

**LOCAL REDEVELOPMENT AUTHORITY
OF THE LANDS AND FACILITIES OF
NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT AND AUDIT OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors and Management of the
Local Redevelopment Authority of the Lands and
Facilities of Naval Station Roosevelt Roads
San Juan, Puerto Rico**

Qualified Opinion

We have audited the accompanying financial statements of **the Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads** (the Authority) (a component unit of the Commonwealth of Puerto Rico) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matters described in the **Basis for Qualified Opinion** section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the Authority, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Matters Giving Rise to the Qualified Opinion

Tenant Improvement Not Capitalized

The Authority has not recognized improvements made by tenants to properties under lease agreements that reverted to the Authority upon contract termination. These improvements meet the criteria for capitalization under the applicable financial reporting framework. The omission of these assets results in an understatement of property, plant, and equipment and net position as of the reporting date.

Basis for Qualified Opinion (Continued)

Matters Giving Rise to the Qualified Opinion (Continued)

Limitations in Accounting Systems and Controls

During the fiscal year 2024, the Authority lacked sufficient qualified personnel to ascertain the accuracy and completeness of its books and records. Although subsequently the Authority performed necessary adjustments and completed a closing process prior to the audit, we were unable to obtain sufficient appropriate audit evidence to conclude that transactions were completely and accurately recorded. As a result, we cannot ensure that there are no unrecorded transactions or misstatements remaining in the financial statements.

Other Matter

Reissuance Explanation

This auditor's report has been reissued on October 1, 2025, to include the qualification disclosed in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance. This qualification was inadvertently omitted from the Schedule of Expenditures of Federal Awards opinion and is now presented to align with the findings reported under the Uniform Guidance.

Restatement of Prior Year

As part of our audit of the 2024 financial statements, we also audited the adjustments described in **Note 9** that were applied to restate the year 2023 financial statements. In our opinion, the adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2023 financial statements of the Authority other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance of the 2023 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, which also affect the schedule of expenditures of federal awards, such schedule, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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October 1, 2025

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Local Redevelopment Authority of the Lands
and Facilities of Naval Station Roosevelt
Roads

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Our discussion and analysis of the **Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads'** (the "Authority") financial performance provides a narrative overview of the Authority's financial activities for the fiscal year ended June 30, 2024, and is intended to serve as an introduction to the basic financial statements. This Management's Discussion and Analysis (the MD&A) is designed to assist the reader in focusing on significant financial matters and provide an overview of the Authority's financial activities. We encourage readers to review this information together with the Authority's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's net position as of June 30, 2024, is \$2,977,242, a decrease of \$249,471 or -8% from a net position of \$3,226,713 as of June 30, 2023, as restated.
- Rental income, including common areas, and others decreased by \$589,412 or -47% when compared to the prior year.
- Utilities assessments decreased by \$299,531 or -43% when compared to the prior year.
- Operating expenses increased by \$1,026,172 or 19% when compared to the prior year.
- Non-operating revenues from contributions from the Commonwealth of Puerto Rico (the Commonwealth), federal grants and others decreased by \$427,040 or -9% when compared to the prior year.

MAJOR FINANCIAL ELEMENTS

Operating Revenues – Operating revenues are recorded from the following sources: (1) rental income, including common areas; and (2) utilities assessment fees that stand for charges for water and sewer services, and (3) other operating revenues.

Non-operating Revenues – Non-operating revenues are recorded from the following sources: (1) contributions from the Commonwealth, (2) federal grants from various U.S. agencies, and (3) interest revenue – lease related. These include operating support from the U.S. Department of Defense (DoD) through the Office of Local Defense Community Cooperation (OLDCC), disaster recovery funds from the Federal Emergency Management Agency (FEMA), administered through the Central Office of Recovery, Reconstruction, and Resiliency (COR3), and funding from the US Department of Treasury, administered by the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF), which support both operating expenses and capital projects.

Operating expenses – Operating expenses consist principally of payroll, professional services, security, water and sewer operation system, maintenance, insurance, materials, supplies, bad debt, and depreciation.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED) (CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS

Proprietary Fund Financial Statements

Under GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* (GASB Statement No. 34), the Authority presents its basic financial statements as proprietary fund financial statements.

The financial statements report on information about the Authority using the accrual basis of accounting as utilized by similar business activities in the private sector. The financial statements include the statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and notes to the financial statements.

- **Statement of Net Position** – This statement presents information on all the Authority's assets, liabilities, and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in the Authority's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.
- **Statement of Revenues, Expenses, and Changes in Net Position** – The statement of revenues, expenses, and changes in net position presents the results of the Authority's activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.
- **Statement of Cash Flows** – This statement presents information related to cash flows of the Authority by the following categories: operating activities, noncapital financing activities, capital and related financing activities. This statement also portrays the health of the Authority in that current cash flows are sufficient to pay current liabilities.
- **Notes to the Financial Statements** – The notes to the financial statements provide required disclosures and other information that are essential for a full understanding of the numeric data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any. The reader is encouraged to review the notes in conjunction with the management's discussion and analysis and financial statements.

The financial statements were prepared by the Director of Finance and Administration from the detailed books and records of the Authority, which were audited by independent auditors.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED) (CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Statement of Net Position

The table below is a condensed summary of assets, liabilities, and net position as of June 30, 2024, and 2023:

	<u>2024</u>	<u>(As Restated) 2023</u>	<u>Change</u>	<u>%</u>
Assets				
Current assets	\$ 2,769,208	\$ 12,958,349	\$ (10,189,141)	-79%
Noncurrent assets	39,174,552	32,466,841	6,707,711	21%
Total assets	<u>41,943,760</u>	<u>45,425,190</u>	<u>(3,481,430)</u>	<u>-8%</u>
Liabilities				
Current liabilities	14,267,939	1,324,637	12,943,302	977%
Noncurrent liabilities	17,235,079	24,413,998	(7,178,919)	-29%
Total liabilities	<u>31,503,018</u>	<u>25,738,635</u>	<u>5,764,383</u>	<u>22%</u>
Deferred inflow of resources	<u>7,463,500</u>	<u>16,459,842</u>	<u>(8,996,342)</u>	<u>-55%</u>
Net position				
Net investment in capital assets	646,735	271,568	375,167	138%
Restricted	1,607,961	271,220	1,336,741	493%
Unrestricted	722,546	2,683,925	(1,961,379)	-73%
Total net position	<u>\$ 2,977,242</u>	<u>\$ 3,226,713</u>	<u>\$ (249,471)</u>	<u>-8%</u>

Current assets – The Authority's current and other assets decreased by \$10,189,141 or -79%, mostly due to the reclassification of cash to restricted cash of \$7,471,612 related to funds from FEMA. During the fiscal year, the Authority collected in cash \$1,471,604 from tenants, customers and others receipts while disbursing \$4,595,600 to carry out operating activities. In addition, the Authority collected \$10,211,249 in cash from contributions from the Commonwealth and federal grants for operating expenses and capital projects. Additionally, the \$5,846,698 received from FEMA as an advance was recognized as unearned revenues.

Net position – The Authority's net position decreased by \$249,471 or- 8%, mostly due to an increase in unearned revenues due to the FEMA advance funds received in 2024 and in previous years.

Capital assets – The Authority acquired its land and property for future development from the Navy under an Economic Development Conveyance (EDC) Memorandum Agreement. However, original cost information for the former Navy facilities was not available precluding the Authority from distributing its cost to the different components. During the year 2016, the Authority obtained independent appraisals for all the land and properties for future development. As a result, the Authority learned the estimated market value of the acquired property approximates over \$100 million, which is higher than the cost of acquisition pursuant to the EDC.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED) (CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Statement of Net Position (Continued)

However, based on the independent appraisal values and the use of its best professional judgment on the estimated value on a per square foot basis, the Authority was able to distribute the acquisition cost to the different components of the acquired property, principally land, buildings, piers, and infrastructure. As a result, the Authority allocated approximately \$4.5 million to depreciable assets like buildings, piers, and infrastructure as of June 30, 2016. The Authority recognized depreciation on depreciable buildings, piers and infrastructure that are currently being used as operating capital assets in the total amount of \$198,598 and \$155,785 for 2024 and 2023, respectively.

Remaining land and property for future development has been evaluated for impairment as of June 30, 2024 and have determined that no loss has been incurred as of this date.

Long-term debts – The Authority's obligation to commence payment of the initial consideration and subsequent installment payments under the EDC agreement with the Navy is contingent upon the Navy's completion of certain environmental remediation and the formal conveyance of the parcels identified as SWMU 3 (Solid Waste Management Unit) and SWMU 70. At the time of issuance of these financial statements, the Navy has not conveyed the parcels to the Authority. Consequently, the Authority has not commenced principal payments on the long-term debt related to this agreement. The Navy is currently conducting environmental remediation on the identified parcels.

Statements of Revenues, Expenses and Changes in Net Position

The table below is a condensed summary of the revenues, expenses and changes in net position for the years ended June 30, 2024 and 2023:

	2024	(As Restated) 2023	Change	%
Operating revenues				
Rental income, including common areas, utility assessments and others	\$ 1,143,905	\$ 2,219,543	\$ (1,075,638)	-48%
Operating expenses	<u>6,461,605</u>	<u>5,435,433</u>	<u>1,026,172</u>	<u>19%</u>
Operating loss	(5,317,700)	(3,215,890)	(2,101,810)	65%
Non-operating revenues (expenses)				
Contributions from Commonwealth of Puerto Rico, federal grants, and others	4,051,774	4,414,614	(362,840)	-8%
Interest revenue - leases related	233,254	301,199	(67,945)	-23%
Interest expense	<u>-</u>	<u>(3,745)</u>	<u>3,745</u>	<u>-100%</u>
	<u>4,285,028</u>	<u>4,712,068</u>	<u>(427,040)</u>	<u>-9%</u>
Change in net position	<u>\$ (1,032,672)</u>	<u>\$ 1,496,178</u>	<u>\$ (2,528,850)</u>	<u>-169%</u>

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS FOR BUSINESS-TYPE ACTIVITIES (CONTINUED)

Operating revenues - The Authority's rental, utility assessments, and other revenues declined by \$930,956, primarily due to the termination of two major lease agreements. These terminations resulted from noncompliance with procurement requirements under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), as well as breaches of contractual obligations.

Operating expenses - The Authority's operating expenses increased by \$867,303 during the year. This net increase reflects several offsetting factors:

- Salaries, fringe benefits, and related costs decreased by \$174,858 or -8%, primarily due to staff adjustments.
- Professional services increased by \$150,778 or 22%, mainly due to expanded engineering and consulting support.
- Security service costs increased by \$142,253 or 42%, incurred to address rising criminal activity in the surrounding area.
- The recognition of an allowance of \$1,262,624 for doubtful accounts, related to receivables that are uncertain and over one year past due.
- A loss of \$286,421 resulting from the termination of two significant leases, which impacted facility operations.

Non-operating revenues - The Authority's non-operating revenues decreased by \$427,040 or -9%, mainly as a result of a decrease from federal awards and Commonwealth contributions.

