statements and provide complete information about the results of the Municipality operations and include the necessary internal controls to account for all funds, capital assets and other assets and liabilities.

Cause of Condition

Management implemented a new accounting system, nevertheless they have not established effective internal controls over the transactions recorded on the Municipality's accounting records. Also, the accounting data does not provide adequate and effective financial information to generate the basic financial statements.

Effect of Condition

The Municipality's accounting system does not provide updated and complete financial information that presents the financial position and the result of operations and the change in fund balances. Such information is necessary to take management decisions.

Recommendation

We recommend the Municipality's Management to implement internal controls and procedures in order to maintain a double entry accounting system that contains accurate information pertaining to authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, interfund transactions, etc.

Questioned Costs

None

Section II – Financial Statements Findings

Finding Reference **2022-002 (Continued)**

Views of Responsible Officials and Planned Corrective Action

The Municipality's Management began the process to implement new *Rock Solid* modules that will help in the register of transactions that are necessary to provide accurate financial information for the decision making process (example are: Module for Procedures and Fixed Assets). The Municipality established processes to eliminate manual entries and is adjusting the incorrect beginning balances that were registered in the system. We will continue providing training to our fiscal staff in order to improve our internal controls and procedures to maintain accounting records in the required accounting basis.

Implementation Date: During fiscal year 2022-2023

Responsible Persons: Mrs. Eunice Díaz Torres
Finance Department Director

Section III – Major Federal Award Program Findings and Questioned Costs

Finding Reference 2022-003

Federal Agency: **U.S. Department of Health and Human Services**
Pass-through Agency: **Puerto Rico Department of Family**
Program: **Head Start Program Cluster (ALN 93.600 & 93.365)**

Compliance Requirement: **Reporting - Financial Administration (L)**

Type of Finding: **Significant Deficiency in Internal Controls (SD), Instance of Noncompliance (NC)**

This finding is similar to prior-year finding(s) ***2021-003*** *and* ***2020-004.***

Statement of Condition

In our Reporting Test, we found differences between the amounts reported as federal expenditures in the Federal Financial Report SF-425 submitted to the federal agency and the amounts detailed in the trial balance. As result, the financial reports do not agree with the program accounting records. Alternate procedures were used to report the expense.

Criteria

The OMB Common Rules, Subpart C, Section .20 (b) (1), states that the grantee must maintain internal control procedures that permits proper tracing of funds to the accounting records. Also, it requires accurate, current and complete disclosure of financial results. The agreement with the pass-through entity, the Commonwealth of Puerto Rico – Family Department (ACUDEN), Clause eight (8), Section 11, states that the utilization of the official accounting system of the program, *Abila MIP Fund Accounting Software,* is required. Other accounting systems will not be considered as the official accounting systems of the program for the purpose of federal, state, or local audits. All journal entries of the project should be registered in the system. Disbursement not registered in the *Abila MIP Fund Accounting Software* will not be processed. It is the responsibility of the grantee to keep the information up to date for it to reflect an accurate financial position of the institution.

Cause of Condition

The required accounting system is not used as reporting source. Also, adequate internal controls do not exist to assure that the required accounting system be used and the information is reconciled with the closing reports submitted to the federal agencies.

Effect of Condition

The program is not in compliance with the Common Rules, Subpart C, Section .20 (b) (1).

Section III – Major Federal Award Program Findings and Questioned Costs

Finding Reference **2022-003 (continued)**

Recommendation

We recommend the Program establishes monitoring procedures to ensure the accuracy of accounting records and a correct completion of the closing reports. The Program fiscal area ensures that accounting records are updated at the end of each month in order to prepare accurate reports to the federal agency. In addition, the accountant must ensure that the *Abila MIP Fund Accounting Software* is used to present the financial position of the Program and as the reporting source as established by the pass-through entity.

Questioned Cost

None

Views of Responsible Officials and Planned Corrective Action

During the evaluated period, the Abila MIP Fund Accounting Software System was not available, so the *Rock Solid System* was used for federal reporting, as a corrective action, ACUDEN was requested to establish a clause in the fund delegation contract with the authorization of the use of the *Rock Solid* accounting system. This clause was included in the contract 2023-001904 for the 2023-2024 fiscal year.

Implementation Date: During fiscal year 2023-2024.

