

COMMONWEALTH OF PUERTO RICO



CULEBRA CONSERVATION AND DEVELOPMENT AUTHORITY

FISCAL YEAR ENDED JUNE 30, 2021

**BASIC FINANCIAL STATEMENTS ACCOMPANIED BY
REQUIRED SUPPLEMENTARY INFORMATION**

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
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REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Culebra Conservation and
Development Authority
Culebra, Puerto Rico**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of **Culebra Conservation and Development Authority** (the Authority), Puerto Rico as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



MEMBER:
American Institute of Certified Public Accountants
Puerto Rico Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED):

Unmodified opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the **Culebra Conservation and Development Authority, Puerto Rico** as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison schedule on pages 3 to 13 and 39 to 41, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

October 25, 2022
Aguas Buenas, Puerto Rico



Carlos R. Díaz, CPA, LLC
License No. LLC-380
Expire December 1, 2024

The Stamp No. **E466735** of Puerto Rico
Society of Certified Public Accountants was
affixed to the original of this report.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The management of the **Culebra Conservation and Development Authority (the Authority)** offers this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2021. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, and much of the information is comparable to the previous year. This MD&A should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

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:

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

FINANCIAL HIGHLIGHTS

The following are key financial highlights for the fiscal year:

- The Authority's assets exceeded its liabilities as of June 30, 2021, by \$891,900, and as of June 30, 2021, liabilities exceeded its assets by (\$967,575).
- The Authority's total net position increased by \$1,859,475 during the fiscal year 2020-2021.
- As of June 30, 2021, the Authority's governmental funds reported combined ending fund balance of \$350,152, an increase of \$336,816 from the prior year.
- As of June 30, 2021, the statement of net position presented an unrestricted deficit of \$12,986.
- The Authority's capital assets inventory decreases as a result of this year's depreciation. Capital assets (net of accumulated depreciation) and net position invested in capital assets (net of related debt) as of June 30, 2021, were \$774,653.
- The accrued vacation liability, voluntary termination benefits and pension liability amounted to \$36,389, \$54,337 and 115,705, respectively, as of June 30, 2021.

USING THIS ANNUAL REPORT

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

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

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

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

STATEMENT OF ACTIVITIES

The statement of activities presents information showing how the Authority's net position changed during the fiscal year ended June 30, 2021, by presenting all of the Authority's revenues and expenses. As previously discussed, the items reported in the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied, and expenses are recorded when incurred by the Authority. Consequently, revenues are reported even when they may not be collected for several months after the end of the fiscal year and expenses are recorded even though they may not have used cash during the current year.

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

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

STATEMENT OF ACTIVITIES (CONTINUED)

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

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

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

FUND FINANCIAL STATEMENTS

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Each fund is considered an independent fiscal entity accounted for within a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial and contractual provisions.

GOVERNMENTAL FUNDS

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

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

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

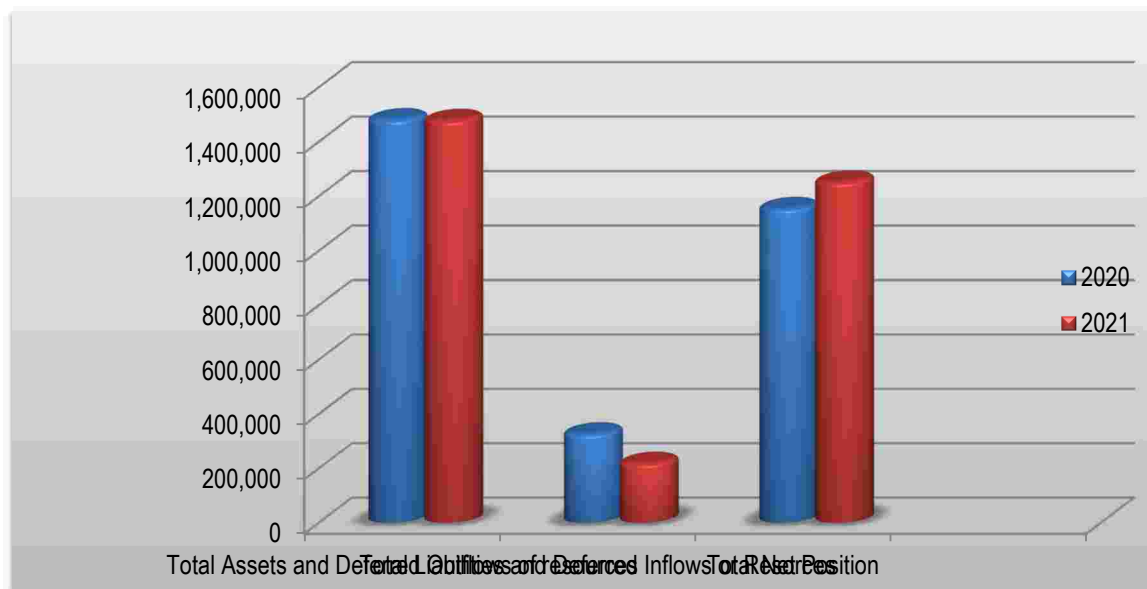
GOVERNMENTAL NET POSITION

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$1,251,212 as of June 30, 2021, versus \$1,154,076 as of June 30, 2020. Our analysis below focuses on the net position (**Table 1**) and changes in the net positions of the Authority's governmental activities.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Table 1

Statement of Net Position	<u>2021</u>	<u>2020</u>
Current and non-current assets	\$ 656,490	\$ 699,391
Capital assets	<u>799,309</u>	<u>776,049</u>
Total Assets	1,455,799	1,475,440
Deferred outflows of resources	<u>21,499</u>	<u>4,413</u>
Total asset and deferred outflows of resources	<u>1,477,298</u>	<u>1,479,853</u>
Current liabilities	45,462	147,698
Long-term liabilities	<u>171,947</u>	<u>166,516</u>
Total Liabilities	217,409	314,214
Deferred inflows of resources	<u>8,677</u>	<u>11,563</u>
Total liabilities and deferred inflows of resources	<u>226,086</u>	<u>325,777</u>
Net positions:		
Investment in capital assets, net of related debt	799,309	776,049
Restricted for other purposes	367,709	223,685
Unrestricted	<u>84,194</u>	<u>154,342</u>
Total Net Position (deficit)	<u>\$1,251,212</u>	<u>\$ 1,154,076</u>



**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The largest portion of the Authority's net position reflects its investment in capital assets, such as land, buildings and equipment. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. The additional portion of the Authority's net position represents unrestricted resources. There is no significant changes in the 2021 net position as compared with 2020.