Going Concern, Liquidity Risk and Fiscal Plan

Alleviated Substantial Doubt About Going Concern and Liquidity Risk

The Authority remains in the early stages of developing its property assets, and revenue-generating operations have been inconsistent and minimal. Additionally, significant delays by the Navy in addressing environmental issues, which are not expected to be resolved until the next decade, along with the lack of reliable infrastructure, have hindered the property's appeal to major developers. Accordingly, to offset recurring losses from operations, the Authority has relied significantly on contributions from the Commonwealth (operational and Capex) and federal awards (Capex) and will continue to rely on those appropriations and awards in the foreseeable future. See **Note 11**, where significant matters are disclosed to evidence that the risk of substantial doubt about going concern has been alleviated for at least one year after the release of the financial statements.

Fiscal Plan 2025

Pursuant to PROMESA, the Financial Oversight and Management Board for Puerto Rico (the Oversight Board) certified the 2025 Fiscal Plan for the Commonwealth on June 5, 2024, and later updated on June 6, 2025. The Oversight Board's Fiscal Plan commits to fiscal responsibility and implements specific revenue enhancements and targeted expenditure reductions to return Puerto Rico to fiscal stability and economic growth. For additional information regarding the Board Fiscal Plan, please refer to **Note 11**.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the resources it receives. If you have any questions about this report or need additional financial information, contact the Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads, Finance Department, 355 F.D. Roosevelt Ave. Office 106, Hato Rey, PR 00918.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

STATEMENT OF NET POSITION

JUNE 30, 2024

CURRENT ASSETS

Cash	\$ 1,664,684
Federal grant receivable, net	281,403
Tenants and other receivables, net of allowance for doubtful accounts of \$1,919,361	376,103
Lease receivable	340,633
Prepaid expenses	<u>106,385</u>
Total current assets	<u>2,769,208</u>

NONCURRENT ASSETS

Capital assets, net	16,986,735
Restricted cash	14,928,898
Lease receivable	<u>7,258,919</u>
Total noncurrent assets	<u>39,174,552</u>
Total assets	<u>41,943,760</u>

CURRENT LIABILITIES

Accounts payable and accrued expenses	792,741
Compensated absences	154,261
Unearned revenues	<u>13,320,937</u>
Total current liabilities	<u>14,267,939</u>

NONCURRENT LIABILITIES

Loans payable	16,718,500
Lease security deposits	366,927
Compensated absences	<u>149,652</u>
Total noncurrent liabilities	<u>17,235,079</u>
Total liabilities	<u>31,503,018</u>

DEFERRED INFLOWS OF RESOURCES

Leases related	<u>7,463,500</u>
Total deferred inflows of resources	<u>7,463,500</u>
Total liabilities and deferred inflows of resources	<u>38,966,518</u>

NET POSITION

Net investment in capital assets	646,735
Restricted	1,607,961
Unrestricted	<u>722,546</u>
Total net position	<u>\$ 2,977,242</u>

See accompanying notes to the basic financial statements.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

OPERATING REVENUES

Rental income	\$ 663,829
Utility assessments	395,264
Other	84,812
	<hr/>
Total operating revenues	1,143,905

OPERATING EXPENSES

Salaries and benefits	1,952,148
Security and related	507,130
Professional services	824,690
Insurance	175,036
Water plant system	216,338
Utilities	381,759
Depreciation expense	198,570
Bad debt	1,262,624
Repairs and maintenance	25,642
Occupancy	97,306
Loss on lease termination	286,421
Other expenses	533,941
	<hr/>
Total operating expenses	6,461,605
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Operating loss	(5,317,700)

NON-OPERATING REVENUES

Federal grants	2,711,781
Contributions from Commonwealth of Puerto Rico	1,339,993
Interest revenue - leases related	233,254
	<hr/>
Total non-operating revenues	4,285,028

CHANGE IN NET POSITION

(1,032,672)

NET POSITION, beginning of year, as previously reported

10,378,963

Restatement adjustments

(6,369,049)

NET POSITION, beginning of year, as restated

4,009,914

NET POSITION, end of year

\$ 2,977,242

See accompanying notes to the basic financial statements.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and customers	\$ 1,471,604
Payments to employees for services	(1,779,195)
Payments to other suppliers of goods and services	(2,382,169)
Other payments	<u>(434,236)</u>
Net cash used in operating activities	<u>(3,123,996)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Receipts from contributions from Commonwealth of Puerto Rico	1,339,993
Interest revenue - leases related	<u>233,254</u>
Net cash provided by non-capital financing activities	<u>1,573,247</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Receipts from Federal grants	8,871,256
Construction and acquisition of capital assets	(245,481)
Payments of loans payable	<u>(101,000)</u>
Net cash used in capital financing activities	<u>8,524,775</u>

NET CHANGE IN CASH	6,974,026
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CASH AND RESTRICTED CASH, beginning of year	9,619,556
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CASH AND RESTRICTED CASH, end of year	\$ <u>16,593,582</u>
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CASH AND RESTRICTED CASH

Cash	\$ 1,664,684
Restricted cash	<u>14,928,898</u>
	\$ <u>16,593,582</u>

Continues.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES**

Operating loss	\$ (5,317,700)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	198,570
Bad debt	1,262,624
Loss on lease termination	286,421
Net change in operating assets and liabilities:	
Lease receivable	506,370
Tenants and other receivables	526,638
Prepaid expenses	14,893
Deferred inflows - leases related	(620,497)
Lease security deposits	(34,226)
Accounts payable and accrued expenses	(92,118)
Compensated absences	145,029
Total adjustments	2,193,704
Net cash used in operating activities	\$ (3,123,996)

See accompanying notes to the basic financial statements.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2024

1. ORGANIZATION

The Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads (the Authority) is a public corporation and government instrumentality of the Commonwealth of Puerto Rico (the Commonwealth), which was created as an independent corporate and political body, by Law No. 508 of September 29, 2004. The Authority is responsible for the implementation of the reuse and redevelopment plan for the former Navy Station of Roosevelt Roads located in Ceiba, Puerto Rico. Some of the activities involved in these redevelopment plans include the direction, supervision, regulation, and maintenance of the economic development on the lands and facilities formerly occupied by the U.S. Department of the Navy (the Navy). The Commonwealth generally provides financial support to the Authority through legislative appropriations.

On January 26, 2012, the U.S. Navy transferred 1,370 acres (Parcel III) of lands and facilities formerly used by the Naval Station Roosevelt Roads (NSPRR) to the Authority. Another 2,039 acres (Parcels I and II) were transferred to the Authority on May 7, 2013, bringing the total acreage for redevelopment to 3,409. As of May 7, 2013, the Authority has control of these lands and facilities and is able to execute redevelopment projects. However, certain real property and associated improvements, known as carveouts within Sale Parcel III and Science Park, are environmentally suitable for lease subject to the conditions, notifications, and restrictions set forth in the Finding of Suitability to Lease, Revision 1, Carveouts Within Sale Parcel III and Science Park (FOSL).

The carveout properties comprise approximately 345 acres of noncontiguous areas of Parcel III and the Science Park parcels located primarily along the ridge overlooking the northeastern side of Ensenada Honda and also on the southern peninsula of Bahía de Puerca. Facilities located on the property include a marina, a gasoline filling station, hazardous waste and materials storage facilities, maintenance shops, storage buildings and recreational facilities. The carveout areas were removed from Sale Parcel III and Science Park because they are Resource Conservation and Recovery Act (RCRA) Solid Waste Management Units (SWMUs) and Areas of Concern (AOCs) with work remaining to be completed under the Administrative Order on Consent (Consent Order: US Environmental Protection Agency (EPA Docket No. RCRA0220077301; EPA 2007) that sets out the Navy's corrective action obligations under RCRA.

As more fully explained in **Note 7**, the Navy is still in the process of transferring SWMU 3 and 70.

Board of Directors – The Authority is governed by a nine member board comprising of the Secretary of Economic Development and Commerce of the Commonwealth, who is the Chairman, two members appointed by the Mayor of the Municipality of Ceiba, one member appointed by the Mayor of the Municipality of Naguabo, one member appointed by the President of the Senate, one member appointed by the Speaker of the House of Representatives and three additional members appointed by the Governor, all to possess known interest and expertise in the areas of planning; commercial, tourism, residential, and institutional development; real state; tourism and recreational facilities administration; infrastructure projects' management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to the generally accepted accounting principles in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies:

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Measurement Focus and Basis of Accounting

The Authority's operations are accounted using the flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the statement of net position; and revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from charges to tenants for the lease or license of property and providing goods and services in connection with the Authority's principal ongoing operations in connection with the implementation of the *2014 Development Zones Master Plan for the former Naval Station of Roosevelt Roads* and charges to customers for water and sewer related services. Revenue and expenses not meeting the operating definition are reported as non-operating revenue and expenses.

In addition, the Authority receives contributions from the Commonwealth and federal grants from various U.S. agencies. These include operating support from the U.S. Department of Defense (DoD) through the Office of Local Defense Community Cooperation (OLDCC), disaster recovery funds from the Federal Emergency Management Agency (FEMA) administered through the Central Office of Recovery, Reconstruction, and Resiliency (COR3), and funding from the US Department of Treasury, provided through the Commonwealth, which support both operating expenses and capital projects. All such contributions and grants are classified as non-operating revenues.

Net position is classified as the following three components in the accompanying statement of net position:

Net investment in capital assets — This component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of bonds, notes, and other debt that is attributed to the acquisition, construction, or improvement of those assets.

Restricted net position — This component results when constraints placed on those assets use are either, externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position — This consists of net position that 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; therefore, it often has 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.

Use of Estimates in the Preparation of Financial Statements

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

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Leases

The Authority is a lessor for noncancelable leases agreements of space facilities, including buildings and other areas located within the former Naval Station Roosevelt Roads. These leases are accounted for in accordance with GASB 87, *Leases*, which requires the recognition of a lease receivable and deferred inflows of resources at the commencement of the lease term.

At lease commencement, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the amounts of the lease receivable, adjusted for lease payments received at or before the lease commencement dates. This deferred inflow of resources is recognized as revenue over the lease term in a systematic and rational manner.

As a practical expedient, the Authority has elected to exclude non-lease components, such as common area maintenance charges, from the calculation of lease payments when such amounts are not explicitly stated or separately identifiable in the lease agreement. This expedient is applied consistently across applicable leases.

Key estimates and judgments include how the Authority determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The discount rate, which is based on the Authority's estimated incremental borrowing rate for comparable periods;
- The lease terms, which include the noncancelable period of the lease.
- The lease receipts, which consist of fixed payments specified in the lease agreements.

The Authority monitors changes in circumstances that may require a remeasurement of its leases. If changes occur that are expected to significantly affect the lease receivable, the Authority will remeasure both the lease receivable and the related deferred inflows of resources. Lease details are included in **Note 5**.

Rent Revenue, Accounts Receivable, and Allowance for Doubtful Accounts

Rent revenue is recorded following the straight-line basis or a method that approaches such a basis consistent with the tenant use of rental space or unit. Revenue from utility services and common area maintenance is recognized monthly as earned, based on incurred costs.