Responsible Person: Mrs. Idenisse Díaz
Head Start Program Director

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2021-2022

Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor

Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Statement of Concurrence or Non concurrence	Corrective Action
2022-001	We concur with the finding.	We concur with the auditors' recommendations. We haven't received a response from the Commonwealth's Employees Retirement System Administration with the audited information requested to comply with GASB Statement No. 73 and GASB No. 75 requirements. Implementation Date: Single Audit for fiscal year 2022-2023 due on March 31, 2024. Responsible Persons: Mrs. Eunice Díaz Torres Finance Department Director

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2021-2022

Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor

Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Statement of Concurrence or Non concurrence	Corrective Action
2022-002	We concur with the finding.	The Municipality's Management began the process to implement new *Rock Solid* modules that will help in the register of transactions that are necessary to provide accurate financial information for the decision making process (example are: Module for Procedures and Fixed Assets). The Municipality established processes to eliminate manual entries and is adjusting the incorrect beginning balances that were registered in the system. We will continue providing training to our fiscal staff in order to improve our internal controls and procedures to maintain accounting records in the required accounting basis. Implementation Date: During fiscal year 2022-2023 Responsible Persons: Mrs. Eunice Díaz Torres Finance Department Director

March 29, 2023

Date

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Hon. Rolando Ortiz Velázquez, Mayor

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2021-2022

Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor

Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Statement of Concurrence or Non concurrence	Corrective Action
2022-003	We concur with the finding.	During the evaluated period, the Abila MIP Fund Accounting Software System was not available, so the *Rock Solid System* was used for federal reporting, as a corrective action, ACUDEN was requested to establish a clause in the fund delegation contract with the authorization of the use of the Rock Solid accounting system. This clause was included in the contract 2023-001904 for the 2023-2024 fiscal year. Implementation Date: During fiscal year 2023-2024. Responsible Person: Mrs. Idenisse Díaz Head Start Program Director

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2021-2022

Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor

Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2021-001	Implementation of Requirements Set Forth by GASB Statement No. 73 and GASB Statement No. 75 (SD) & (NC)	The Municipality has not implemented the accounting and financial reporting requirements for pensions that are provided to the employees of state and local government employers through pension plans trust that do not comply with GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement No. 68". The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Municipality's governmental activities has not been determined. In addition, the Municipality's financial statements do not disclose the descriptive information about the pension plans through which the pensions are provided required by the GASB Statement No. 73 for single-employer pension plans. Also, management has omitted historical pension information that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements.	We concur with the auditors' recommendations. The Municipality is closely monitoring the actions of the Commonwealth's Employees Retirement System Administration in order to make sure to obtain the audited information required by this standard.	None	A similar situation took place during 2021-2022. See current year finding 2022-001.

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2020-2021

Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor

Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2021-001 (continued)		Also, the Municipality did not implement the accounting and financial reporting requirements for schedules of employment allocations and OPEB amounts by employer as of June 30, 2020 to comply with the requirements of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Municipality's governmental activities has not been determined. Applicable disclosures and required supplementary information that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements has been omitted.			

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2020-2021

Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor

Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2021-002	Financial Reporting– Accounting Records (SD)	During our examination of the Municipality's accounting system, we noted that the accounting data still requires significant reporting adjustments in order to present the Municipality's financial statements in the modified accrual basis of accounting. Also, the accounting data require significant reporting adjustments to produce government wide financial statements. The Municipality hires the professional services of local accounting firms to perform the required adjustment entries to present properly the modified basis financial statements and compile the necessary information to convert its accounting records from modified basis to accrual basis as required by GAAP and Law No. 81.	The municipality's Management has looked for several alternatives to be able to resolve the issue of accounting records. Within these alternatives was chosen to acquire a new accounting system as the problem had prevailed for quite some time and the initial balances were affected by accounting errors in the early years of implementation of the old system that dragged year after year. Despite this decision, during this year we faced the difficulty of implementing a new technology and the	None6	A similar situation took place during 2021-2022. See current year finding 2022-002.

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2021-2022

Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor

Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2021-002 (continued)			adaptation to this new system has been progressing a little less than expected, so they are still dependent on manual accounting records and adjustments to the system to produce the necessary information for the preparation of financial statements. During fiscal year 2016-2017, all financial staff (collections, purchases, payroll, etc.) will be taking various trainings so that they system's implementation and look for more efficient ways to operate it.		

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

Audit Report: Reports on Compliance and Internal Control in Accordance with Governmental Auditing Standards and OMB Super Circular Uniform Guidance

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

Fiscal Year: 2021-2022

Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor

Contact Person: Mrs. Eunice Diaz, Finance and Budget Director

Phone: (787) 738-3211

Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2021-003	Reporting – Financial Administration (L) Head Start Program (ALN 93.600) U.S. Department of Health and Human Services Pass-through Puerto Rico Department of Family (SD) & (NC)	In our Reporting Test, we found differences between the amounts reported as federal expenditures in the Federal Financial Report SF-425 submitted to the federal agency and the amounts detailed in the trial balance. As result, the financial reports do not agree with the program accounting records. Alternate procedures are used to report the expense.	To correct this situation, it is important to establish that the Agency in charge of sending the funds of the Head Start Program, the Administration for the Care and Integral Development of Children (ACUDEN), gave us access to the required accounting system, "Abila MIP Fund Accounting System" (MIP), six months after confirming the contract for the delegation of funds and the Program has started functions.However, the Municipality claims to have recorded all transactions in its main accounting application "Rock Solid" and that it was from this and that it was from this application that the numbers were reported in the 425 financial reports. Even so, a working group of Municipality personnel will be established to monitor and collate the financial reports prepared before they are sent to ACUDEN to guarantee their veracity.	None	A similar situation took place during 2021-2022. See current year finding 2022-003.