ANALYSIS OF NET POSITION

Net position as of June 30, 2021 amounted to \$1,251,212, of which \$367,709 are restricted.

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities this year was \$250,317. **Table 2** presents the revenue and cost of the Authority's programs.

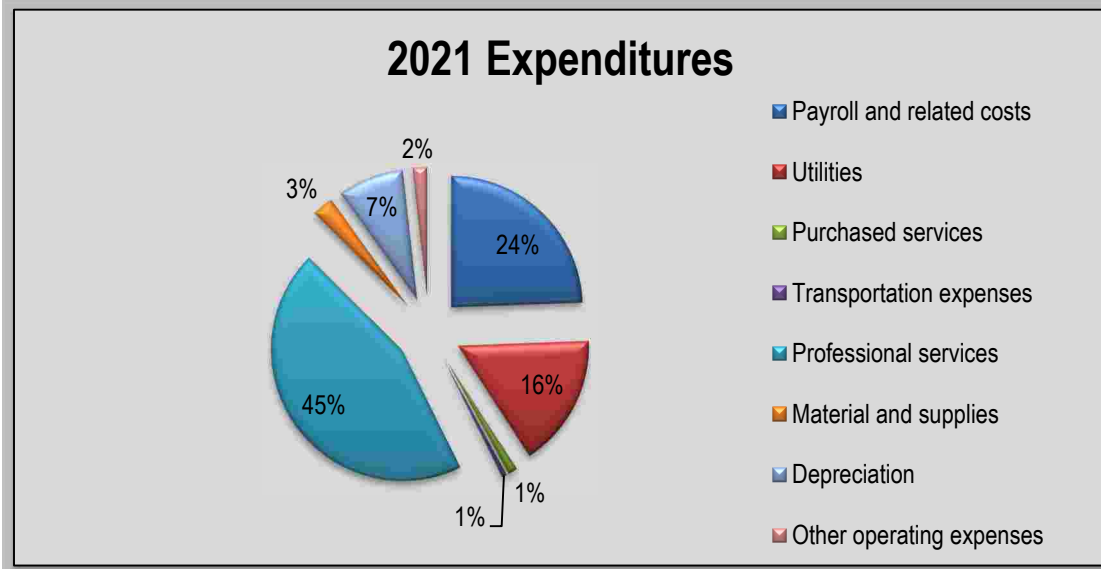
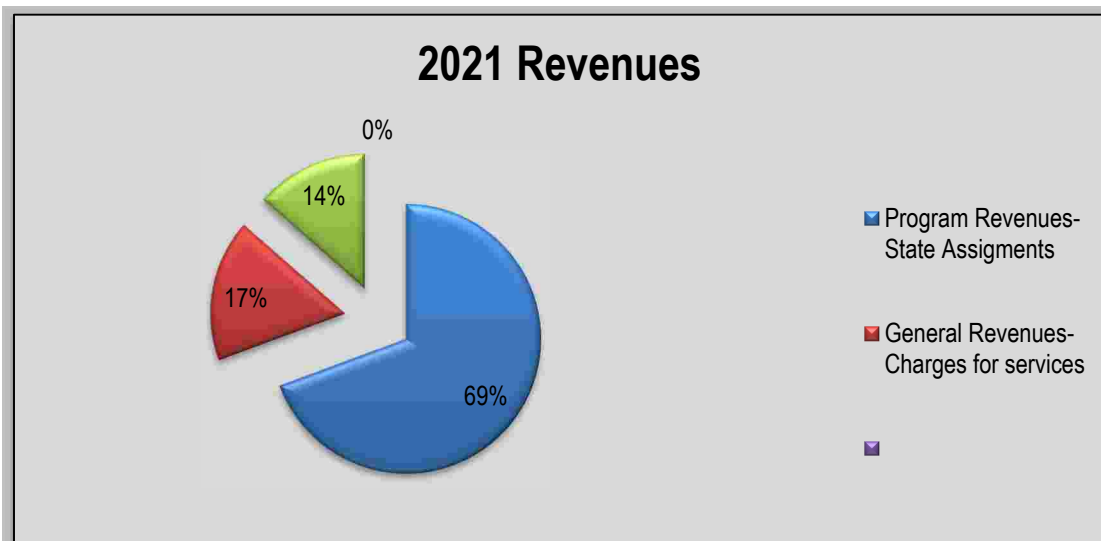
Table 2

Statement of Activities

	<u>2121</u>	<u>2020</u>
Program revenues:		
State Assignments	\$ 241,000	\$ 232,000
Charges for services	59,344	424,060
Other income	<u>47,109</u>	<u>-</u>
Total revenues	<u>347,453</u>	<u>656,060</u>
Expenses:		
Payroll and related costs	33,406	71,255
Utilities	47,092	6,205
Purchased services	3,488	2,728
Transportation expenses	1,792	4,794
Professional services	128,475	250,075
Material and supplies	7,616	22,100
Depreciation	23,359	22,925
Other operating expenses	<u>5,089</u>	<u>13,801</u>
Total expenses	<u>250,317</u>	<u>393,883</u>
Net operating income	97,136	262,177
Net position – beginning, as restated	<u>1,154,076</u>	<u>891,899</u>
Net position (deficit)– ending	<u>\$1,251,212</u>	<u>\$1,154,076</u>

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Approximately seventy percent (69%) came from legislative appropriations, while twenty percent (31%) resulted from charges for services and other income. The Authority's governmental activities expenses included items such as payroll and related costs, facilities and payment for public services, purchased services, transportation, professional services, materials, supplies and purchase of equipment.

Approximately twenty four percent (13%) of total expenses resulted from payroll and related costs, sixteen percent (19%) resulted from utilities, forty four percent (51%) resulted from professional services, and eight percent (9%) from depreciation.

GOVERNMENTAL FUNDS

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority'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 its fiscal year. As of June 30, 2021, the Authority's governmental funds reported combined ending fund balances of \$589,614, a decrease of \$9,588 from the prior year

GOVERNMENT FUND FINANCIAL ANALYSIS

The following is a detailed financial analysis of the Authority's governmental funds:

General Fund – The general fund is the principal operating fund of the Authority. Its total assets amounted to \$332,196 as of June 30, 2021, which consist mostly of cash in commercial banks and its total liabilities amounted to \$63,182 which consist mostly of amount due to other fund.