This note includes rent revenue from both short-term lease agreements (less than 12 months) and long-term lease agreements that do not meet the criteria for recognition under GASB 87. Lease agreements that meet the definition under GASB 87 are disclosed separately in **Note 5**.

Accounts receivable are reported net of an allowance for doubtful accounts, which is established when collectability becomes uncertain and when balances are over one year past due. The allowance is based on management's evaluation of historical collection experience, aging of receivables, current economic conditions, and other relevant factors. These receivables primarily arise from rent, common area charges—including water and sewer services—and other tenant-related fees. The allowance for doubtful accounts is a contra asset account that reflects management's best estimate of potential credit losses, in

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accordance with GASB standards. Due to inherent uncertainties in the estimation process, the allowance may be adjusted as conditions evolve or new information becomes available.

Grants and Revenue Recognition of Voluntary Non-exchange Transactions

Federal and state grants revenues are recognized when all applicable eligibility requirements are met (including time restrictions) and the resources are available.

Operating grants, including those to finance operating deficits, and contributions that are not restricted for capital purposes are excluded from an operating category since these are the result of non-exchange transactions; therefore, they are reported as non-operating revenues.

Revenue from non-exchange transactions consists of contributions from the Commonwealth and federal grants from the DoD, FEMA, and the US Department of Treasury.

Cash and Restricted Cash

Cash

Represents petty cash, checking and savings accounts.

Restricted Cash

In 2024, the Authority received the following grants from U.S. Government agencies:

- Federal Emergency Management Agency (FEMA): The Authority received \$5,846,698 in 2024 and \$8,077,785 in 2023, administered by COR3. As of June 30, 2024, the balance in restricted cash subject to federal compliance requirements totaled \$13,378,378.
- U.S. Department of the Treasury: The Authority received \$1,500,000 from the Coronavirus State Fiscal Recovery Fund administered by the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF).

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Authority has deferred inflows of resources related to leases. The Authority has one item which is related to its activities as lessor. The deferred inflows of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources is amortized on a straight-line basis over the term of the lease.

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Capital Assets

Capital assets include land, buildings, equipment, vehicles, and infrastructure assets. Capital assets purchased or constructed by the Authority are stated at cost or acquisition value/entry price when donated. Acquisition value or entry price is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Capital assets acquired from the US Department of the Navy (the Navy) under an Economic Development Conveyance Memorandum Agreement (the EDC) are stated at the exchange value, per the agreement.

The Authority maintains a capitalization threshold of \$1,000. Routine maintenance and repairs are charged to expenses. Expenses, which materially increase values, change capacities, or extend useful lives are capitalized. The provision for depreciation has been computed by the use of the straight-line method at rates intended to amortize the cost of the related assets over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20-30
Building and building improvements	20-30
Piers	20-30
Infrastructure	25-30
Equipment, furniture, fixtures, and vehicles	2-5

Impairment of Capital Assets

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

The Authority evaluated its capital assets, and no impairment was identified during the year ended June 30, 2024.

Pollution Remediation Obligation (PRO)

The Authority follows the guidance of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB No. 49), which requires the recognition of a liability when a site is known or reasonably believed is polluted and one or more obligating events have occurred. These events include:

- a. The government is compelled to take remediation action because pollution creates an imminent endangerment to public health or welfare or the environment, leaving it little or no discretion to avoid remediation action;

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- b. The government is in violation of a pollution prevention–related permit or license, such as a Resource Conservation and Recovery Act (RCRA) permit or similar permits under state law;
- c. The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party (PRP) for remediation, or as a government responsible for sharing costs;
- d. The government is named, or evidence indicates that it will be named, in a lawsuit to compel the government to participate in remediation;
- e. The government commences, or legally obligates itself to commence, cleanup activities or monitoring or operation and maintenance of the remediation effort. If these activities are voluntarily commenced and none of the other obligating events have occurred relative to the entire site, the amount recognized should be based on the portion of the remediation project that the government has initiated and is legally required to complete.

The Authority has evaluated environmental exposure and has determined that no significant pollution remediation obligation exists as of June 30, 2024, nor as of the date of these financial statements were issued.

However, the Authority acknowledges that ongoing operations at certain sites may result in future obligations under GASB No. 49, particularly if it becomes directly responsible for implementing corrective measures required by environmental regulations. At present, the Authority is unable to determine the likelihood or reasonably estimate potential losses related to these matters.

Compensated Absences

The vacation policy of the Authority generally provides for the accumulation of 1.25 days per month up to a maximum annual amount of 15 days. Vacation time accumulated is fully vested by the employees from the first day of work up to a maximum of 60 days. Employees generally accumulate sick leave at a rate of 1 day per month up to a maximum annual amount of 12 days and a maximum accrual of 90 days. Upon retirement or employment separation an employee receives compensation for all accumulated unpaid vacation leave at the current rates regardless of years of service.

Pension Benefits

The Authority adopted a defined contribution savings and retirement plan (the Plan). All employees are eligible to participate in the Plan from commencement date. All employees' benefits become vested once they have entered into the Plan, in accordance with the eligibility requirements. The Plan provides for contributions by the Authority of 50 cents per dollar contributed by the participant, which cannot exceed 5% of the aggregate annual salary of the participant. Total contributions made by the Authority to the Plan during the year ended June 30, 2024, amounted to \$55,858.

Risk Management

The Authority carries commercial insurance to cover casualty, theft, claims, and other losses. The current insurance policies have not been cancelled or terminated. The Authority has not settled any claims in excess of its insurance coverage during the past three years. The Authority also pays premiums for workers' compensation insurance to another component unit of the Commonwealth.

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Accounting Pronouncements Issued but Not Yet Effective

GASB has issued the following standards that have not been adopted by the Authority, and are currently under evaluation for their impact on future financial statements:

- GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged.
- GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.
- GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements. This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

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- GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying assets in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Management is evaluating the impact that these statements may have on the Authority's basic financial statements upon adoption.

3. CUSTODIAL CREDIT RISK ON DEPOSITS

The Authority is authorized to deposit cash only in depository institutions approved by the Puerto Rico Treasury Department (PRTD), and such deposits should be kept in separate accounts in the name of the Authority. Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority's deposits might not be recovered. However, because of the collateral provided by the bank, credit risk is not significant.

The carrying amount of deposits as of June 30, 2024, as shown in the statement of net position follows:

	Carrying Amount			Depository Bank Balance
	Unrestricted	Restricted	Total	
Commercial bank	\$ 1,664,684	\$ 14,928,898	\$ 16,593,582	\$ 16,787,463

Restricted cash and cash primarily represent federal disaster recovery funds from FEMA, received through the COR3 in advance of project expenditures. During fiscal year 2024, the Authority received approximately \$5.8 million of such funds. Additionally, the Authority had previously received approximately \$8 million in prior fiscal years, for a total of approximately \$13.8 million in FEMA reconstruction funds. These funds are designated to finance specific reconstruction projects approved under FEMA's Public Assistance Program. Refer to **Note 8** for more information.

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These funds are reported as unearned revenues in the financial statements until all eligibility requirements are met. The deferred amount will be recognized as revenue in future periods as eligible project expenditures are incurred.

4. CAPITAL ASSETS

The following schedule summarizes the capital assets held by the Authority as of June 30, 2024:

<u>Capital Assets</u>	<u>Balance</u>	<u>Increase</u>	<u>Prior Period Adjustments</u>	<u>Decrease</u>	<u>Balance</u>
Non-depreciable assets:					
Land and property for future development	\$ 12,098,307	\$ -	\$ -	\$ -	\$ 12,098,307
Construction in-progress	-	152,697	1,021,117	-	1,173,814
	<u>12,098,307</u>	<u>152,697</u>	<u>1,021,117</u>	<u>-</u>	<u>13,272,121</u>
Depreciable assets:					
Buildings, piers and infrastructure	5,020,979	-	-	-	5,020,979
Furniture and equipment	16,495	92,784	-	-	109,279
Vehicle	38,641	-	-	-	38,641
	<u>5,076,115</u>	<u>92,784</u>	<u>-</u>	<u>-</u>	<u>5,168,899</u>
Less accumulated depreciation					
Buildings, piers and infrastructure	(1,211,850)	(148,056)	-	-	(1,359,906)
Furniture and equipment	(16,495)	(42,785)	-	-	(59,280)
Vehicle	(27,370)	(7,729)	-	-	(35,099)
	<u>(1,255,715)</u>	<u>(198,570)</u>	<u>-</u>	<u>-</u>	<u>(1,454,285)</u>
Net depreciable assets	<u>3,820,400</u>	<u>(105,786)</u>	<u>-</u>	<u>-</u>	<u>3,714,614</u>
Capital assets, net	<u>\$ 15,918,707</u>	<u>\$ 46,911</u>	<u>\$ 1,021,117</u>	<u>\$ -</u>	<u>\$ 16,986,735</u>

The Authority acquired its land and property for future development from the Navy under the EDC. However, original cost information for the former Navy facilities was not available precluding the Authority from distributing its cost to the different components. However, during the year ended June 30, 2016, the Authority obtained independent appraisals for all the land and properties for future development. The estimated market value of the property was over \$100 million, which is substantially higher than the acquisition cost of acquisition pursuant to the EDC.

However, based on the independent appraisal values and the use of its best professional judgment on the estimated value on a per square foot basis, the Authority could distribute the acquisition cost to the different components of the acquired property, principally land, buildings, pier, and infrastructure. As a result, the Authority allocated approximately \$4.5 million to depreciable assets as buildings, piers, and infrastructure as of June 30, 2016.

Additionally, independent appraisal reports state that the subject properties, the parcels, are encumbered with structures scattered throughout. Despite the structures comprising a miniscule component of the subject property, when compared to the parcels' size they pose an appraisal problem and that the vast majority of the buildings that encumber it are deteriorated and hold no contributory value. This first value was taken into consideration in determining the value allocated to depreciable property.

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5. LEASE AGREEMENTS AS LESSOR

The Authority has entered into various other long-term rental agreements for certain land and properties available. The leases' expiration dates fluctuate from June 2024 through January 24, 2049. As of June 30, 2024, lease receivable and deferred inflows of resources are follows.

<u>Description</u>	<u>Lease receivable</u>	<u>Deferred inflows of resources</u>
ATM - Ending date 1/24/2049; discount rate of 1.95%; monthly payments of \$17,800	\$ 4,091,352	\$ 3,989,571
Smart Parking - Ending date 8/20/2025; discount rate of 1.15%; monthly payments of \$15,000	3,118,951	3,107,473
Para la Naturaleza - Ending date 12/31/2035; discount rate of 1.95%; monthly payments of \$1,300	199,695	189,322
Equinoterapia - Ending date 1/30/2043; discount rate of 1.95%; monthly payments of \$500	142,955	131,965
Nautas - Ending date 6/22/2025; discount rate of 1.15%; monthly payments of \$2,500	29,814	29,335
Pure Adventure - Ending date 12/31/2034; discount rate of 1.15%; monthly payments of \$1,550	9,568	9,032
Marling Sailing - Ending date 11/23/2026; discount rate of 1.15%; monthly payments of \$208 first year and \$258 in last year	7,217	6,802
	7,599,552	<u>\$ 7,463,500</u>
Less: Current portion	(340,633)	
Long-term portion	<u>\$ 7,258,919</u>	

For the fiscal year ended June 30, 2024, lease revenues on such lease agreements amounted to \$663,829, which are reported as part of rental income.