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2021-2022

Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor

Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2020-001	Implementation of Requirements Set Forth by GASB Statement No. 73 and GASB Statement No. 75 (SD) & (NC)	The Municipality has not implemented the accounting and financial reporting requirements for pensions that are provided to the employees of state and local government employers through pension plans trust that do not comply with GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement No. 68". The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Municipality's governmental activities has not been determined. In addition, the Municipality's financial statements do not disclose the descriptive information about the pension plans through which the pensions are provided required by the GASB Statement No. 73 for single-employer pension plans. Also, management has omitted historical pension information that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements.	We concur with the auditors' recommendations. The Municipality is closely monitoring the actions of the Commonwealth's Employees Retirement System Administration in order to make sure to obtain the audited information required by this standard.	None	A similar situation took place during 2021-2022. See current year finding 2022-001.

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2021-2022

Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor
Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2020-001 (continued)		Also, the Municipality did not implement the accounting and financial reporting requirements for schedules of employment allocations and OPEB amounts by employer as of June 30, 2020 to comply with the requirements of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Municipality's governmental activities has not been determined. Applicable disclosures and required supplementary information that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements has been omitted.			

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Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2021-2022

Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor
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Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2020-002	Financial Reporting–Accounting Records (SD)	During our examination of the Municipality's accounting system, we noted that the accounting data still requires significant reporting adjustments in order to present the Municipality's financial statements in the modified accrual basis of accounting. Also, the accounting data require significant reporting adjustments to produce government wide financial statements. The Municipality hires the professional services of local accounting firms to perform the required adjustment entries to present properly the modified basis financial statements and compile the necessary information to convert its accounting records from modified basis to accrual basis as required by GAAP and Law No. 81.	The municipality's Management has looked for several alternatives to be able to resolve the issue of accounting records. Within these alternatives was chosen to acquire a new accounting system as the problem had prevailed for quite some time and the initial balances were affected by accounting errors in the early years of implementation of the old system that dragged year after year. Despite this decision, during this year we faced the difficulty of implementing a new technology and the	None	A similar situation took place during 2021-2022. See current year finding 2022-002.

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Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2021-2022

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Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2020-002 (continued)			adaptation to this new system has been progressing a little less than expected, so they are still dependent on manual accounting records and adjustments to the system to produce the necessary information for the preparation of financial statements. During fiscal year 2016-2017, all financial staff (collections, purchases, payroll, etc.) will be taking various trainings so that they system's implementation and look for more efficient ways to operate it.		

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Date

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Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor

Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2020-004	Reporting – Financial Administration (L) Head Start Program (ALN 93.600) U.S. Department of Health and Human Services Pass-through Puerto Rico Department of Family (SD) & (NC)	In our Reporting Test, we found differences between the amounts reported as federal expenditures in the Federal Financial Report SF-425 submitted to the federal agency and the amounts detailed in the trial balance. As result, the financial reports do not agree with the program accounting records. Alternate procedures are used to report the expense.	To correct this situation, it is important to establish that the Agency in charge of sending the funds of the Head Start Program, the Administration for the Care and Integral Development of Children (ACUDEN), gave us access to the required accounting system, "Abila MIP Fund Accounting System" (MIP), six months after confirming the contract for the delegation of funds and the Program has started functions. However, the Municipality claims to have recorded all transactions in its main accounting application "Rock Solid" and that it was from this and that it was from this application that the numbers were reported in the 425 financial reports. Even so, a working group of Municipality personnel will be established to monitor and collate the financial reports prepared before they are sent to ACUDEN to guarantee their veracity.	None	A similar situation took place during 2021-2022. See current year finding 2022-003.

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2021-2022

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Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2019-001	Implementation of Requirements Set Forth by GASB Statement No. 73 and GASB Statement No. 75 (SD) & (NC)	The Municipality has not implemented the accounting and financial reporting requirements for pensions that are provided to the employees of state and local government employers through pension plans trust that do not comply with GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement No. 68". The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Municipality's governmental activities has not been determined. In addition, the Municipality's financial statements do not disclose the descriptive information about the pension plans through which the pensions are provided required by the GASB Statement No. 73 for single-employer pension plans. Also, management has omitted historical pension information that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements.	We concur with the auditors' recommendations. The Municipality is closely monitoring the actions of the Commonwealth's Employees Retirement System Administration in order to make sure to obtain the audited information required by this standard.	None	Pending of final action of the Municipality's Management.