The Authority has an unassigned fund balance deficit of \$14,030 in its general fund.

State Assignment Fund – The state assignment fund total assets amounted to \$385,554. Of this amount, \$61,263 consists of due from the general fund. The state assignment fund total liabilities amounted to \$17,848.

The Authority has a restricted fund balance of \$367,709 in its state assignments fund.

Parking Fund – The parking fund accounts for revenue from voluntary contributions received from beach visitors for the use of parking and entrance permits. The parking fund is presented in the general fund.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

GOVERNMENT FUND FINANCIAL ANALYSIS (CONTINUED)

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

Table 3

Balance Sheet	<u>2021</u>	<u>2020</u>
Assets:		
Cash	\$ 656,490	\$699,391
Due from other fund	<u>61,263</u>	<u>61,263</u>
Total assets	<u><u>\$ 717,753</u></u>	<u><u>\$760,654</u></u>
Liabilities:		
Accounts payable and accrued expenses	\$ 19,767	\$100,189
Due to other fund	<u>61,263</u>	<u>61,263</u>
Total liabilities	<u>81,030</u>	<u>161,452</u>
Fund Balances:		
Restricted	367,709	223,685
Committed	254,984	300,000
Unassigned	<u>14,030</u>	<u>75,517</u>
Total fund balances	<u>636,723</u>	<u>599,202</u>
Total liabilities and fund balances	<u><u>\$ 717,753</u></u>	<u><u>\$760,654</u></u>

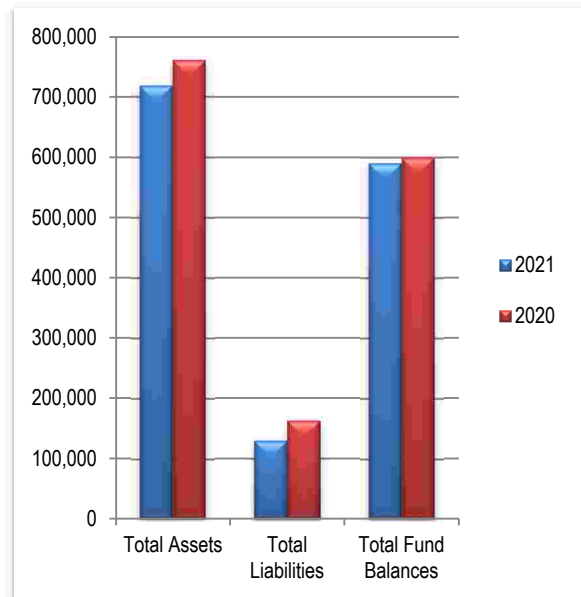
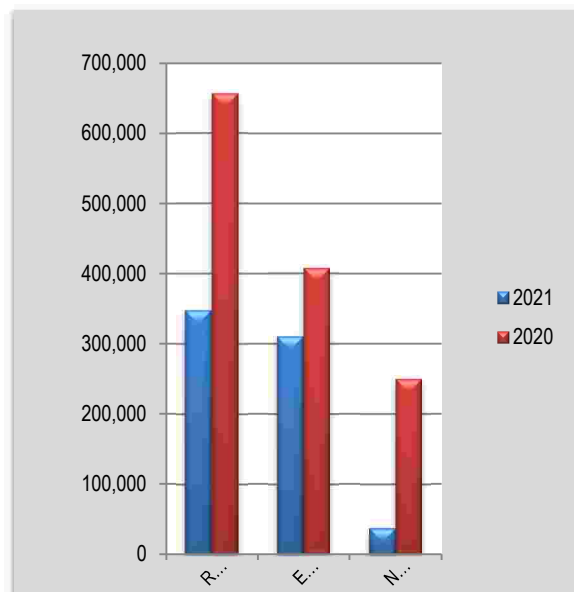


Table 4

Changes in Fund Balances	<u>2021</u>	<u>2020</u>
Revenues:		
Charges for services	\$ 59,344	\$ 424,060
Operating grant	241,000	232,000
Other income	<u>47,109</u>	<u>-</u>
Total revenues	<u>347,453</u>	<u>656,060</u>
Expenditures:		
Payroll and related costs	69,761	82,986
Utilities	47,092	6,205
Purchased services	3,488	2,728
Transportation expenses	1,792	4,794
Professional services	128,475	250,075
Material and supplies	7,616	22,100
Purchase of equipment	46,619	24,321
Other operating expenses	<u>5,089</u>	<u>13,801</u>
Total expenditures	<u>309,932</u>	<u>407,010</u>
Net changes in fund balance	37,521	249,050
Fund Balance – beginning	<u>599,202</u>	<u>350,152</u>
Fund Balance – ending	<u><u>\$ 636,723</u></u>	<u><u>\$ 599,202</u></u>



**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

BUDGETARY HIGHLIGHTS

Budget and actual comparison schedules are provided in the basic financial statements for the General Fund and the State Assignment Fund. The Budgetary Comparison Schedule shows the original adopted budgets, the final revised budget, actual results, and variance between the final budget and actual results. **Table 5** summarizes the results of the Budgetary Comparison Schedule:

Table 5	Final Budget	Actual Amounts	Variance
Total resources	\$ 559,000	\$ 347,453	\$ (211,547)
Total charges to appropriations	<u>559,000</u>	<u>309,932</u>	<u>249,068</u>
Excess or deficiency	<u>\$ -</u>	<u>\$ 37,520</u>	<u>\$ 37,520</u>

The total actual resources (budgetary basis) for the fiscal year ended June 30, 2021 were \$300,344, which is \$258,656 less than the budgeted resources. In addition, the total actual charges to appropriations (budgetary basis) for the fiscal year ended June 30, 2021 were \$309,932, which is \$249,068 less than the budgeted charges to appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Authority's investment in capital assets for its governmental type activities as of June 30, 2021 amounted to \$799,309 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, furniture and fixtures, and motor vehicles. **Table 6** presents the major classes of capital assets.

<u>Table 6</u> <u>Capital Assets</u>	<u>Amount</u>
Land	\$ 640,000
Buildings and improvements	144,407
Equipment	<u>14,902</u>
Total Capital Assets	<u>\$ 799,309</u>

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

LONG-TERM DEBT

As of June 30, 2021, the Authority had long-term debts amounting to \$230,359, as shown in **Table 7**.