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Minimum annual rentals under these contracts for the years subsequent to June 30, 2024, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 340,633	\$ 120,488	\$ 461,121
2026	306,926	115,542	422,468
2027	310,860	110,706	421,566
2028	314,462	105,814	420,276
2029	319,530	100,844	420,374
2030 - 2035	1,685,896	426,298	2,112,194
2036 - 2040	1,759,620	289,591	2,049,211
2041 - 2045	1,740,321	148,351	1,888,672
2046 - 2050	821,304	33,114	854,418
	<u>\$ 7,599,552</u>	<u>\$ 1,450,748</u>	<u>\$ 9,050,300</u>

6. LEASE SECURITY DEPOSITS

The Authority collects a security deposit from tenants that intend to occupy the rental space for more than one year. The deposit will be used as a tangible security in the event of damage or lost property or will be considered as rent income if tenant defaults in their contractual rent payment.

As of June 30, 2024, the Authority maintained lease security deposits as follows:

MidAtlantic Shipyards LLC	\$ 100,000 ⁽¹⁾
Puerto Rico and Municipal Islands Maritime Transport Authority	57,400
Loop Land Development LLC	55,000 ⁽¹⁾
United Real Estate	41,576 ⁽¹⁾
Smart Parking	30,000
Other tenants miscellaneous deposits	<u>82,951</u>
Total	<u>\$ 366,927</u>

⁽¹⁾ Tenant security deposits arising from cancelled lease agreements are currently pending approval by the Board of Directors for application against outstanding accounts receivable.

7. LONG-TERM LIABILITIES

U.S. Department of the Navy

Navy Parcel III - Loan payable due in fifteen annual equal principal installments plus interest beginning three years after the initial closing, subject to completion of environmental remediation of SWMU 3 and 70 by the Navy. Interest shall be calculated at 150 basis points over the US Treasury 10-Year Composite Note using the established rate on the first day of the month preceding the first installment due date. The first annual principal installment has not been made as of June 30, 2024. Annual interest to be accrued by the Authority begins once the latter of the following events occur: 1) an issuance of a new due date for the first annual principal installment or 2) thirty days following the conveyance of both SWMU 3 and SWMU 70 to the Authority. As of the date these financial statements were issued, none of these events had occurred.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Navy Parcel I and II - Loan payable due in fifteen annual equal principal installments plus interest commencing one year after the Authority's current payment obligations for Parcel III are settled. Interest on the guaranteed consideration will begin accruing seven years after the Parcels I and II closing and shall be calculated at 150 basis points over the U.S. Treasury 10-year Composite Note as of the date of the Parcels I and II closing. As of June 30, 2024, the loan payable bears interest of 3.3% (1.80% as the US Treasury 10-Year Composite Note as of May 6, 2013, plus 150 basis points).

On December 14, 2015, the Authority received a letter from the Navy conditioning the extension of the initial consideration and installment payments due from the EDC as a result of certain environmental remediation not completed by the Navy, as planned, for parcels SWMU 3 and SWMU 70. Originally, the Navy projected SWMU's 3 and 70 to be cleaned and conveyed to the Authority during fall of year 2017, at which time the Authority would start paying annual installments on the loan, as stipulated in the EDC.

However, on September 20, 2017, Hurricane María hit Puerto Rico delaying the conveyance of the SWMU 3 and SWMU 70 to the Authority. As of the reporting date, the Navy has not provided a specific date for the conveyance of SWMU 3 and SWMU 70 to the Authority. Once the clean title of both properties is transferred to the Authority, the Authority will have to meet the payment obligations under the EDC.

U.S.D.A Rural Development - Rural Utilities Service

On August 12, 2016, the Authority was granted a loan and grant program by the Rural Utilities Service (RUS) administered by the USDA Rural Development. Funds were to be used to rehabilitate/improve the potable water infrastructure at NSRR. Under the agreement, the Authority will receive a \$4,936,000 loan, a grant of \$666,200, and a second grant of \$1,615,980. On December 23, 2016, the Authority closed the loan with a repayment schedule over a period of over forty years, including interest of 2.375%, only during the first three years. The Authority shall pay the principal and interest beginning December 23, 2020. The loan is evidenced with a promissory note and secured with real estate owned by the Authority. The Authority is required to establish a debt service reserve fund that has to be funded by monthly payments of \$1,684 until \$201,982 has been accrued. In 2024, the Authority did not receive or expense funds from RUS. As of June 30, 2024, the Authority received \$610,084 under the loan agreement and fully repaid that amount by that date, with no outstanding balance due to RUS.

The balance of the debt service reserve fund as of June 30, 2024, shall be \$201,982; however, as of such date, there was a deposit deficiency of \$151,462. This noncompliance constitutes an event of default under the grant agreement and may serve as grounds for termination of federal assistance.

Puerto Rico Land Administration

On January 24, 2014, the Authority signed a real property option for a purchase agreement with the Puerto Rico Land Administration ("Land Administration"). Under the purchase agreement, the Authority intended to sell the Land Administration a parcel of land that comprehends 43.63 acres for the amount of \$2,500,000 and paid the Authority an option deposit of \$600,000.

During 2016, the Land Administration determined not to exercise the land purchase option and requested the Authority to return the deposit payment of \$600,000 in accordance with the terms of the purchase option. As a result, the Authority agreed with the Land Administration and subscribed to a non-interest-bearing payment plan on October 18, 2016.

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Under the original terms of the payment plan, the Authority was to pay to the Land Administration monthly installments of \$12,500 commencing in November 2016 through November 2020.

On October 23, 2018, a new payment plan was reached with the Land Administration to liquidate the outstanding balance of \$537,500. The Authority will pay installments of \$2,000 for twelve months, commencing August 2019. Then, the payments will increase to \$3,000 monthly until the debt is paid in full. Also, the agreement provides to liquidate the debt at any time, through a lump-sum payment.

The following is a roll-forward of long-term debt maintained by the Authority for the year ended June 30, 2024.

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
US Department of Navy - Parcel III	\$ 7,840,000	\$ -	\$ -	\$ 7,840,000	\$ -
US Department of Navy - Parcel I & II	8,500,000	-	-	8,500,000	-
Land Administration payment plan	479,500	-	(101,000)	378,500	-
Compensated absences	158,884	303,672	(158,643)	303,913	154,261
Total long-term debts	<u>\$ 16,978,384</u>	<u>\$ 303,672</u>	<u>\$ (259,643)</u>	<u>\$ 17,022,413</u>	<u>\$ 154,261</u>

Summary of Long-term Liabilities ⁽²⁾

The outstanding Land Administration payment plan balance as of June 30, 2024, requires future minimum principal payments as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 36,000	-	\$ 36,000
2026	36,000	-	36,000
2027	36,000	-	36,000
2028	36,000	-	36,000
2029	36,000	-	36,000
2030-2035	180,000	-	180,000
2036-2040	18,500	-	18,500
Total	<u>\$ 378,500</u>	<u>\$ -</u>	<u>\$ 378,500</u>

(2) The summary of long-term liabilities excludes the loan payable to the U.S. Department of the Navy related to Parcel III. This exclusion is due to the impracticality of determining, as of the reporting date, the specific date on which SWMU 3 and SWMU 70 will be conveyed to the Authority and the corresponding commencement of payment obligations. The Navy is currently performing environmental remediation on both parcels.

8. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

U.S. Department of the Navy

The Parcel was financed directly with the Navy and subject to additional and special considerations such as stipulated in the agreement. The Authority shall pay the Navy "Additional Consideration" meaning in the amount of forty percent of all monies received by the Authority from the lease, sale, assignment or license of any portion of real property in Parcel I, II or III, excluding any monies received by the Authority (i) from a public entity that is providing funding to reimburse the Authority for costs and operating expenses (i.e. utilities, maintenance, etc.), and (ii) in connection with the provision, sale or transfer of

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utilities or utilities services, in excess of eighty million dollars received by the Authority through September 30, 2035. When due, such payments shall be paid annually on/or before September 30 of each year for the time period between June 30 of the previous year and June 30 of the current year.

New Developments

Authority's Projects in Design Stage

On July 14, 2022, the Authority requested a proposal for improvements and replacement of a portion of the electrical power grid system at former Naval Station Roosevelt Roads at the cost of between \$30 million and \$40 million, an allocation is expected to be received from FEMA. As of August 10, 2025, the improvements are under planning and design stage. The Scope of Work and terms of reference for the design-built procurement of the new internal electrical grid are currently under development. The project is being designed and its completion is expected by the end of 2025. The project's critical path is currently affected by the environmental compliance process with FEMA and COR3. Subject to the successful completion of this regulatory process, the construction bid is projected to be published during the third quarter of 2026.

As of June 30, 2024, the Authority had entered into contracts for the design and engineering of various capital improvement projects. These projects remain in the design phase, and construction activities have not yet commenced. The total contractual commitments associated with these design services are expected to be financed primarily through capital contributions and other designated funding sources. The principal projects currently under design include the following:

- Marine Business Research and Innovation Center – The center is designed to serve as five-story facility that will support the development of ocean-dependent industries and agricultural innovation.
 - Total investment: \$16 million, of which \$12.8 million is funded by EDA and \$3.2 million through capital contributions from the Commonwealth.
 - Scope: Its primary objectives include delivering technical assistance to agricultural and marine sectors, fostering the creation of new commercial products for export, and establishing a collaborative environment that brings together researchers, industry stakeholders, and subject matter experts to promote economic resilience.
 - Current status: In development
 - Estimated design completion date: December 2026
- Pier 3 & Bulkhead Rehabilitation - Its primary purpose is to restore and modernize maritime infrastructure that was significantly damaged by Hurricane María in 2017.
 - Total investment: \$4.5 million, with pending change request that may increase the total investment to \$14 million.
 - Scope: Includes replacements of damaged infrastructure, utility lines, and mooring components, as well as improvements aimed at risk mitigations.
 - Funding source: \$4 million from FEMA
- Finger Pier & Dry Dock Restoration
 - Total investment: Subject of confirmation.
 - Scope: Structural repair and rehabilitation of piers to promote the development of industrial and maritime operations, including potential future use as a shipyard or naval maintenance facility

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- Funding source: Partially funded by FEMA with \$1.6 million and capital improvement funds from the Commonwealth.

