MUNICIPAL FINANCE CORPORATION
(A Component Unit of the
Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS
YEARS ENDED
JUNE 30, 2022 AND 2021

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FINANCIAL SECTION

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Puerto Rico Board of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Municipal Finance Corporation
San Juan, Puerto Rico

Opinions

We have audited the accompanying statements of net position of the Municipal Finance Corporation (the "Corporation") as of June 30, 2022 and 2021, and the statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audits in accordance with accounting principles generally accepted in the United States of America. Our responsibilities under those standards is further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation 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 audits opinions.

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 Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Corporation'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 Corporation'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 audits.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 7 be presented to supplement the basic financial statements. Such information although is not a part of the basic financial statements. 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.

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Supplementary Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Corporation's basic financial statements. The accompanying Schedules of Close Year Liquidation, on pages 26 through 31, 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, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Ortiz, Rivera, Rivera & Co., LLC

San Juan, Puerto Rico
October 26, 2022

The stamp E505177 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the original of this report.

ORTIZ, RIVERA, RIVERA & CO., LLC
PUERTO RICO
ORR & CO.
LIC. 369
CONTADORES PUBLICOS AUTORIZADOS

This section represents the management's discussion and analysis of the Municipal Finance Corporation (the "Corporation") financial performance for the fiscal years ended June 30, 2022 and 2021 and is presented as a narrative overview and analysis in conjunction with the basic financial statements. The information presented here should be read in conjunction with the basic financial statements, including the notes thereto.

The Corporation was created for purposes of collecting and distributing the one percent (1%) of the municipal sales and use tax, and to issue bonds and use other financing mechanisms to pay or refinance debt of municipalities that is secured by the municipal sales and use tax.

1. Financial Highlights

- As of June 30, 2022, the Corporation's total assets increased by approximately $2.7 million or 5% when compared to prior year, resulting from an increase in cash of approximately $4.5 million and a decrease in due from municipalities of approximately $1.8 million.

- As of June 30, 2022, the Corporation's total liabilities increased by approximately $2.2 million or 11% when compared to prior year, resulting from an increase in accounts payable of approximately $2.4 million and a decrease in due to municipalities of approximately $220 thousand.

- On October 1, 2021, the Board of Directors of the Corporation adopted Resolution 2021-09, which authorized the distribution of funds deposited in the concentration bank account to the participating municipalities of the Corporation. This distribution corresponded to unidentified location municipal sales and use tax collections deposited by the Treasury Department to the Corporation, for fiscal year 2021 amounting to $16.1 million, (the "Distribution").

2. Financial Statements Overview

Management discussion and analysis is required supplementary information to the basic financial statements of the Corporation. The basic financial statements comprise three components: (1) the independent auditors' report, (2) the management's discussion and analysis section, and (3) the basic financial statements of the Corporation. The notes to the basic financial statements explain in more detail some of the information in the financial statements.

3. Required Financial Statements

The financial statements of the Corporation report information using accounting methods similar to those used by private-sector entities. The statement of net position includes all the Corporation's assets and liabilities providing information about the nature and amount of investment in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Corporation and assessing its liquidity and financial flexibility.

Revenues and expenses are accounted for in the statement of revenues, expenses, and change in net position. This statement measures the results of the Corporation's operations over the past year and can be used to determine whether the Corporation has successfully recovered its costs from the revenues it generates.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net change in cash resulting from operating, investing, and capital and noncapital financial activities, and provides answers to such questions as where cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The statements are followed by the supplementary information that contains the Schedules of Close Year Liquidation.

4. Financial Analysis

The following is an analysis of the financial position and changes in financial position of the Corporation for fiscal years 2022 and 2021.