Long Term Debts	Amount
Compensated absences	\$ 14,800
Voluntary termination benefits	33,935
OPEB liability	15,394
Pension liability	<u>133,513</u>
Total Long Term Debts	<u>\$ 197,642</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Local, national and international economic factors influence the Authority’s revenues. Positive economic growth is correlated with increased revenues charges for services, as well as state grants. Economic growth in the local economy may be measured by a variety of indicators such as employment growth, unemployment, new construction, assessed valuation, and other revenues. All of these factors were considered in preparing the Authority’s budget for the 2019 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority’s finances for all those with an interest in the government’s finances. If you have any questions concerning any of the information provided in this report or requests for additional information, contact the Authority’s Finance Department at (787) 742-3880.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021**

	<u>Primary Government Governmental Activities</u>
Assets:	
Cash	\$ 656,490
Capital assets, net of accumulated depreciation	<u>799,309</u>
Total assets	<u>1,455,799</u>
Deferred outflows of resources-pension related	<u>21,499</u>
Total assets and deferred outflows of resources	<u>1,477,298</u>
Liabilities:	
Accounts payable and accrued expenses	19,767
Long-term liabilities:	
Due within one year	25,695
Due in more than one year	<u>171,947</u>
Total Liabilities	<u>217,409</u>
Deferred inflows of resources:	
Unamortized investment in employee's retirement system	<u>8,677</u>
Total liabilities and deferred inflows of resources	<u>226,086</u>
Net Position:	
Invested in capital assets, net of related debt	799,309
Restricted for other purposes	367,709
Unrestricted	<u>84,194</u>
Total Net position (deficit)	<u><u>\$ 1,251,212</u></u>

See accompanying notes to basic financial statements.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Primary Government Governmental Activities</u>
Expenses-recreation	
Payroll and related costs	\$ (33,406)
Utilities	(47,092)
Purchased services	(3,488)
Transportation	(1,792)
Professional services	(128,475)
Materials and supplies	(7,616)
Depreciation	(23,359)
Other operating expenses	<u>(5,089)</u>
Total Expenses	(250,317)
Program Revenues	
State Assignments	<u>241,000</u>
Net program expenses	(9,317)
General Revenues	
Charges for services	59,344
Other income	<u>47,109</u>
	106,453
Change in net position	97,136
Net position, beginning of year	<u>1,154,076</u>
Net position, end of year	<u><u>\$ 1,251,212</u></u>

See accompanying notes to basic financial statements.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF ENDED JUNE 30, 2021**

	<u>Major Programs</u>		<u>Total</u>
	<u>General Fund</u>	<u>State Assignment Fund</u>	
Assets:			
Cash	\$ 332,196	\$ 324,294	\$ 656,490
Due from other fund	<u>-</u>	<u>61,263</u>	<u>61,263</u>
Total assets	<u>\$ 332,196</u>	<u>\$ 385,557</u>	<u>\$ 717,753</u>
Liabilities and fund balance:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,919	\$ 17,848	\$ 19,767
Due to other fund	<u>61,263</u>	<u>-</u>	<u>61,263</u>
Total Liabilities	<u>63,182</u>	<u>17,848</u>	<u>81,030</u>
Fund balance:			
Restricted	-	367,709	367,709
Committed	254,984		254,984
Unassigned	<u>14,030</u>	<u>-</u>	<u>14,030</u>
Total Fund Balance	<u>269,014</u>	<u>367,709</u>	<u>636,723</u>
Total liabilities and fund balance	<u>\$ 332,196</u>	<u>\$ 385,557</u>	<u>\$ 717,753</u>

See accompanying notes to basic financial statements.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2021**

TOTAL FUND BALANCES- GOVERNMENTAL FUNDS	\$ 636,723
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	799,309
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Amounts presented in the statement of net position, but not in fund balance due to different basis of accounting:

Deferred outflows of resources related to pension	21,499
Deferred inflows of resources related to pension	(8,677)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consists of:

Compensated absences	(14,800)
Voluntary termination benefits	(33,935)
OPEB liability	(15,394)
Net pension liability	<u>(133,513)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$1,251,212</u>
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See accompanying notes to basic financial statements.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Major Programs</u>		<u>Total</u>
	General Fund	State Assignment Fund	
Revenues:			
Charges for services	\$ 59,344	\$ -	\$ 59,344
Other income	-	47,109	47,109
Operating grant	-	<u>241,000</u>	<u>241,000</u>
Total Revenues	<u>59,344</u>	<u>288,109</u>	<u>347,453</u>
Expenditures			
Payroll and related costs	-	69,761	69,761
Utilities	-	47,092	47,092
Purchased services	-	3,488	3,488
Transportation	-	1,792	1,792
Professional Services	118,710	9,765	128,475
Materials and supplies	183	7,433	7,616
Purchase of equipment	45,016	1,603	46,619
Other operating expenditures	<u>1,938</u>	<u>3,151</u>	<u>5,089</u>
Total Expenditures	<u>165,847</u>	<u>144,085</u>	<u>309,932</u>
Excess of revenue over expenditures	(106,503)	144,024	37,521
Fund balance- beginning	<u>375,517</u>	<u>223,685</u>	<u>599,202</u>
Fund balance- ending	<u>\$269,014</u>	<u>\$367,709</u>	<u>\$636,723</u>

See accompanying notes to basic financial statements.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

NET CHANGE IN FUND BALANCES- TOTAL GOVERNMENTAL FUNDS \$ 37,521

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

Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlays	46,619
Depreciation expense	(23,359)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consists of:

Pension liability	(15,413)
Deferred outflows of resources	17,086
Deferred inflows of resources	2,886
OPEB liability	(921)
Decrease in compensated absences	11,128
Decrease in voluntary termination benefits	<u>21,589</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 97,136

See accompanying notes to basic financial statements.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Culebra Conservation and Development Authority, a component unit of the Commonwealth of Puerto Rico, (the Authority) was created by Law No. 66 of June 22, 1975, as amended, to formulate, adopt and administer the program and plan for the conservation, use and development of natural resources of the Municipality of Culebra. The Authority is administered through a board of directors composed of five members, including the mayor of the Municipality of Culebra. The administration and operations of the Authority are conducted by an executive director designated by the Authority's board of directors. Law No. 66 of June 22, 1975 was amended by Law No. 76 of June 6, 2002 to ascribe the Authority to the Municipality of Culebra.