Private Projects in the Request for Proposal (RFP) Stage Published Subsequently and Request for Proposal Awarded

- Vertical Space Launch Facility – RFP Stage
 - Total investment: Subject of confirmation
 - Scope: Design, construction, and operation of a vertical space launch facility on a 66.17-acre parcel. To position Puerto Rico as a hub as an aerospace innovation and commercial space activity
- Mixed-Income Residential, Hospitality, and Golf Course Development – RFP Stage
 - Total investment: Subject of confirmation
 - Scope: Mixed-use development including housing, tourism accommodations, and recreational amenities. To enhance livability and tourism appeal in alignment with the Roosevelt Roads Master Plan.
- Marina Development and Operation – RFP Awarded
 - Total investment: Subject of confirmation
 - Scope: Design, finance, build, operate, and maintain a recreational marina.
 - Funding source: Private sector.

These projects form part of the Authority's Permanent Improvements Program. The related construction bid packages are expected to be published during the first quarter of 2026. To support the execution and procurement processes, the Authority is actively recruiting two project managers who will be responsible for overseeing the technical development and administration of the bidding procedures.

Authority's Projects in Bidding Stage

As of June 30, 2024, the Authority was actively engaged in the procurement process for several major capital improvement projects. As of the reporting date, no construction contracts had been executed. These initiatives are expected to be financed primarily through capital contributions and other designated funding sources.

The principal projects currently undergoing procurement pertain to enhancements to the potable water and sanitary systems, as detailed below:

- Potable Water: The existing potable water infrastructure is subject to significant operational limitations. Previous efforts to upgrade the filtration plant and distribution network have undergone two separate public bidding processes; however, both solicitations concluded without the receipt of any proposals. Accordingly, the Authority is pursuing an alternative implementation strategy through an exceptional procurement mechanism, in coordination with the United States Department of Agriculture (USDA) and the Puerto Rico General Services Administration (ASG). Construction activities are anticipated to commence in January 2026.
- Sanitary: The design phase for the sanitary system improvement project has been completed in its entirety. Recruitment efforts are currently underway to engage qualified personnel who will be responsible for managing the project and administering the bidding process. Construction is likewise targeted to begin in January 2026, consistent with the established execution timeline.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2024

The final cost of these projects will be determined upon conclusion of the procurement process and the formal execution of the corresponding construction contracts.

Contingent Liabilities

Litigation and Claims

The Authority is involved in litigation arising in the normal course of business. The Management of the Authority believes that the ultimate liability, if any, in connection with current litigation will not have a material effect on the Authority's financial position and results of operations.

Federal Assistance Programs

The Authority participates in federal financial assistance programs. These programs are subject to audits in accordance with the provisions of OMB 2 CFR Part 200 Compliance Supplement, or to compliance audits by grantor agencies. Compliance with requirements of each program is subject to audit by various governmental agencies, which may impose sanctions in the event of noncompliance. As of the date of issuance of these financial statements, the Authority is not aware of any unresolved matters that would indicate significant noncompliance, other than the late submission of Single Audit Reporting Packages for prior years. However, the Authority acknowledges that audits may identify additional areas requiring corrective action. Refer to **Note 12**.

9. RESTATEMENT OF NET POSITION

During the fiscal year ended June 30, 2024, management determined that federal funds received from FEMA through COR3 in prior years had been incorrectly recognized as revenue when received. The funds were received in advance of meeting all applicable eligibility requirements and should have been reported as unearned revenues until such requirements were satisfied.

The correction of these errors has been reported as a restatement of the beginning net position as of July 1, 2023. The beginning net position decreased by \$6,369,049, which includes a \$7,471,614 adjustment related to FEMA funds, an adjustment of \$1,021,117 for construction in progress incorrectly expensed, a \$59,104 adjustment for a misclassified invoice, and a \$140,552 adjustment related to the billing of utilities and service fees corresponding to the previous years in FY2024. Additionally, unearned revenue was increased by \$7,471,614 to properly reflect the unearned portion of the FEMA funds.

The effects of these restatements are summarized as follows:

Net Position – July 1, 2023 (as previously reported):	\$ 10,378,963
Correction of error – recognition of unearned revenues	(7,471,614)
Correction of error – recognition of construction in progress	1,021,117
Correction of error – recognition of utilities and services fees	140,552
Correction of error – other	(59,104)
	<hr/>
	(6,369,049)
	<hr/>
Net Position – Beginning of Year (as restated):	<u><u>\$ 4,009,914</u></u>

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FOR THE FISCAL YEAR ENDED JUNE 30, 2024

10. MAJOR PROJECT CANCELLATIONS AND SUBSEQUENT ACTIONS

In the past years, the Authority assigned three major redevelopment projects to external investors as part of its strategic revitalization plan for the Roosevelt Roads site. These projects were intended to stimulate economic growth and optimize land use. However, all three projects were subsequently cancelled due to compliance issues. The current status and subsequent actions taken by the Authority are as follows:

1. LoopLand Development LLC - Capehart Coastal Resort and Golf Club Development

This project was cancelled on December 13, 2023, by the Oversight Board due to noncompliance with PROMESA's procurement policy. The lease agreement was awarded following an unsolicited proposal and direct negotiations, without a competitive procurement process. Additionally, the contract and its amendments were not submitted for review and approval prior to execution.

The Oversight Board formally requested the termination of the lease and amendments. The LRA is expected to initiate a new procurement process that ensures transparency and market competition. The new contract must be submitted for Oversight Board review prior to execution.

2. Real Estate United – Roosevelt Roads Mixed-Use Development (Ocean Club Apartments)

This project was terminated on October 17, 2024, due to noncompliance with specific contractual clauses, including failure to meet development milestones and reporting obligations.

The Authority formally cancelled the agreement and removed the project from its active portfolio. The site is being reconsidered for future development under revised guidelines, with a focus on compliance and accountability.

3. Phoenix Construction Group – Roosevelt Roads Infrastructure Redevelopment

Although initially progressing, this project was also cancelled due to contractual and performance issues.

The Authority has discontinued the agreement and shifted its strategy toward preparing the site for a master developer. This includes a \$50 million infrastructure upgrade—covering potable water, sanitary systems, and electrical improvements—to make the property more attractive for future investment.

The Authority has transitioned from individual project agreements to a broader strategy focused on securing a master developer capable of implementing a comprehensive, long-term plan for Roosevelt Roads. This approach aims to ensure continuity, compliance, and sustainable development.

11. ALLEVIATED SUBSTANTIAL DOUBT ABOUT THE AUTHORITY'S ABILITY TO CONTINUE AS A GOING CONCERN

The discussion in the following paragraph regarding the Authority's financial and liquidity risks provides the necessary background and support for management's evaluation as to whether there is substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the date of these basic financial statements or for an extended period if there is currently known information that may raise substantial doubt shortly thereafter.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Management believes that there is substantial doubt about the Authority's ability to continue as a going concern because:

- The Authority is still in the early stages of developing the property assets and the revenue producing operations has been inconsistent and not significant. Furthermore, the significant delays that the Navy has had in dealing with environmental matters that are not expected to be resolved until the next decade, and lack of reliable infrastructure have impacted on the potential of major developers investing in the property.
- Only a small portion of the property is leased, and a considerable number of rent agreements have either been cancelled, are in the process of being terminated, or involve novel long-term projects that may involve uncertainty and longer than usual period of development, if developed. Accordingly, as of June 30, 2024, the Authority had six years of recurring losses from operations.
- Currently, the Authority has limited liquidity to meet operational and Capex needs. Federal grants for operations have been terminated and are expected to be substituted by \$2.1 million with contributions from the Commonwealth. In addition, as more fully explained in **Note 12**, COR3 has requested the return of the unexpended FEMA Working Capital Advances.

Remediation Plan

Management has evaluated conditions that raised substantial doubt about the Authority's ability to continue as a going concern. In response, a comprehensive remediation plan was implemented, supported by increased governmental funding and strategic grant allocations.

In fiscal year 2020, the Commonwealth allocated a total of \$12.6 million to the Authority, of which approximately \$6 million had been received and expended as of June 30, 2024. Additional support was provided through federal and economic development agencies. The Economic Development Administration (EDA) approved two grants totaling approximately \$21 million to support the development of new facilities as part of the Hurricane María disaster recovery plan and to establish a future Oceanographic Institute. These efforts are also supported by FEMA.

Furthermore, based on the fiscal year 2026 revenue projections, the Authority requested an additional General Fund allocation of \$2,136,000 comprising \$1,286,000 for current payroll and front office personnel, and \$850,000 for professional services, and a reallocation of \$2,000,000 to support both ongoing and planned infrastructure projects.

The Authority, as part of its ongoing efforts to comply with the requirements of the FEMA Work Completion Agreement (WCA), the Authority is actively engaged in planning and identifying the technical personnel necessary to carry out the related projects. Management recognizes that timely execution is essential to retain the obligated federal funds and has initiated steps to secure qualified staff and consultants with the expertise required to meet FEMA's scope and standards. The Authority remains committed to fulfilling its obligations under the WCA and continues to monitor progress to ensure compliance with all applicable federal guidelines.

To complement the additional General Fund allocation and reallocation, management is actively executing cost-saving measures. These include entering into a Memorandum of Understanding (MOU) with the Department of Economic Development and Commerce (DDEC) in fiscal year 2026, to transfer back-office functions. This arrangement is projected to yield immediate savings, as DDEC will absorb current back-office and technical salaries.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Despite these measures, management recognizes that ongoing financial support remains essential for the Authority's continued operations and fulfillment of its mission. However, the Authority's projects are an important element in the economic development of the Commonwealth. Accordingly, the management of the Authority understands the Commonwealth will support them for the next few years as infrastructure development takes place and an important development that is currently in different stages of negotiations start will help the Authority to become self-sufficient.

12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through October 1, 2025, the date the financial statements were issued. The Authority has determined that there are no events occurring in this period that required adjustment to the accompanying financial statements, except for those disclosed in **Notes 8, 10, and 11**.

Federal Emergency Management Agency Working Capital Advance (WCA)

On August 5, 2025, the Authority received notification from the Finance Division of COR3 requiring the return of approximately \$8.4 million in unreconciled WCA funds that had remained outstanding for more than 365 days. The balance was required to be returned by September 5, 2025. While these funds must now be returned, they may be requested subsequently as needed, provided that any future request is supported by a projection of expenditures for the 60 days following a new disbursement. Additionally, the Authority was requested to submit a spending plan for each project under the WCA program, detailing anticipated expenditures for the next 60 days. Funds not expected to be spent within this period must be returned to COR3.

Management has evaluated this event and determined that it does not provide evidence of conditions existing as of June 30, 2024. Accordingly, no adjustment has been made to the financial statements for the year ended June 30, 2024. This event is disclosed to provide relevant information regarding compliance with federal funding requirements.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Federal Grantor / Pass-Through Grantor / Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Expenditures
U.S. Department of Defense			
Direct Program:			
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607	n/a	\$ 1,188,949
U.S. Department of Homeland Security			
Pass-through from the Central Office for Recovery, Reconstruction and Resiliency (COR3):			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4339-DR-PR	313,481
COVID-19 - U.S. Department of the Treasury			
Pass-through from the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF):			
Coronavirus State and Local Fiscal Recovery Funds	21.027	OE-2021-034	<u>4,542</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,506,972</u></u>

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads (the Authority) for the year ended June 30, 2024. The Authority's reporting entity is defined in the notes to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE SCHEDULE

The Schedule is reported using the accrual basis of accounting.

Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. Negative amounts shown in the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. RELATION TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the Schedule, which is prepared on the basis of accounting explained in **Note 2**.

The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). The Uniform Guidance requires that federal financial reports for claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements have been prepared. The Authority prepares the federal financial reports and claims for reimbursements primarily based on information from the internal accounting records of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the financial statements of the Authority.

4. RELATIONSHIP TO FINANCIAL STATEMENTS

Federal awards revenues and expenses are reported in the Authority's statement of revenues, expenses, and changes in net position in accordance with standards issued by the Government Accounting Standards Board No. 34 (GASB Statement No. 34), as amended. Because the Schedule presents only federal activities of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

5. INDIRECT COST RATE

The Authority has elected not to charge indirect costs to the federal awards. Additionally, the Authority did not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

6. GENERAL OBJECTIVES

The Authority received grants from the U.S. Department of Defense through the Office of Local Defense Community Cooperation (OLDCC), the Authority's cognizant federal agency, to plan and undertake community economic development, base redevelopment, and partner with the Military Departments in response to the proposed or actual expansion, establishment, realignment or closure of a military installation by the U.S. Department of Defense. In addition, in 2024, the Authority received funds from the Federal Emergency Management Agency (FEMA) administered through the Central Office of Recovery, Reconstruction, and Resiliency (COR3), and funding from the US Department of Treasury, provided through the Commonwealth. These funds support both operating expenses and capital projects.

7. WATER AND WASTE DISPOSAL LOAN AND GRANTS

On December 25, 2016, the Authority was granted a loan and grant program by Rural Utilities Service (RUS) administered by the US Department of Agriculture Rural Development. Funds will be used to rehabilitate and improve the potable water infrastructure at NSRR. Under the agreement, the Authority will receive a \$4,936,000 loan, a grant of \$666,200 and a second grant of \$1,615,980. Repayment of the loan is scheduled over a period of forty years, including interest at 2.375%. The loan will be evidenced with a promissory note and secured with real estate owned by the Authority. The Authority is required to establish a debt service reserve to be funded by monthly installments amounting to \$1,684 until a total of \$201,982 has been accrued. In 2024, the Authority did not receive or expense funds from RUS. As of June 30, 2024, the Authority had received \$610,084 under the loan agreement and fully repaid that amount by that date, with no outstanding balance due to RUS.

The balance of the debt service reserve fund as of June 30, 2024, shall be \$201,982; however, as of such date, there was a deposit deficiency of \$151,462. This noncompliance constitutes an event of default under the grant agreement and may serve as grounds for termination of federal assistance. Refer to **Item No. 2024-003** in the schedule of findings and questioned costs.

8. CONTINGENCIES

The Authority receives funds under various federal grant programs, and such awards are to be expended in accordance with the provisions of each grant. Compliance with each grant is subject to audit by various government agencies, which may impose sanctions in the event of non-compliance.

Management believes that it has complied with all aspects of grants provisions and the results of adjustments, if any, relating to such audits would not have a material impact on the programs nor the accompanying Schedule.

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

**To the Board of Directors and Management of the
Local Redevelopment Authority of the Lands and
Facilities of Naval Station Roosevelt Roads
San Juan, Puerto Rico**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads** (a component unit of the Commonwealth of Puerto Rico) (the Authority), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 1, 2025. Our report includes a qualified opinion on the financial statements due to the Authority not capitalizing tenant improvements that meet the criteria for recognition, and due to limitations in accounting systems and controls that prevented us from obtaining sufficient appropriate audit evidence to conclude that transactions were completely and accurately recorded.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item no. **2024-001** to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item no. **2024-002** to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item no. **2024-002**.

The Authority's Response to Findings

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

Purpose of This Report

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

Crowe PR PSC
Lic. 16 Expires December 1, 2027
Guaynabo, PR
October 1, 2025

Crowe PR PSC



DPSC16-660

Local Redevelopment Authority of the Lands
and Facilities of Naval Station Roosevelt
Roads

**Crowe PR PSC**

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

**To the Board of Directors and Management of the
Local Redevelopment Authority of the Lands and
Facilities of Naval Station Roosevelt Roads
San Juan, Puerto Rico**

Report on Compliance for Each Major Federal Program

Qualified Opinion

We have audited the **Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt Roads's** (a component unit of the Commonwealth of Puerto Rico) (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2024. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation Program (ALN 12.607), Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Not a Major Programs (ALN 97.036), Water and Waste Disposal Loans and Grants (Section 306C) (Not a Major Programs) (ALN 10.770) and Coronavirus State and Local Fiscal Recovery Funds (Not a Major Program) (ALN 21.027)

In our opinion, except for the noncompliance described in the **Basis for Qualified Opinion** section of our report, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the *Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation Program* for the year ended June 30, 2024.

Basis for Qualified Opinion

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

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Basis for Qualified Opinion (Continued)

Matters Giving Rise to Qualified Opinion on the Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation Program (ALN 12.607), Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Not a Major Programs (ALN 97.036), Water and Waste Disposal Loans and Grants (Section 306C) (Not a Major Programs) (ALN 10.770) and Coronavirus State and Local Fiscal Recovery Funds (Not a Major Program) (ALN 21.027)

As described in items **2024-003**, **2024-004**, **2024-005**, **2024-006**, and **2024-007** in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the following:

<u>Findings</u>	<u>Assistance Listing No.</u>	<u>Program Name</u>	<u>Compliance Requirement</u>
2024-003	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters) - (Not a Major Program)	Cash Management
2024-004	10.770	Water and Waste Disposal Loans and Grants (Section 306C) - (Not a Major Program)	Cash Management
2024-005	12.607	Community Economic Adjustment of Establishment, Expansion, Realignment, or	Cash Management
2024-006	12.607	Closure of a Military Installation Community Economic Adjustment of Establishment, Expansion, Realignment, or	Reporting
2024-007	12.607 / 97.036 / 10.770 / 21.027	Closure of a Military Installation Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation / Disaster Grants - Public Assistance (Presidentially Declared Disasters) - (Not a Major Program) / Water and Waste Disposal Loans and Grants (Section 306C) - (Not a Major Program) / Coronavirus State and Local Fiscal Recovery Funds (Not a Major Program)	Reporting

Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

Auditor's Responsibilities for the Audit of Compliance (Continued)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

Reissuance Explanation

As discussed in the schedule of findings and questioned costs, this report has been reissued to include additional federal programs affected by the qualification. The internal control and compliance report remains unchanged in content, but its date has been updated for consistency across the audit package. Our opinion is not modified in respect of this matter.

Government Auditing Standards Disclosure

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

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2024-003**, **2024-004**, **2024-005**, **2024-006**, and **2024-007** to be material weaknesses.

Report on Internal Control over Compliance (Continued)

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Crowe PR PSC
Lic. 16 Expires December 1, 2027
Guaynabo, PR
October 1, 2025

Crowe PR PSC



DPSC16-661

Local Redevelopment Authority of the Lands
and Facilities of Naval Station Roosevelt
Roads

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

PART 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Qualified
Internal Control Over Financial Reporting:	
1. Material weakness(es) identified?	Yes
2. Significant deficiency(ies) identified that are not considered to be material weakness?	Yes
Non-compliance material to financial statements noted?	Yes

Federal Awards

Internal Control Over Major Programs:	
1. Material weakness(es) identified?	Yes
2. Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs?	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes

Identification of Major Program:

<u>Name of Federal Program or Cluster</u>	<u>ALN Number</u>
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	No

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2024

**Part II - Findings Relating to the Financial Statements that are Required to be Reported in Accordance with
Government Auditing Standards**

2024-001
Category

Weaknesses in Financial Reporting and Accounting Practices
Material Weaknesses in Internal Control over Financial Reporting and Compliance
with Laws and Regulations

Criteria

In accordance with Generally Accepted Accounting Principles (GAAP) and the requirements of the Uniform Guidance (2 CFR Part 200, Subpart F), entities are expected to maintain effective internal control over financial reporting to ensure that:

- Transactions are properly recorded and accounted for to permit the preparation of reliable financial statements.
- Adjustments to financial statements are minimal and supported by adequate documentation and review.
- Financial reporting systems and processes are designed to prevent or detect material misstatements in a timely manner.

Additionally, GASB standards require that financial statements be prepared using consistent and accurate accounting practices that reflect the financial position and results of operations of the entity.

Condition

During the audit of the financial statements for the fiscal year ended June 30, 2024, multiple deficiencies were identified that reflect systemic weaknesses in the Authority's financial reporting and accounting practices. As a result more than seventy adjustments were identified excluding adjustments performed by another firm contracted by the Authority to assemble the single audit reporting package.

Cause

The deficiencies identified were primarily the result of the Authority operating without a finance director and with limited accounting personnel during the fiscal year. This lack of leadership and staffing in key financial roles contributed to the breakdown of internal controls, delays in implementing accounting procedures, and the failure to detect or correct misstatements in a timely manner.

Effect

These conditions increase the risk of material misstatement in the financial statements, hinder accurate financial analysis, and may result in noncompliance with federal grant requirements and GAAP. Furthermore, the lack of accurate and timely financial information increases fraud risk.

Recommendation

We recommend that the Authority strengthen its internal controls over financial reporting by implementing a structured year-end closing process, contracting of a finance director enhancing staff training, and conducting regular internal reviews. These measures should reduce reliance on external adjustments, improve accuracy, and ensure timely preparation of financial statements.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2024

**Part II - Findings Relating to the Financial Statements that are Required to be Reported in Accordance with
Government Auditing Standards (Continued)**

2024-001	Weaknesses in Financial Reporting and Accounting Practices (Continued)
Category	Material Weaknesses in Internal Control over Financial Reporting with Laws and Regulations

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan

2024-002	Incomplete Employee File Due to Transfer from PREPA
Category	Significant deficiency in Internal Control and Noncompliance with Laws and Regulations

Criteria

Per standard internal control practices and personnel management policies, entities are expected to maintain complete and accurate employee records for all staff, regardless of their origin or method of hire. Additionally, Act 8-2017, which governs the transfer of employees between government entities in Puerto Rico, implies the continuity of employment and responsibilities, including the proper transfer of personnel documentation to ensure compliance with administrative and operational requirements.

Condition

From a sample of eight personnel files selected to test compliance with laws and regulations, we identified one instance in which the employee file was not available for inspection. The employee had transferred from the Puerto Rico Electric Power Authority (PREPA), a component unit of the Commonwealth of Puerto Rico, under the provisions of Act 8-2017. However, the receiving entity did not obtain the employee's personnel file from PREPA at the time of transfer.

Cause

The transfer process under Act 8-2017 did not include a formal mechanism to ensure the transfer of complete personnel records between entities.

Effect

The absence of the employee file limits the Authority's ability to verify employment history, qualifications, and other relevant documentation, which may affect compliance with internal controls and personnel management policies.