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

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Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor
Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2019-001 (continued)		Also, the Municipality did not implement the accounting and financial reporting requirements for schedules of employment allocations and OPEB amounts by employer as of June 30, 2019 to comply with the requirements of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Municipality's governmental activities has not been determined. Applicable disclosures and required supplementary information that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements has been omitted.			

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Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

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Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor

Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2019-002	Financial Reporting– Accounting Records (SD)	During our examination of the Municipality's accounting system, we noted that the accounting data still requires significant reporting adjustments in order to present the Municipality's financial statements in the modified accrual basis of accounting. Also, the accounting data require significant reporting adjustments to produce government wide financial statements. The Municipality hires the professional services of local accounting firms to perform the required adjustment entries to present properly the modified basis financial statements and compile the necessary information to convert its accounting records from modified basis to accrual basis as required by GAAP and Law No. 81.	The municipality's Management has looked for several alternatives to be able to resolve the issue of accounting records. Within these alternatives was chosen to acquire a new accounting system as the problem had prevailed for quite some time and the initial balances were affected by accounting errors in the early years of implementation of the old system that dragged year after year. Despite this decision, during this year we faced the difficulty of implementing a new technology and the adaptation to this new system has been less than	None	Pending of final action of the Municipality's Management.

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance

Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2021-2022

Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor
Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211

Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Cost	Status
2019-002 (continued)			expected, so they are still dependent on manual accounting records and adjustments to the system to produce the necessary information for the preparation of financial statements. During fiscal year 2016-2017, all financial staff (collections, purchases, payroll, etc.) will be taking various trainings so that they system's implementation and look for more efficient ways to operate it.		

I CERTIFY THAT THE INFORMATION ABOVE IS CORRECT

Hon. Rolando Ortiz Velázquez, Mayor

March 29, 2023
Date

FORM SF-SAC (09-16-2022) U.S. Dept. of Commerce - Economics and Statistics Administration - U.S. Census Bureau

OMB No. 0607-0518. Approval Expires 02/28/2025 ACTING AS THE COLLECTING AGENT FOR OFFICE OF MANAGEMENT AND BUDGET

Data Collection Form for Reporting on AUDITS OF STATES, LOCAL GOVERNMENTS, INDIAN TRIBES, INSTITUTIONS OF HIGHER EDUCATION, AND NONPROFIT ORGANIZATIONS for Fiscal Period Ending Dates in 2022

PART I: GENERAL INFORMATION

REPORT ID: **981730** VERSION: **1**

1. Fiscal Period

a. Start Date: 7/1/2021 (MM/DD/YYYY)

b. End Date: 6/30/2022 (MM/DD/YYYY)

2. Type of Uniform Guidance Audit

- [X] Single audit
- [ ] Program-specific audit
- [ ] Alternative Compliance Examination Engagement

3. Audit Period Covered

- [X] Annual
- [ ] Biennial
- [ ] Other: Number of Months

4. Auditee Identification Numbers

a. Auditee Employer Identification Number (EIN): 66-0433541

b. Are multiple EINs covered in this report? [ ] Yes [X] No

c. If Part I, Item 4b is Yes, complete the attached Auditee EIN Continuation Sheet

d. Auditee Data Universal Numbering System (DUNS) Number: 11-251-0347

e. Are multiple DUNS numbers covered in this report? [ ] Yes [X] No

f. If Part I, Item 4e is Yes, complete the attached Auditee DUNS Continuation Sheet

g. Auditee Unique Entity Identification Number (UEI): FYR3BQB2D743

h. Are multiple UEIs covered in this report? [ ] Yes [X] No

i. If Part I, Item 4h is Yes, complete the attached Auditee UEI Continuation Sheet

5. Auditee Information

a. Auditee Name: MUNICIPALITY OF CAYEY

b. Auditee Address

Number and Street: APARTADO 37370

City: CAYEY State: PR Zip Code: 00737

c. Auditee Contact

Name: EUNICE DIAZ TORRES

Title: FINANCE DIRECTOR

d. Auditee Contact Telephone: (787)738-3211

e. Auditee Contact E-mail: EUNICEDIAZ@CAYEY.PR.GOV

6. Primary Auditor Information

a. Audit Firm/Organization Name: LOPEZ VEGA CPA PSC

b. Audit Firm/Organization EIN: 66-0587053

c. Audit Firm/Organization Address

Number and Street: CALLE PARANA #1686 EL CEREZAL

City: SAN JUAN State: PR Zip Code: 00926-3144

d. Auditor Contact

Name: ANGEL A. LOPEZ VEGA

Title: PRESIDENT

e. Auditor Contact Telephone: (787)777-8044

f. Auditor Contact E-mail: ALFREDOLOPEZ@LOPEZVEGACPA-PR.COM

g. Was a secondary auditor used? [ ] Yes [X] No

h. If Part I, Item 6g is Yes, complete the attached Secondary Auditors' Contact Information Sheet