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

The accompanying basic financial statements present the financial position and the results of operations of the Authority and its various funds and fund types. The basic financial statements are presented as of June 30, 2021, and for the fiscal year then ended. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

According to the new financial reporting model established by GASB No. 34, the minimum required financial statement presentation applicable to the Authority is composed of the following elements: (1) government-wide financial statements (GWFS), (2) governmental fund financial statements (GFFS), (3) notes to basic financial statements, and (4) required supplementary information (RSI).

The required supplementary information consists of a management discussion and analysis (MD&A). The MD&A and budgetary comparison schedule is information presented along with, but separate from, the Authority's basic financial statements. The MD&A is a narrative report that introduces the accompanying basic financial statements and provides an analytical overview of the Authority's financial activities for the year ended June 30, 2021, based on the Authority's knowledge of the transactions, events and conditions reflected in the basic financial statements. The MD&A also highlights certain key fiscal policies that control the Authority's operations.

Budgetary information provides additional information to better understand the financial position of the Authority and is presented immediately following the notes to the financial statements.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. FINANCIAL REPORTING ENTITY

The accompanying basic financial statements include all departments and organizations units whose funds are under the custody and control of the Authority. In evaluating the Authority as a reporting entity, management has addressed all the potential component units.

The basic criteria for including a potential component unit within the reporting entity is if potential component units are financially accountable and other organizations for which the nature and significance of their relationship with the entity are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Authority.

The relative importance of each criterion must be evaluated in light of specific circumstances in order to determine which components units are to be included as part of the reporting entity. Our specific evaluations of the criteria applicable to the Authority indicate no organizations meet the criteria to be included as component units. Accordingly, these basic financial statements present only the Authority as the reporting entity.

These financial statements present the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2021, and the respective changes in financial position, where applicable for the fiscal year then ended.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met, other than time requirements. These resources relate to a future period (when the advance is first permitted to be used in accordance with the government-mandated nonexchange transaction or a voluntary nonexchange transaction) and, therefore, should be classified as a deferred inflow of resources until such time as the resources are first permitted to be used. Receipts on any type of revenue sources collected in advance for use in the following fiscal year are recorded as unearned revenues.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual as soon as it is both measurable and available. “Available” means collectible within the current period or soon enough thereafter, normally within sixty (60) days, to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred.

The exception to this general rule is the principal and interest on general obligation long-term debt and compensated absences, if any, are recognized when due.

In applying the “susceptible to accrual” concept to intergovernmental revenues (federal grants) pursuant to GASBS No. 33, *Accounting and Financial Reporting for Non exchange Transactions* (the Authority may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and a liability by the recipient.

Those resources not available for spending in the current period should be classified as a deferred inflow of resources. Expenditures-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Accordingly, such resources should be reported as unearned revenue in the liability section of the general fund’s balance sheet. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include the following:

- ❖ Employee’s vested annual vacation and sick leave is recorded as expenditure when utilized. The amount of accumulated annual vacation and sick leave unpaid as of June 30, 2021, has been reported only in the government-wide financial statements.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FINANCIAL STATEMENT PRESENTATION

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the financial model the focus is on either the Authority as a whole, or major individual funds (within the basic financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net position and the statement of activities) report information on all the activities of the Authority. For the most part, the effect of inter fund activity has been removed from these government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The focus of the statement of net position is designed to be similar to bottom line results for the Authority and its governmental activities. This statement combines and consolidates governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations.

The statement of net position presents the reporting entities' assets and liabilities, with the difference reported as net position. Net positions are reported in three categories:

- ❖ **Invested in Capital Assets, Net of Related Debt** – These consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- ❖ **Restricted Net Position** – These results when constraints are placed on net positions use, which can be either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- ❖ **Unrestricted Net Position** – These consists of net positions which do not meet the definition of the two preceding categories. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. Unrestricted net positions often have constraints on resources that are imposed by management but can be removed or modified.

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

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT – WIDE FINANCIAL STATEMENTS (CONTINUED)

The Statement of Activities is focused on both the gross and net costs per functional category. The statement reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. This is intended to summarize and simplify the user's analysis of the cost of various governmental services.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The fund financial statements (the balance sheet and the statement of revenues, expenditures, and changes in fund balance) emphasize the major funds in the governmental category. Non-major funds are summarized into a single column.

The Governmental Fund Statements are presented on current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Authority's actual experience conforms to the budgeted fiscal plan.

Since the governmental fund statements are presented in a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented and a separate explanation for each difference.

The Authority reports its financial position (balance sheet) and results of operations (statement of revenues, expenditures and changes in fund balance) in funds, which are considered separate accounting entities. The operations of each fund are accounted for within a set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial, and contractual provisions.

GASBS No. 34 establishes criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category in the governmental fund) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements. The Authority reports the following major funds:

General Fund – This is the general operating fund of the Authority. It is used to account for all financial resources, except those required to be accounted for in another fund.

State Assignment Fund – This is the fund used to account for the transactions of the State legislative appropriations.

Parking Fund – The parking fund accounts for revenue from voluntary contributions received from beach visitors for the use of parking and entrance permits.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. FUND BALANCES

The fund balances amounts are reported as not spendable, restricted, committed, assigned and unassigned, based on the relative strength of the constraints that control how specific amounts can be spent, as described follows:

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

As of June 30, 2021, the accompanying fund financial statements reported fund balances as restricted and unassigned.

E. CAPITAL ASSETS

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Authority’s capitalization levels are \$500 on personal property with an expected useful life of five or more years. Other costs incurred for repairs and maintenance is expensed as incurred.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. CAPITAL ASSETS (CONTINUED)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Capital Assets	Years
Buildings and improvements	10 to 50
Motor vehicles	5
Furniture and fixtures	5 to 10

F. TERMINATION BENEFITS

The Authority accounts for termination benefits in accordance with the provisions of GASB 47, *Accounting for Termination Benefits*, which states that employers should recognize a liability and expense for voluntary termination benefits when the offer is accepted, and the amount can be estimated. A liability and expense for involuntary termination benefits should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated.