Recommendation

We recommend that management coordinate with PREPA to obtain the missing personnel file. Additionally, procedures should be established to ensure that complete employee records are transferred and retained during future inter-agency transfers.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2024

**Part II - Findings Relating to the Financial Statements that are Required to be Reported in Accordance with
Government Auditing Standards (Continued)**

2024-002	Incomplete Employee File Due to Transfer from PREPA (Continues)
Category	Significant deficiency in Internal Control and Noncompliance with Laws and Regulations

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Part III - Findings and Questioned Costs Relating to Federal Awards

2024-003	FEMA Working Capital Advances (NOT A MAJOR PROGRAM)
Compliance Requirement	Cash Management
Category	Material Weakness in Internal Control and Material Noncompliance
ALN	97.036
Program	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Agency	US Department of Homeland Security

Criteria

Per 2 CFR §200.305(b)(1), when advances are made by a pass-through entity, the non-federal entity must maintain procedures to minimize the time elapsing between the receipt of federal funds and their disbursement for program purposes. Funds must be disbursed timely and only to meet immediate cash needs.

Condition

The Authority received FEMA Working Capital Advances through the pass-through entity, Central Office for Recovery, Reconstruction and Resiliency of Puerto Rico (COR3). As of the date of this review, the funds have remained in the Authority's bank account for over 365 days without being expended. This prolonged retention violates federal cash management requirements under the Uniform Guidance.

Cause

The Authority lacks sufficient back-office personnel to effectively manage and track federal funds, as well as in-house project managers with the engineering and architectural expertise necessary to efficiently execute the projects tied to the FEMA advances. Additionally, the Authority does not have adequate internal controls or segregation of duties in place to ensure compliance with FEMA program requirements and federal cash management standards. These deficiencies have contributed to delays in project implementation and the prolonged retention of federal funds.

Effect

The retention of federal funds for over 365 days without use constitutes noncompliance with the cash management requirements of Uniform Guidance. This may result in increased scrutiny, potential repayment obligations, and administrative burden for both the subrecipient and the pass-through entity.

Questioned Costs

Amount in process to be returned, \$8,090,354.

Recommendation

We recommend that the Authority strengthen its internal controls over cash management by updating its written procedures to ensure that federal advances are disbursed based on immediate cash needs, in accordance with 2 CFR §200.305(b). The Authority should implement a cash flow forecasting process to support the timing and amount of advances, assign responsibility to specific personnel for monitoring the aging and use of federal funds, and conduct periodic internal reviews to identify and address delays in fund disbursement. Additionally, staff involved in the management of federal funds should receive training on applicable cash management requirements under Uniform Guidance to ensure consistent compliance.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

2024-003	FEMA Working Capital Advances (NOT A MAJOR PROGRAM) (Continued)
Compliance Requirement	Cash Management
Category	Material Weakness in Internal Control and Material Noncompliance
ALN	97.036
Program	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Agency	US Department of Homeland Security

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

2024-004	Reserve Account (NOT A MAJOR PROGRAM)
Compliance Requirement	Cash Management
Category	Material weakness in Internal Control and Material Noncompliance
ALN	10.770
Program	Water and Waste Disposal Loans and Grants (Section 306C)
Agency	US Department of Agriculture (Rural Development)

Criteria

2 CFR § 200.303 – Internal Controls, the non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

These internal controls should be in compliance with guidance in ‘Standards for Internal Control in the Federal Government’ issued by the Comptroller General of the United States or the ‘Internal Control—Integrated Framework’ issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Water and Waste System Grant Agreement, Section 4, Protection and Disposition of the Funds outlines the reserve account requirements:

(c) Reserve Account - From the remaining funds in the General Account, after transfers and payments required in (b) and (c), there shall be set aside into an account(s) designated as the Reserve Account(s) the sum of \$1,684 each month until the sum of \$201,982 is reached. With the prior written approval of the Government, funds may be withdrawn and used for such things as loan installments, emergency maintenance, extensions to facilities and replacement of short-lived assets, subject to conditions established by the Government.

RUS Bulletin 1780-12, Exhibit A – Water and Waste System Grant Agreement, the grantee is required to comply with all terms and conditions of the grant agreement. Specially, Section I – Default and Termination Clause:

Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

2024-004	Reserve Account (NOT A MAJOR PROGRAM) (Continued)
Compliance Requirement	Cash Management
Category	Material weakness in Internal Control and Material Noncompliance
ALN	10.770
Program	Water and Waste Disposal Loans and Grants (Section 306C)
Agency	US Department of Agriculture (Rural Development)

Condition

The Authority has a deposit deficiency of \$151,462 in the Reserve Account. The balance of the debt service reserve as of June 30, 2024, shall be \$201,982.

Cause

Lack of oversight controls to comply with the cash management compliance requirement.

Effect

Default by the Authority constitutes a violation of the grant agreement and may result in termination of federal assistance under RUS Bulletin 1780-12. Additionally, under 2 CFR § 200.339, the federal awarding agency may temporarily withhold cash payments pending correction of the deficiency. The noncompliance also exposes the Authority to potential enforcement actions, including repayment of grant funds with interest and restrictions on future federal funding.

Questioned Costs

None

Repeated Finding

This finding has been present since fiscal year 2020. However, it was not disclosed in the Schedule of Prior Audit Findings included in the Single Audit reporting packages for fiscal years 2021, 2022, and 2023, as required by 2 CFR §200.511(c). The omission of this repeated finding from the reporting packages represents a departure from federal audit follow-up requirements and may hinder transparency and accountability in the entity's corrective action process.

Recommendation

We recommend that management implement a formal review process to ensure that all prior year findings are properly tracked and disclosed in future Single Audit reporting packages. Additionally, we recommend that the understatement in the reserve debt account be addressed through an appropriate deposit to reconcile the balance.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

2024-005	Delayed Requests for Reimbursement of Federal Funds
Compliance Requirement	Cash Management
Category	Material Weakness in Internal Control and Material Noncompliance
ALN	12.607
Program	Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation
Federal Agency	US Department of Defense

Criteria

Per 2 CFR §200.305(b) of the Uniform Guidance, when entities are funded on a reimbursement basis, they must submit payment requests in a timely manner after incurring eligible costs to ensure proper cash management and compliance with federal requirements.

Condition

During our review of the Authority's grant management practices, we noted that requests for reimbursement of federal funds under the cost reimbursement method were delayed by approximately five to seven months after the incurrence of eligible expenditures.

Cause

The delay appears to be due to internal administrative inefficiencies and a lack of timely coordination between program and finance personnel responsible for grant reporting and fund drawdowns.

Effect

Delays in requesting reimbursement may result in cash flow constraints for the entity and could potentially impact program operations. Additionally, such delays may be viewed as noncompliance with federal grant management standards, which require timely and accurate reporting and drawdown of funds.

Questioned Costs

None.

Recommendation

We recommend that the Authority implement procedures to ensure reimbursement requests are submitted within a reasonable timeframe following the incurrence of costs, typically within 30 days, depending on the Authority's internal disbursement cycle and cash flow needs. Recommended actions include establishing internal deadlines, improving interdepartmental coordination, and conducting periodic reviews of outstanding expenditures eligible for reimbursement.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

2024-006	Performance Reporting Deadlines
Compliance Requirement	Reporting
Category	Material Weakness in Internal Control and Material Noncompliance
ALN	12.607
Program	Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation
Federal Agency	US Department of Defense

Criteria

Per 2 CFR § 200.328 and 2 CFR § 200.329, non-federal entities must submit performance and financial reports as required by the federal awarding agency or pass-through entity. These reports must be accurate, complete, and submitted timely, as outlined in the terms and conditions of the award.

Condition

The Authority failed to submit required federal reports in accordance with the deadlines established in the Notice of Award, with an average delay of approximately 146 days. Specifically, the Quarterly Performance Reports, Final Performance Report, and Federal Financial Report (FFR) were submitted after their respective due dates, resulting in noncompliance with federal reporting requirements.

Cause

The Authority did not implement adequate tracking and oversight mechanisms to ensure timely submission of required reports. This may reflect deficiencies in internal controls related to grant management and compliance monitoring.

Effect

Late submission of federally required reports hinders the ability of the awarding agency and pass-through entity to monitor project progress, assess financial accountability, and ensure compliance with grant terms. Continued noncompliance may result in administrative actions, including restrictions on future funding.

Questioned Costs

None

Repeat Finding Disclosure

This finding was reported in the prior year's Single Audit and was marked as corrected. However, based on current audit procedures and documentation reviewed, the corrective action was not effectively implemented, and the condition persists. Therefore, this finding is considered repeated and unresolved. Refer to item **2022-001**.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

2024-006	Performance Reporting Deadlines (Continued)
Compliance Requirement	Reporting
Category	Material Weakness in Internal Control and Material Noncompliance
ALN	12.607
Program	Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation
Federal Agency	US Department of Defense

Recommendation

The Authority should strengthen its internal controls over grant reporting by assigning clear responsibilities for the preparation and timely submission of required reports. Additionally, relevant personnel should receive training on federal reporting requirements to ensure ongoing compliance.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan

2024-007	Late Single Audit Submissions
Compliance Requirement	Reporting
Category	Material weakness in Internal Control and Material Noncompliance
ALN	12.607
Program	Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation
Federal Agency	US Department of Defense
ALN	10.770
Program	Water and Waste Disposal Loans and Grants (Section 306C) (NOT A MAJOR PROGRAM)
Agency	US Department of Agriculture (Rural Development)
ALN	97.036
Program	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (NOT A MAJOR PROGRAM)
Federal Agency	US Department of Homeland Security
ALN	21.027 (COVID-19)
Program	Coronavirus State and Local Fiscal Recovery Funds
Federal Agency	US Department of Treasury

Criteria

Per 2 CFR § 200.512(a), non-federal entities that expend \$750,000 or more in federal awards during a fiscal year must submit the single audit report to the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

2024-007	Late Single Audit Submissions
Compliance Requirement	Reporting
Category	Material weakness in Internal Control and Material Noncompliance
ALN	12.607
Program	Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation
Federal Agency	US Department of Defense
ALN	10.770
Program	Water and Waste Disposal Loans and Grants (Section 306C) (NOT A MAJOR PROGRAM)
Agency	US Department of Agriculture (Rural Development)
ALN	97.036
Program	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (NOT A MAJOR PROGRAM)
Federal Agency	US Department of Homeland Security
ALN	21.027 (COVID-19)
Program	Coronavirus State and Local Fiscal Recovery Funds (NOT A MAJOR PROGRAM)
Federal Agency	US Department of Treasury

Condition

The Authority did not submit its Single Audit reports for the fiscal years ended June 30, 2021, 2022, 2023, and 2024 to the Federal Audit Clearinghouse (FAC) within the required timeframe. Specifically, the Single Audit reports for fiscal years 2021, 2022, and 2023 were submitted in July 2025, well beyond the nine-month deadline established under federal regulations. The report for fiscal year 2024 had also not been submitted as of the date of this audit.

Cause

The delay in submission was due to a lack of effective management control activities to ensure the timely completion and submission of the Single Audit reports in accordance with federal requirements. This includes insufficient oversight, inadequate planning, and lack of accountability mechanisms within the Authority's financial reporting process.