ARCHIVED

FORM SF-SAC

Report ID: **981730** Version: **1**

PART II: FEDERAL AWARDS

PART III: INFORMATION FROM THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS

1. Federal Awards Expended During Fiscal Period

Schedule of Expenditures of Federal Awards

1. Major Program Information and Audit Findings

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	a	b	c
	CFDA #								Loan Programs		Federal Award Source			Passed Through		Major Program		
Row Number (auto-generated)	Federal Awarding Agency Prefix [1]	CFDA Three-Digit Extension [2]	Additional Award Identification [3]	Federal Program Name	Amount Expended ($)	Cluster Name	Federal Program Total [4] (auto-generated) ($)	Cluster Total [5] (auto-generated) ($)	Loan/Loan Guarantee (Loan) Y/N	If Loan, the End of the Audit Period Outstanding Loan Balance [6] ($)	Direct Award (Direct) Y/N	If not Direct, list Name of Pass-through Entity	If not Direct, list Identifying Number Assigned by the Pass-through Entity, if assigned [7]	Federal Award Passed Through to Subrecipients Y/N	If Passed Through, provide Amount Passed Through ($)	Major Program (MP) Y/N	If MP, Type of Audit Report [8]	Number of Audit Findings
1	10	351		RURAL BUSINESS DEVELOPMENT GRANT	$118,706	N/A	$118,706		N		Y			N		N		0
2	10	558		CHILD AND ADULT CARE FOOD PROGRAM	$224,377	N/A	$224,377		N		N	PR DEPARTMENT OF EDUCATION	N/AV	N		N		0
3	14	218		COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	$499,810	N/A	$691,911		N		Y			N		Y	U	0
4	14	218	CDBG-CV	COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	$47,280	N/A	$691,911		N		Y			N		Y	U	0
5	14	218	CDBG-DR	COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	$144,821	N/A	$691,911		N		Y			N		Y	U	0
6	14	267		CONTINUUM OF CARE PROGRAM	$197,959	N/A	$197,959		N		Y			N		N		0
7	14	871		SECTION 8 HOUSING CHOICE VOUCHERS	$1,105,150	N/A	$1,137,586		N		Y			N		N		0
8	14	871	EHV - EMERGENCY	SECTION 8 HOUSING CHOICE VOUCHERS	$32,436	N/A	$1,137,586		N		Y			N		N		0
9	14	241		HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	$34,615	N/A	$34,615		N		N	PR MUNICIPALITY OF SAN JUAN	N/AV	N		N		0
10	20	507		FEDERAL TRANSIT_FORMULA GRANTS	$293,075	N/A	$416,061		N		Y			N		N		0
11	20	507	COVID-19	FEDERAL TRANSIT_FORMULA GRANTS	$122,986	N/A	$416,061		N		Y			N		N		0
12	21	027	COUNTY & ENTITLEMENT	CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	$2,333,252	N/A	$2,333,252		N		Y			N		Y	U	0

13	21	019	CRF	CORONAVIRUS RELIEF FUND	$1,000,365	N/A	$1,307,863		N		N	PR - AAFAF	N/AV	N		N		0
14	21	019	COVID-19 TESTING AND CONTACT TRACING PROGRAM	CORONAVIRUS RELIEF FUND	$307,498	N/A	$1,307,863		N		N	PR HEALTH DEPARTMENT	N/AV	N		N		0
15	84	287		TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	$169,916	N/A	$169,916		N		N	PR DEPARTMENT OF EDUCATION	N/AV	N		N		0
16	93	044		SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART B_GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	$28,399	N/A	$28,399		N		N	PR GOVERNORS ELDERLY OFFICE	N/AV	N		N		0
17	93	575		CHILD CARE AND DEVELOPMENT BLOCK GRANT	$182,182	N/A	$182,182		N		N	N/AV	N/AV	N		N		0
18	93	600		HEAD START	$3,465,563	HEAD START CLUSTER	$3,699,629	$3,699,629	N		N	PR DEPARTMENT OF FAMILY (ACUDEN)	N/AV	N		Y	U	1
19	93	600	EARLY HEAD START	HEAD START	$234,066	HEAD START CLUSTER	$3,699,629	$3,699,629	N		N	PR DEPARTMENT OF FAMILY (ACUDEN)	N/AV	N		Y	U	1
20	97	030		COMMUNITY DISASTER LOANS	$98,767	N/A	$98,767		N		Y			N		N		0
21	97	036	FEMA	DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	$2,465,940	N/A	$2,539,069		N		N	PR - COR3	FEMA 4017-DR-PR	N		Y	U	0
22	97	036		DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	$73,129	N/A	$2,539,069		N		N	PR - COR3	N/AV	N		Y	U	0
23	97	039		HAZARD MITIGATION GRANT	$18,750	N/A	$18,750		N		N	PR - COR3	N/AV	N		N		0
				Total Federal Awards Expended =	$13,199,042													