G. PENSION BENEFITS

The Authority is a participant in the Commonwealth of Puerto Rico Employees Retirement System (the Pension Plan), a multiemployer retirement plan. Until June 30, 2018, the Authority accounted for its participation in the Pension Plan in accordance with the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*, however, because of the implementation of the pay-as-you-go (PayGo) system, as provided by Act No. 106 of 2017 (Act 106), the Pension Plan no longer met the criteria to be considered a plan that is administered through a trust or equivalent arrangement under GASB 68 and, therefore, it was required to apply the guidance in GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective July 1, 2018.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. PENSION BENEFITS (CONTINUED)

Pursuant to the provisions of GASB 73, the Authority recognizes a pension liability for its proportionate share of the collective pension liability under the Pension Plan, as well as its proportionate share of the collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The Authority's allocation percentage is based on the ratio of the Authority's benefit payments to total benefit payments under the Pension Plan. Changes in the total pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in the total pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the average of the remaining service life of all participants including retirees, in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose.

H. Postemployment Benefits Other Than Pensions

The Authority also participates in the Commonwealth's postemployment benefits other than pensions plan (the OPEB Plan). The Authority accounts for postemployment benefits under the OPEB Plan in accordance with the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense.

For defined benefit OPEB, GASB 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.

I. COMPENSATED ABSENCES

The Authority accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The Authority's employees are granted 30 days of vacation and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of sixty (60) days and sick leave up to a maximum of ninety (90) days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed. Separation from employment prior to use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years of service who are entitled to sick leave pay up to the maximum allowed. The Authority accrued a liability for compensated absences, which meet the following criteria:

1. The Authority's obligation relating to employees' rights to receive compensation for future absences is attributable to employee's services already rendered.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. COMPENSATED ABSENCES (CONTINUED)

2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria the Authority has accrued a liability for compensated absences, which has been earned but not taken by the Authority's employees. For the government-wide statements, the current portion is the amount estimated to be used in the following year. For the governmental fund statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represent a reconciling item between the fund level and government-wide presentations.

J. INSURANCE

The Authority is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries and illnesses, natural disasters, environmental and other losses. Commercial insurance coverage is obtained for claims arising from such matters. The commercial insurance coverage is negotiated by the Treasury Department of the Commonwealth of Puerto Rico, and the insurance premium is paid by the Authority.

K. CLAIMS AND JUDGMENTS

The estimated amount of the liability for claims and judgments, if any, which is due on demand, such as from adjudicated or settled claims, is recorded in the general fund.

L. USE OF ESTIMATES

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported revenue and expenses during the reporting period. The actual result could differ from those estimates.

M. FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS

- ❖ *GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements - The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.*
- ❖ *GASB Statement No. 96, Subscription-Based Information Technology Arrangements - The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.*

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- ❖ *GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 - The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.*

- ❖ GASB Statement No. 99, *Omnibus 2022* The requirements of this Statement are effective as follows:
 - The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
 - The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
 - The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged and is permitted by topic.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB statement No. 62 The requirements of this statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences* Effective Date: The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. earlier application is encouraged.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 2 – CASH AND CASH EQUIVALENTS

The Authority is authorized to deposit only in institutions approved by the Treasury Department of the Commonwealth of Puerto Rico, and such deposits should be kept in separate accounts in the name of the Authority.

The Authority's bank balances in commercial banks were entirely covered by the Federal Deposit Insurance Corporation up to \$250,000 or by collateral held by the Puerto Rico Treasury Department in the Authority's name. Bank balances in commercial banks as of June 30, 2021 are as follows:

General fund	\$377,972
State assignment fund	<u>326,790</u>
Total	<u>\$704,762</u>

NOTE 3 – CAPITAL ASSETS

Capital assets activities for the fiscal year ended on June 30, 2021 were as follows.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Governmental Activities	Balance June 30, 2020	Additions	Retirements / Reclassifications	Balance June 30, 2021
Capital asset, not being depreciated:				
Land	\$ 640,000	\$ -	\$ -	\$ 640,000
Capital assets, being depreciated:				
Buildings and improvements	750,400	45,016	-	795,416
Equipment	137,112	1,603	-	138,715
Motor vehicles	80,697	-	-	80,697
Furniture and fixtures	<u>32,560</u>	<u>-</u>	<u>-</u>	<u>32,560</u>
Total capital assets being depreciated	<u>1,000,769</u>	<u>46,619</u>	<u>-</u>	<u>1,047,388</u>
Less accumulated depreciation for:				
Buildings and improvements	(635,101)	(15,908)	-	(651,009)
Equipment	(116,362)	(7,451)	-	(123,813)
Motor vehicles	(80,697)	-	-	(80,697)
Furniture and fixtures	<u>(32,560)</u>	<u>-</u>	<u>-</u>	<u>(32,560)</u>
Total accumulated depreciation	<u>(864,720)</u>	<u>(23,359)</u>	<u>-</u>	<u>(888,079)</u>
Total capital assets being depreciated, net	<u>136,049</u>	<u>23,260</u>	<u>-</u>	<u>\$ 159,309</u>
Governmental activities capital assets, net	<u>\$ 776,049</u>	<u>\$ 23,260</u>	<u>\$ -</u>	<u>\$ 799,309</u>

NOTE 4 – LONG-TERM DEBTS

Long-term liability activity for the year ended June 30, 2021 was as follow

	Beginning Balance <u>July 1, 2018</u>	Borrowing Additions	Payments or Deductions	Ending Balance <u>June 30, 2019</u>	Due within <u>one year</u>
Compensated absences	\$ 36,389	\$ -	\$ (21,589)	\$ 14,800	\$ 14,800
Voluntary termination benefits	45,063	-	(11,128)	33,935	10,895
OPEB liability	14,473	921	-	15,394	
Pension liability	<u>118,100</u>	<u>15,413</u>	<u>-</u>	<u>133,513</u>	<u>-</u>
Total	<u>\$ 214,025</u>	<u>\$ 16,334</u>	<u>\$ (32,717)</u>	<u>\$ 197,642</u>	<u>\$ 25,695</u>

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

A. COMPENSATED ABSENCES

Employees accumulate vacation leave at a rate of 2.5 days per month up to a maximum of 60 days. Unpaid vacation time accumulated is fully vested to the employees from the first day of work. Employees accumulate sick leave at a rate of 1.5 days per month up to a maximum of 90 days. In the event of employee resignation, the employee is paid for accumulated vacations days up to the maximum allowed.

Separation from employment prior to use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years or more of service who are entitled to sick leave pay up to the maximum allowed.

Employees' maximum allowed vacations and vested sick benefits are accounted for in the statement of net position.