Effect

If the Federal awarding agency or passthrough entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or passthrough entity may take one or more of the following actions, as appropriate in the circumstances:

- (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or passthrough entity.
- (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
- (c) Wholly or partly suspend or terminate the Federal award.
- (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a passthrough entity, recommend such a proceeding be initiated by a Federal awarding agency).
- (e) Withhold further Federal awards for the project or program.
- (f) Take other remedies that may be legally available.

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Part III - Findings and Questioned Costs Relating to Federal Awards (Continued)

2024-007	Late Single Audit Submissions (Continued)
Compliance Requirement	Reporting
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Questioned Costs

None

Repeat Finding Disclosure

This is a repeat finding. The same condition was reported in the prior year's audit. Although corrective action was anticipated, the Authority did not implement effective measures to ensure timely submission of the Single Audit reports. As a result, the issue remains unresolved. Refer to item **2023-001**.

Recommendation

The Authority should implement robust internal controls and oversight procedures to ensure timely completion and submission of Single Audit reports. This includes assigning clear responsibilities, establishing internal deadlines aligned with federal requirements, and monitoring progress throughout the audit cycle.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan

**LOCAL REDEVELOPMENT AUTHORITY OF THE LANDS AND
FACILITIES OF NAVAL STATION ROOSEVELT ROADS
(A Component Unit of the Commonwealth of Puerto Rico)**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2024

Finding 2023-001	Late Single Audit Submissions
Federal Program	Community Economy Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation
ALN	12.607
Federal Agency	U.S. Department of Defense
Category	Material Weakness in Internal Control and Material Noncompliance

Condition

The Authority has not timely submitted the Single Audit Reporting Packages for the year ended 2023.

Recommendation

To comply with the Single Audit submission requirements, the Authority needs to perform and submit the compliance reporting packages in default for the fiscal years ended June 30, 2022, and 2023, on a timely basis. Moving forward, the Authority needs to establish controls to ascertain all Federal reports are filed on time.

Status

Uncorrected, refer to Item No. **2024-007**.

Finding 2022-001	Performance and Financial Reports Submissions
	Material weakness in Internal Control and Material Noncompliance

Condition

The Authority did not comply with the submission due dates of the Performance Reports and Federal Financial Reports established by the OEA in their Notice of Award granted on June 6, 2020. In addition, from five reports examined to test compliance with due dates, the submission date could not be verified in four instances, including the Federal Financial Report.

Recommendation

We recommend strengthening monitoring procedures to ensure compliance with the due dates and other provisions of the required reports by the OEA terms and conditions.

Status

In the prior year audit, this finding was reported as corrected. However, based on current year audit procedures, the corrective action was not effectively implemented, and the condition persists. The Authority continued to submit required reports after the deadlines established in the Notice of Award, in noncompliance with 2 CFR § 200.328 and 200.329. As a result, this finding is repeated in the current year as Item No. **2024-006**.

FINDING NUMBER	PROGRAM/ OFFICE	FINDING TITLE / CORRECTIVE ACTION PLAN (UNAUDITED)	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	TARGET COMPLETION DATE
2024-001	Finance	<p>Weaknesses in Financial Reporting and Accounting Practices</p> <p>Starting in FY 2025-2026, LRA’s Finance Department is operating with a finance director and an accounting official. The Local Redevelopment Authority for Roosevelt Roads (LRA)’s Finance Department will be hiring additional experienced accounting staff to ensure segregation of duties and timely processing of transactions.</p> <p>The Finance Department will develop and implement a formal year-end closing calendar with clear deadlines, responsibilities, and review steps. It will also update its standard operating procedures for reconciliations, journal entries, and financial statement preparation.</p> <p>Furthermore, as an internal control enhancement, the Finance Department has implemented a monthly and quarterly finance closing process to detect errors in current accounting, using checklists, recurrent reconciliations, financial analytics, among others.</p> <p>Implementing all these initiatives will reduce the number of audit adjustments in future audits, will provide timely and accurate financial statement preparation in compliance with GAAP and federal requirements.</p>	<p>Jamille E Muriente Díaz, Financial Affair Director Telephone: 787-705-7188 Email: Jamille.muriente@lra.pr.gov</p>	6/30/2026
2024-002	Human Resources	<p>Incomplete Employee File Due to Transfer from PREPA</p> <p>The Human Resources Department will formally request copy of the missing personnel files of the four employees transferred from PREPA, who are currently active in LRA.</p> <p>The Human Resources Department will create a checklist with the minimum documents required in future inter-agency employees’ transfers to ensure that complete employee records are transferred and retained during the process.</p>	<p>Lorna L Gómez Luma Human Resources Director Telephone: 787-705-7188 Email: lorna.gomez@lra.pr.gov</p>	6/30/2026

FINDING NUMBER	PROGRAM/ OFFICE	FINDING TITLE / CORRECTIVE ACTION PLAN (UNAUDITED)	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	TARGET COMPLETION DATE
2024-003	Disaster Grants - Public Assistance Finance (Not A Major Program)	<p>FEMA Working Capital Advances</p> <p>LRA acknowledges the finding related to the Working Capital Advances (WCA) received through COR3 and their retention in the Authority’s bank account for more than 365 days without being disbursed.</p> <p>LRA has established and currently maintains written procedures for the management of federal funds, which are designed to comply with applicable federal cash management requirements. LRA is committed to safeguarding federal resources and ensuring their use strictly in accordance with Uniform Guidance.</p> <p>The delays experienced in the disbursement of the WCA funds are primarily attributable to external regulatory factors beyond the direct control of the Authority, including:</p> <ul style="list-style-type: none"> • The ongoing review by the Federal Emergency Management Agency (FEMA)’s Environmental and Historic Preservation (EHP) division, which is a prerequisite for project execution. • FEMA’s Environmental consultations are required under federal and local regulations, which have extended project timelines. • The project versioning process arising from requests for improved projects that include additional mitigation measures under the Hazard Mitigation Plan (HMP). <p>These regulatory and compliance-driven requirements have temporarily limited the Authority’s ability to execute disbursements, resulting in the retention of funds until the necessary approvals are finalized. It is important to note that the Authority has continued to actively manage these projects, engaging with FEMA and other relevant agencies to ensure that all environmental, historic preservation, and mitigation requirements are fully addressed before project implementation begins.</p> <p>Furthermore, the Authority recognizes the recent programmatic changes to the WCA program implemented by COR3. In response, the Authority is strengthening its financial management practices to align with these revisions and will ensure that future advance requests are supported by a comprehensive spending plan,</p>	<p>Ramón Lizardi, Facilities Director Telephone: 787-705-7188 Email: Ramón.lizardi@lra.pr.gov</p>	6/30/2025

FINDING NUMBER	PROGRAM/ OFFICE	FINDING TITLE / CORRECTIVE ACTION PLAN (UNAUDITED)	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	TARGET COMPLETION DATE
		considering each project’s status to minimize delays associated with FEMA approvals. In cases where project reviews extend beyond anticipated timelines, the LRA may return the corresponding WCA funds to avoid prolonged retention. Once FEMA approval is obtained, the LRA will then reapply to COR3 for the necessary advances.		
2024-004	Water and Waste Disposal Loans and Grants (Section 306C) (Not A Major Program)	<p>Reserve Account</p> <p>The Finance Department will transferer the amount of \$151,462 to fully fund the Reserve Account to meet the \$201,982 balance required by the loan agreement.</p> <p>Starting in Fiscal Year 2025-2026, LRA’s Finance Department will implement within its monthly accounting closing procedures the reconciliation and review of all transfers from General Account to Reserve Account. The monthly reconciliations and review will provide full compliance with USDA reserve account requirements, eliminates repeated findings in future audits and will improve transparency in reporting strengthening accountability and reduced risk of federal payments.</p> <p>LRA Finance Department will establish a formal review process to ensure all prior year findings are properly tracked and resolved.</p>	<p>Jamille E Muriente Díaz, Financial Affair Director Telephone: 787-705-7188 Email: Jamille.muriente@lra.pr.gov</p>	6/30/2026
2024-005	Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation/ Finance	<p>Delayed Requests for Reimbursement of Federal Funds</p> <p>Starting in Fiscal Year 2025-2026, LRA’s Finance Department has included within its monthly checklist accounting closing procedures the requirement of processing and requesting reimbursement of federal funds under the cost reimbursement method. Internal deadlines have been established to complete this process and be able to submit all reimbursement within 30 days after each monthly closing.</p> <p>This change in procedure will ensure reimbursement requests are submitted within 30 days once the department has finished its monthly accounting closing procedure.</p>	<p>Jamille E Muriente Díaz, Financial Affair Director Telephone: 787-705-7188 Email: Jamille.muriente@lra.pr.gov</p>	6/30/2026

FINDING NUMBER	PROGRAM/ OFFICE	FINDING TITLE / CORRECTIVE ACTION PLAN (UNAUDITED)	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	TARGET COMPLETION DATE
2024-006	Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation/ Finance	<p>Performance Reporting Deadlines</p> <p>Starting in Fiscal Year 2025-2026, LRA has implemented adequate tracking and oversight mechanisms to ensure timely submission of required reports. It developed and maintained a centralized compliance calendar listing all federal reporting deadlines with internal submission deadlines at least fifteen to thirty days before deferral due dates to allow for review and approval before final submission.</p> <p>Once the Finance Department recruits and gives adequate training to the additional staff it will strengthen its internal controls over grant reporting by assigning clear responsibilities to the preparation and timely submission of all required reports.</p> <p>The Finance Department has implemented within its monthly accounting closing procedures tracking and reporting calendar detailing pending reports, due dates, and completion status.</p>	<p>Jamille E Muriente Díaz, Financial Affair Director Telephone: 787-705-7188 Email: Jamille.muriente@lra.pr.gov</p>	6/30/2026
2024-007	Community Economic Adjustment of Establishment, Expansion, Realignment, or Closure of a Military Installation/ Finance / Water and Waste Disposal Loans and Grants (Section 306C) (Not A Major Program) / Disaster Grants - Public Assistance (Presidentially Declared Disasters (Not A Major Program)	<p>Late Single Audit Submissions</p> <p>Starting in Fiscal Year 2025-2026 management will perform the following actions:</p> <p>Management audit contracts will be followed up directly by the Financial Affair Director to ensure timely execution to ensure audits are timely completed and planned.</p> <p>Management enhancements to the finance function, such as accounting closing checklists, accounting closing meetings and reconciliation processes, among other actions, should improve the timing of audit results. To ascertain that basic and recurrent information requested by auditors is ready, management will prepare an updated list of information normally requested and will prepare a OneDrive (cloud backup storage) where all information will be archived and ready to be delivered to the auditors as requested. This should provide efficiency and agility to response to auditors in a timely manner. Management expects to achieve full compliance with pending Single Audit reports' issuance on or before March 30, 2026.</p>	<p>Jamille E Muriente Díaz, Financial Affair Director Telephone: 787-705-7188 Email: Jamille.muriente@lra.pr.gov</p>	3/30/2026