1. See Appendix I of instructions for valid Federal awarding agency two-digit prefixes.
2. Three-digit CFDA extensions listed in the Catalog of Federal Domestic Assistance (CFDA - beta.sam.gov). If the extension is unknown, see instructions.
3. Used to collect other data or information to identify the award which is not a CFDA number (e.g., program year, contract number). This item is optional if Part II, Item 1(b) has a valid CFDA extension.
4. The system will provide total Federal awards expended for each Federal program by summing the individual CFDA lines which have the same CFDA number.
5. The system will provide total Federal awards expended for each cluster of programs by summing the individual CFDA lines which have the same Cluster Name.
6. Used to collect the loan or loan guarantee (loan) balances outstanding at the end of the audit period for loan programs as identified in Part II, Item 1(i) (2 CFR 200.510(b)(5)). Enter "N/A" for loans made to students of an institution of higher education (IHE) where the IHE does not make the loans (2 CFR 200.502(c)).
7. If no identifying number was assigned, enter "N/A".
8. If Major Program is marked "Y", enter only one letter (U = Unmodified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report. If Major Program is marked "N", leave item blank.

PART II: FEDERAL AWARDS - Continued

2. Notes to the Schedule of Expenditures of Federal Awards (SEFA)

Note 1: Describe the significant accounting policies used in preparing the SEFA. (2 CFR 200.510(b)(6))

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, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 assets of the Municipality.Expenditures reported on the Schedule are reported on the modified-accrual basis of accounting, except for Section 8 Housing Choice Voucher Program (HCV). Expenditures are recognized when the related liability is incurred following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures for HCV Program are reported on a statutory basis as required by the U.S. Department of Housing and Urban Development. Such expenditures should equal the net ACC subsidy for the PHAs fiscal period. Expenditures for Public assistance grants (FEMA) are recognized in the period when: (1) FEMA has approved the PW, and (2) eligible expenditures are incurred.The Assistance Listing Number (ALN), formerly known as the Catalog of Federal Domestic Assistance (CFDA) Number, is a five-digit number assigned in the awarding document for all federal assistance award mechanisms, including federal grants and cooperative agreements. Assistance listings are detailed public descriptions of federal programs that provide grants, loans, scholarships, insurance, and other types of assistance awards. The Sam.gov assistance listing is the publicly available online database showing all available Federally-funded programs.State or local government redistributions of federal awards to the Municipality, known as passthrough awards, should be treated by the Municipality as though they were received directly from the federal government. The Uniform Guidance requires the schedule to include the name of the passthrough entity and the identifying number assigned by the pass-through entity for the federal awards received as a sub recipient. Numbers identified as N/A are not applicable and numbers identified as N/AV are not available.

4,000 characters

Note 2: Did the auditee use the de minimis cost rate? (2 CFR 200.414(f))

- [ ] Yes
- [x] No
- [ ] Both

Please explain.

The auditee did not use the de minimis cost rate.

4,000 characters

Additional Notes

All additional notes included in the reporting package must be entered in this section and will be automatically numbered sequentially by the IDES system as they are entered.

Note 3:

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS ASSISTANCE LISTING N

75 characters

On March 11, 2021, was signed into law the American Rescue Plan Act (ARPA) of 2021, the latest COVID-19 stimulus package. Within ARPA, the Coronavirus State and Local Fiscal Recovery Fund provides $350 billion for states, municipalities, counties, tribes, and territories, including $130.2 billion for local governments split evenly between municipalities and counties. The Autonomous Municipality of Cayey will start receiving the funds and incurred in expenditures in the following fiscal years.

4,000 characters

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PART III: INFORMATION FROM THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

2. Financial Statements

a. What were the results of the auditor's determination of whether the financial statements of the auditee were prepared in accordance with generally accepted accounting principles (GAAP)?

Select any combination of the following five options:

- [X] Unmodified opinion
- [X] Qualified opinion
- [ ] Adverse opinion
- [ ] Disclaimer of opinion
- [ ] Financial statements were not prepared in accordance with GAAP but were prepared in accordance with a special purpose framework

If the financial statements of the auditee were prepared in accordance with GAAP, proceed to question b.

i. What was the special purpose framework used? (Select only one)

- [ ] Cash basis
- [ ] Tax basis
- [ ] Regulatory basis
- [ ] Contractual basis
- [ ] Other basis

ii. Was the special purpose framework used as a basis of accounting required by state law? [ ] Yes [ ] No

iii. What was the auditor's opinion on the special purpose framework? (Select any combination)