B. VOLUNTARY TERMINATION BENEFITS

On July 2, 2010, the Commonwealth enacted Act No. 70 to establish a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the Authority. Act No. 70 established that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of credited service in the Retirement System and will consist of biweekly benefits ranging from 37.5% to 50 % of each employee' salary, as defined. In this early retirement benefit program, the Authority will make the employer contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 years of credited service in the Retirement System. Economic incentives are available to eligible employees who have less than 15 years of credited service in the Retirement System or who have at least 30 years of credited service in the Retirement System and the age for retirement or who have the age for retirement. Economic incentives will consist of a lump-sum payment ranging from one-month to six-month salary based on employment years. Additionally, eligible employees that choose to participate in the early retirement benefit program or that choose the economic incentive and have less than 15 years of credited service in the Retirement System are eligible to receive health plan coverage for up to 12 months in a health plan selected by management of the Authority.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The financial impact resulting from the benefits granted to participants on this program was the recognition within the Authority’s financial statements of a liability of \$54,337 in the statement of net position as of June 30, 2021. As of June 30, 2021, unpaid long-term benefits granted on this program were discounted at 2.2%. This obligation will be paid in monthly installments of \$950.

The annual requirements to amortize the obligation under the voluntary termination benefits outstanding as of June 30, 2021 are as follows:

<u>Year</u> <u>June 30,</u>	<u>Principal</u> <u>payment</u>	<u>Interest</u> <u>payment</u>	<u>Total</u>
2022	10,895	505	11,400
2023	11,012	388	11,400
2024	11,138	262	11,400
2025	<u>890</u>	<u>10</u>	<u>900</u>
Total	<u>\$33,935</u>	<u>\$ 1,165</u>	<u>\$35,100</u>

NOTE 5 – PENSION PLAN

General description

The Municipality was a participating employer in a retirement plan administered by the Employee’s 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, 2017, 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.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.

NOTE 5 – PENSION PLAN (CONTINUED)

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 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 Act 1 members) but prior to the applicable retirement eligibility, provided the member has not taken a lump sum withdrawal from the defined contribution individual account.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 1 members). For pensioned members retired prior to June 30, 2013, the annual income to a widow or widower or 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 non-disabled 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

NOTE 5 – PENSION PLAN (CONTINUED)

insurance plan. These healthcare benefits are provided through insurance companies whose premiums are paid by the retired employees with the matching share financed by the Municipality. These costs are billed by ERS and paid by the Municipality through the PayGo system.

Pension system – after July 1, 2017

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

**CULEBRA CONSERVATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
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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 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. During the fiscal year 2020-2021, the Municipality recorded as PayGo expenditures the amount of 515,610.

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.

**CULEBRA CONSERVATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 5 – PENSION PLAN (CONTINUED)

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 their 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’s employees that are not retained under the new administrative structure will be transferred to public agencies in conformity to Act No. 8 of 2017.

Total Pension Liability

The Municipality’s total pension liability as of June 30, 2020, was measured as of June 30, 2021, and was determined by an actuarial valuation with beginning of year census data as of July 1, 2018, that was updated to roll forward the total pension liability to June 30, 2021, assuming no gains or losses.

(i) *Actuarial Methods and Assumptions*

The total pension liabilities in the June 30, 2021, actuarial valuations were determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation	Not applicable
Projected salary increases per annum	3.0% per annum. No compensation increases are assumed until July 1, 2021, as a result of Act No. 3-2017, four-year extension of Act No. 66-2014, and the current general economy
Cost-of-living adjustment	None assumed

**CULEBRA CONSERVATION
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NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 5 – PENSION PLAN (CONTINUED)

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

- *Pre-Retirement Mortality:* For ERS general employees not covered under Act No. 127-1958 and for TRS and JRS members, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2019 from the 2006 base year and projected forward using MP-2019 on a generational basis. For ERS members covered under Act No. 127-1958, RP 2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females, adjusted to reflect Mortality Improvement Scale MP-2019 from the 2006 base year, and projected forward using MP-2019 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

For ERS, 100% of deaths while in active service are assumed to be occupational only for members covered under Act No. 127-1958. For JRS, among deaths while in active service, 50% are assumed to be occupational and 50% are assumed to be nonoccupational.

- *Post-Retirement Healthy Mortality:* For ERS rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected on a generational basis using Mortality Improvement Scale MP-2019 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
- *Post-Retirement Disabled Mortality:* For ERS, rates which vary by gender are assumed for disabled retirees based on a study of the plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvements. The 2010 base rates equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2019 on a generational basis. As a generational table, it reflects mortality improvements before and after the measurement date.

(ii) Discount Rate

The discount rate for June 30, 2019, was 3.50%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**CULEBRA CONSERVATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 5 – PENSION PLAN (CONTINUED)

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

The following presents the liability as of June 30, 2021, calculated using the discount rate of 3.50%, as well as what the total pension liability would be if it was calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than current rate:

	1% Decrease <u>(1.21%)</u>	Current Discount Rate <u>(2.21%)</u>	1% Increase <u>(3.21%)</u>
Total pension liability	<u>\$153,150</u>	<u>\$133,513</u>	<u>\$117,677</u>

(iv) Changes in Assumptions

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

The discount rate decreased from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2021.

The projected mortality improvement scale was updated from Scale MP-2018 to Scale MP-2019.

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

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

Pension expense recognized by the Authority for the year ended June 30, 2021 was \$3,335

Deferred outflows and deferred inflows of resources from pension activities by source reported by the Authority in the statement of net position as of June 30, 2020, were as follows:

**CULEBRA CONSERVATION
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NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 5 – PENSION PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 275	\$ 3,005
Changes of assumptions	\$ 16,761	2,292
Changes in proportion	\$ 516	3,380
Pension benefits paid subsequent to the measurement date	<u>3,947</u>	<u>-</u>
Total	<u>\$ 21,499</u>	<u>\$ 8,677</u>

Deferred outflows of resources related to pensions resulting from the payment of benefits subsequent to the measurement will be recognized as a reduction of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows/inflows of resources from pension activities are scheduled to be recognized in pension expense as follow (in thousands):

Years Ending <u>June 30</u>	<u>Amount</u>
2021	\$ 1,772
2022	1,772
2023	1,772
2024	<u>3,558</u>
Total	<u>\$ 8,874</u>

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plans Descriptions

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

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

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

(a) **Actuarial Methods and Assumptions**

The total OPEB liability as of June 30, 2021, was determined by the actuarial valuation with beginning of year census data as of July 1, 2018.