- [ ] Unmodified opinion
- [ ] Qualified opinion
- [ ] Adverse opinion
- [ ] Disclaimer of opinion

b. Is a "going concern" emphasis-of-matter paragraph included in the auditor's report? [ ] Yes [X] No

c. Is a significant deficiency in internal control disclosed? [X] Yes [ ] No

d. Is a material weakness in internal control disclosed? [ ] Yes [X] No

e. Is a material noncompliance disclosed? [X] Yes [ ] No

3. Federal Programs

a. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending Federal awards which are not included in this audit? (AICPA Audit Guide) [ ] Yes [X] No

b. What is the dollar threshold used to distinguish Type A and Type B programs? (2 CFR 200.518(b)(1)) $750,000

c. Did the auditee qualify as a low-risk auditee? (2 CFR 200.520) [ ] Yes [X] No

d. Indicate which Federal Agency(ies) have prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. *List the appropriate Federal agency prefix(es), or enter "None".*

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PART III: INFORMATION FROM THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

4. Federal Award Audit Findings

Schedule of Findings and Questioned Costs

Row Number from Part II, Item 1	a	b	c	d	e	f	g	h	i	j	k	l	m	n
	CFDA Number [1]	Additional Award Identification	Federal Program Name	Amount Expended	Audit Finding Reference Number	Type(s) of Compliance Requirement(s) [2]	Type of Audit Finding [3]					Questioned Costs	Repeat Audit Finding	
							Compliance Audit Findings		Internal Control Audit Findings		Other Audit Findings		Repeat Audit Finding from Prior Year	If Repeat Finding, provide Prior Year Audit Finding Reference Number(s)
							Modified Opinion	Other Matters	Material Weakness	Significant Deficiency				
	XX.XXX			($)	YYYY-###		Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	YYYY-###,YYYY-###,etc.
18	93.600		HEAD START	$3,465,563	2022-003	L	N	Y	N	Y	N	N	Y	2021-003
19	93.600	EARLY HEAD START	HEAD START	$234,066	2022-003	L	N	Y	N	Y	N	N	Y	2021-003

1. A CFDA Number consists of the Federal agency two-digit prefix and CFDA three-digit extension (from Part II, Items 1(a) and 1(b)) separated by a period.
2. Enter the letter for each type of compliance requirement that applies to the audit findings (i.e., noncompliance, significant deficiency, material weakness, questioned costs, fraud, and other items reported under 2 CFR 200.516(a)) reported for each Federal program. Only enter the type(s) of compliance requirement(s) the auditor was testing which generated the audit finding.

A. Activities allowed or unallowed
B. Allowable costs/cost principles
C. Cash management
D. Reserved
E. Eligibility
F. Equipment and real property management
G. Matching, level of effort, earmarking
H. Period of performance (or availability) of Federal funds
I. Procurement and suspension and debarment
J. Program income
K. Reserved
L. Reporting
M. Subrecipient monitoring
N. Special tests and provisions
P. Other

3. There are 9 valid combinations of "Compliance Audit Findings", "Internal Control Audit Findings", and "Other Audit Findings" for each Federal program with audit findings. *(See chart in instructions after Part III, Item 4(k))*

PART III: INFORMATION FROM THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

5. Text of the Audit Findings

a. Audit Finding Reference Number	b. Audit Finding Text
2022-003	Finding Reference: 2022-003 Federal Agency: U.S. Department of Health and Human Services Pass-through Agency: Puerto Rico Department of Family Program: Head Start Program Cluster (ALN 93.600 & 93.365) Compliance Requirement: Reporting - Financial Administration (L) Type of Finding: Significant Deficiency in Internal Controls (SD), Instance of Noncompliance (NC) This finding is similar to prior-year finding(s): 2021-003 and 2020-004. Statement of Condition:In our Reporting Test, we found differences between the amounts reported as federal expenditures in the Federal Financial Report SF-425 submitted to the federal agency and the amounts detailed in the trial balance. As result, the financial reports do not agree with the program accounting records. Alternate procedures were used to report the expense. Criteria: The OMB Common Rules, Subpart C, Section .20 (b) (1), states that the grantee must maintain internal control procedures that permits proper tracing of funds to the accounting records. Also, it requires accurate, current and complete disclosure of financial results. The agreement with the pass-through entity, the Commonwealth of Puerto Rico – Family Department (ACUDEN), Clause eight (8), Section 11, states that the utilization of the official accounting system of the program, Abila MIP Fund Accounting Software, is required. Other accounting systems will not be considered as the official accounting systems of the program for the purpose of federal, state, or local audits. All journal entries of the project should be registered in the system. Disbursement not registered in the Abila MIP Fund Accounting Software will not be processed. It is the responsibility of the grantee to keep the information up to date for it to reflect an accurate financial position of the institution. Cause of Condition: The required accounting system is not used as reporting source. Also, adequate internal controls do not exist to assure that the required accounting system be used and the information is reconciled with the closing reports submitted to the federal agencies. Effect of Condition: The program is not in compliance with the Common Rules, Subpart C, Section .20 (b) (1). Recommendation:We recommend the Program establishes monitoring procedures to ensure the accuracy of accounting records and a correct completion of the closing reports. The Program fiscal area ensures that accounting records are updated at the end of each month in order to prepare accurate reports to the federal agency. In addition, the accountant must ensure that the Abila MIP Fund Accounting Software is used to present the financial position of the Program and as the reporting source as established by the pass-through entity. Questioned Cost: None Views of Responsible Officials and Planned Corrective Action: During the evaluated period, the Abila MIP Fund Accounting Software System was not available, so the Rock Solid System was used for federal reporting, as a corrective action, ACUDEN was requested to establish a clause in the fund delegation contract with the authorization of the use of the Rock Solid accounting system. This clause was 30,000 characters