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

Measurement Date June 30, 2021

Actuarial cost method Entry age normal

Discount rate 3.50%

Mortality Assumption Pre-retirement Mortality: For general employees not covered under Act 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for male and females adjusted to reflect Mortality Improvement Scale MP 2019 from 2006 base year and projected forward using MP 2019 on generational basis. As generational tables, they reflect mortality improvements both before and after measurement date.

**CULEBRA CONSERVATION
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NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Post-retirement Healthy Mortality: Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from UP-1994 Mortality Tables for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. As a generational table, it reflects mortality improvements both before and after measurement date.

Post-retirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP 1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2019 on a generational basis. As a generational table, it reflects mortality improvements both before and after measurement date.

The discount rate for June 30, 2021, was 3.50%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index.

(b) OPEB Expense, Deferred Outflow of Resources and Deferred Inflows of Resources

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

Deferred outflows of resources related to OPEB resulting from the payment of benefits subsequent to the measurement date were \$15,304 for the year ended June 30, 2021.

OPEB expense for year ended June 30, 2021 was \$2,121.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL) STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

The following presents the OPEB liability as of June 30, 2021, calculated using the discount rate of 3.50%, as well as, what the OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than current rate (in thousands):

	1% Decrease <u>(1.21%)</u>	Current Discount Rate <u>(2.21%)</u>	1% Increase <u>(3.21%)</u>
Total OPEB liability	<u>\$16,972</u>	<u>\$15,394</u>	<u>\$ 14,061</u>

NOTE 7– CONTINGENCIES

The Authority is, at present, a defendant in a number of legal matters that arise from alleged improper application of policies and negligence in the ordinary course of the Authority’s activities. The legal counsel of the Authority has advised that at this stage in the proceedings of lawsuits he cannot offer an opinion as to the probable outcome.

In addition, the Authority is a defendant or co-defendant in several legal proceedings, which are in discovery stage. Certain of these claims are covered by insurance. Legal counsel with the information currently available cannot determine the final outcome of these claims. However, it has been the Authority’s experience that such actions are settled for amounts substantially less than the claim amounts and, in the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect in the accompanying financial statements and, accordingly, no provision for losses has been recorded.

NOTE 8 – COMMITMENTS

The Authority has agreed with the Municipality of Culebra to provide to the Municipality \$300,000 for the improvement of the facilities in the Beach Playa Flamenco located in the Municipality of Culebra. The total improvement costs will be approximately \$2,466,000. The Authority managed Playa Flamenco and is the usufructuary of the facilities. The Authority has assigned the revenue of parking fund to this project.

NOTE 9 – SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through October 24, 2022, which is the date the financial statements were available to be issued. No events have occurred subsequent to the statement of net position date that would require additional adjustment to, or disclosure, in the financial statements.

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2021**

REQUIRED SUPPLEMENTARY INFORMATION

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Positive</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
RESOURCES:				
Legislative appropriations	\$ 241,000	\$ 241,000	\$ 241,000	\$ -
Charges for services	299,000	299,000	59,344	(239,656)
Other income			47,109	
Pension	<u>19,000</u>	<u>19,000</u>	<u>-</u>	<u>(19,000)</u>
Total resources (Inflows)	<u>559,000</u>	<u>559,000</u>	<u>347,453</u>	<u>(258,656)</u>
CHARGES TO APPROPRIATIONS:				
Payroll and related costs	344000	344,000	69,761	274,239
Utilities	46000	46,000	47,092	(1,092)
Purchased services	14000	14,000	3,488	10,512
Transportation expenditures	3000	3,000	1,792	1,208
Professional services	28000	28,000	128,475	(100,475)
Materials and supplies	8000	8,000	7,616	384
Pension	19000	19,000		19,000
Purchase of equipment	10000	10,000	46,619	(36,619)
Other operating expenditures	<u>87000</u>	<u>87,000</u>	<u>5,089</u>	<u>81,911</u>
Total charges to appropriations	<u>559,000</u>	<u>559,000</u>	<u>309,932</u>	<u>249,068</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,520</u>	<u>\$ (9,588)</u>

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021**

BUDGETARY CONTROL

The Authority's annual budget is prepared on the budgetary basis of accounting, which is not in accordance with GAAP.

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

BUDGETARY DATA

The budget consists of General Fund appropriations for recurrent and ordinary functions of the Authority and for special purpose program or activities. The procedures followed in approving the annual budget are as follows:

Between November and December of each year, the Authority submits to the Office of Management and Budget of the Commonwealth of Puerto Rico an operating budget petition for the fiscal year commencing the following July 1st.

At the beginning of the ordinary session of the legislative assembly of the Commonwealth of Puerto Rico, the Governor submits a proposed budget for the fiscal year covering the entire operation of the Commonwealth. This proposed budget includes estimated expenditures and the means of financing them.

The annual budget is legally enacted through the approval of the joint resolution of the general budget. Subsequently to the enactment, the Office of Management and Budget of the Commonwealth of Puerto Rico has authority to make the necessary adjustments to the budget.

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

**CULEBRA CONSERVATION
AND DEVELOPMENT AUTHORITY
NOTES TO BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021**

BUDGETARY DATA (CONTINUED)

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

1. Encumbrances are recorded as expenditures under the budgetary basis and as a reserve of fund balances under GAAP.
2. Certain accrued liabilities and other debts are not included in the budgetary basis.
3. Certain revenues susceptible to accrual, i.e., both measurable and available, are not included in the budgetary data.

CULEBRA CONSERVATION AND DEVELOPMENT AUTHORITY
Required Supplemental Information
Schedule of Changes in Total Other Postemployment Benefits Liabilities for Single Employer Pension Plans
June 30, 2021

<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Proportion of total post employment benefits liability	0.00176%	0.00174%	0.00172%
Proportionate share of total other post employment benefit liability	15,394	\$ 14,473	14,446
Covered - employee payroll			
Proportionate share of total other post employment benefit liability as percentage of covered-employee payroll			

Notes:

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

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

CULEBRA CONSERVATION AND DEVELOPMENT AUTHORITY
Required Supplemental Information
Schedule of Changes in Total Pension Liabilities and Related Ratios for Single Employer Pension Plans
June 30, 2021

<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Proportion of total liability	0.00048%	0.00048%	0.00047%
Proportion share of total liability	133,513	\$ 118,100	115,705
Covered - employee payroll			
Proportionate share of total liability as percentage of covered-employee payroll			

Notes:

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

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