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PART IV: CORRECTIVE ACTION PLAN

1. Audit Finding Reference Number	2. Text of the Corrective Action Plan
2022-003	COMMONWEALTH OF PUERTO RICO AUTONOMOUS MUNICIPALITY OF CAYEY Corrective Action Plan For the Fiscal Year Ended June 30, 2022 Audit Report: Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and OMB Super Circular Uniform Guidance Audit Period: July 1, 2021 – June 30, 2022 Fiscal Year: 2021-2022 Principal Executive: Hon. Rolando Ortiz Velázquez, Mayor Contact Person: Mrs. Eunice Diaz, Finance and Budget Director Phone: (787) 738-3211 Original Finding Number: 2022-003 Statement of Concurrence or Non concurrence: We concur with the finding. Corrective Action:During the evaluated period, the Abila MIP Fund Accounting Software System was not available, so the Rock Solid System was used for federal reporting, as a corrective action, ACUDEN was requested to establish a clause in the fund delegation contract with the authorization of the use of the Rock Solid accounting system. This clause was included in the contract 2023-001904 for the 2023-2024 fiscal year. Implementation Date: During fiscal year 2023-2024. Responsible Person: Mrs. Idenisse Díaz 10,000 characters

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Part V: CERTIFICATIONS

1. Auditee Certification Statement

I certify that, to the best of my knowledge and belief, the auditee has:

[X] ensured that the Form SF-SAC data and reporting package do not include protected personally identifiable information (Protected PII)[1], **or if they do**, the Federal Audit Clearinghouse (FAC) is authorized to publicly post all information contained in the Form SF-SAC data and the reporting package;

[X] ensured that the Form SF-SAC data and reporting package do not include business identifiable information (BII)[2], **or if they do**, the FAC is authorized to publicly post all information contained in the Form SF-SAC data and the reporting package;

[X] complied with the requirements of 2 CFR Part 200 Subpart F specific to the auditee;

[X] prepared the data in this Form SF-SAC in accordance with 2 CFR Part 200 Subpart F and the accompanying instructions to this Form SF-SAC;

[X] included all information required to be reported in this Form SF-SAC in its entirety and such information is accurate and complete;

[X] engaged an auditor to perform an audit in accordance with 2 CFR Part 200 Subpart F for the period described in Part I, Items 1 and 3;

[X] ensured the auditor has completed such audit and issued the signed audit report required by 2 CFR 200.515 which states that the audit was conducted in accordance with the audit requirements of the Uniform Guidance; and

[X] authorized the FAC to make the Form SF-SAC data and reporting package publicly available on a website.

2. Auditor Statement

I acknowledge that:

[X] the data elements and information included in this Form SF-SAC are limited to those prescribed by the Office of Management and Budget;

[X] the information in Part II of this Form SF-SAC is the responsibility of the auditee and is based on information included in the reporting package required by the Uniform Guidance;

[X] the information included in Part III of this Form SF-SAC, except for Part III, Item 3(d), and Items 4(a)-(d) (when there are audit findings), was transferred by the auditor from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports;

[X] the auditor has not performed any auditing procedures since the date of the auditor's report(s) or any additional auditing procedures in connection with the completion of this Form SF-SAC; and

[X] a copy of the reporting package required by the Uniform Guidance, which includes the complete auditor's report(s), may be made available by the Federal Audit Clearinghouse (FAC) on the FAC website or from the auditee at the address listed in Part I of this Form SF-SAC.

Auditee Certification Date

3/31/2023

(MM/DD/YYYY)

Name of certifying official

EUNICE DIAZ TORRES

Title of certifying official

FINANCE DIRECTOR

Auditor Signature Date

3/31/2023

(MM/DD/YYYY)

1. 2 CFR 200.79 and 2 CFR 200.82.

2. BII consists of information defined in the Freedom of Information Act (FOIA) as "trade secrets and commercial or financial information obtained from a person [that is] privileged or confidential." (5 U.S.C.552(b)(4)). This information is exempt from automatic release under the (b)(4) FOIA exemption. "Commercial" is not confined to records that reveal "basic commercial operations" but includes any records or information in which the submitter has a commercial interest, and can include information submitted by a nonprofit entity.

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