Net Position
Condensed financial information from the statements of net position as of June 30, 2022, 2021, and 2020, is as follows (in thousands):

			Change			Change	
	2022	2021	Amount	%	2020	Amount	%
Current Assets	$ 44,835	$ 39,712	$ 5,123	13%	$ 31,248	$ 8,464	27%
Non-current assets	13,049	15,460	(2,411)	-16%	17,076	(1,616)	-9%
Total Assets	57,884	55,172	2,712	5%	48,324	6,848	14%
Current liabilities	22,690	20,527	2,163	11%	14,230	6,297	44%
Total Liabilities	22,690	20,527	2,163	11%	14,230	6,297	44%
Net Position	$ 35,194	$ 34,645	$ 549	2%	$ 34,094	$ 551	2%

As of June 30, 2022, the Corporation's total assets exceeded total liabilities by approximately $35.2 million. Cash increased from approximately $36.9 million to $41.4 million as a result, among others, due to the net effect of funds deposited in the Corporation's concentration bank account that corresponds to unidentified location municipal sales and use tax collections for fiscal year 2022 amounting to approximately $18.5 million less distribution of funds for the same concept of prior year amounting to approximately $16.1 million which were paid to participating municipalities during fiscal year 2022, and collection of funds received amounting to approximately $2.3 million from municipalities related to collection agreements. The Due from Municipalities account decreased from approximately $18.3 million to $16.5 million, as a result of regular payments and prepayments received amounting to approximately $2.3 million from municipalities related to collections agreements.

Total liabilities increased from approximately $20.5 million to $22.7 million. This is due to an increase in accounts payable of approximately $2.4 million related to the expansion of the tax base from internet sales and a decrease in due to municipalities amounting to $220 thousand, as a result of the fiscal year end conciliation settlement.

As of June 30, 2021, the Corporation's total assets exceeded total liabilities by approximately $34.6 million. Cash increased from approximately $28.7 million to $36.9 million as a result, among others, due to funds deposited in the Corporation's concentration bank account that corresponds to unidentified location municipal sales and use tax collections for fiscal year 2021 amounting to approximately $16.1 million less distribution to the municipalities of the last month of fiscal year 2020 amounting to approximately $8.5 million paid during fiscal year 2021. The Due from

Municipalities account decreased from approximately $18.7 million to $18.3 million, as a result of the net effect of collections of funds received amounting to approximately $1.5 million from municipalities related to collections agreements less distribution made during the current year amounting to approximately $1.1 million.

Total liabilities increased from approximately $14.2 million to $20.5 million. This increase is due to the net effect of collection of unidentified location municipal sales and use tax for fiscal year 2021 amounting to approximately $16.1 million less distribution to the municipalities of the last month of fiscal year 2020 amounting to $8.5 million paid during fiscal year 2021, and a decrease in due to municipalities amounting to $1.3 million.

Statements of Revenues, Expenses, and Changes in Net Position

Condensed financial information of the statements of revenues, expenses, and changes in net position for the years ended June 30, 2022, 2021, and 2020, is as follows (in thousands):

			Change			Change	
	2022	**2021**	**Amount**	**%**	**2020**	**Amount**	**%**
Operating revenues	$ 193,058	$ 159,725	$ 33,333	21%	$ 137,088	$ 22,637	17%
Expenses and non-Operating expenses	(193,916)	(160,571)	(33,345)	21%	(137,912)	(22,659)	16%
Non-operating revenues	1,407	1,397	10	1%	1,437	(40)	-3%
Total expenses and non-operating revenues	(192,509)	(159,174)	(33,335)	21%	(136,475)	(22,699)	17%
Change in net position	549	551	(2)	0%	613	(62)	-10%
Net position, beginning	34,645	34,094	551	2%	33,481	613	2%
Net position, ending	$ 35,194	$ 34,645	$ 549	2%	$ 34,094	$ 551	2%

As of June 30, 2022, the Corporation's change in net position increased by approximately $549 thousand which represents a reduction of approximately $2 thousand when compared with prior year.

As of June 30, 2021, the Corporation's change in net position increased by approximately $551 thousand represents a reduction of approximately $62 thousand when compared with prior year.

5. Currently known Facts

Commonwealth Plan of Adjustment

As described in Note 9, on January 18, 2022, the Title III Court entered its findings of fact and conclusions of law (the Findings of Fact) in connection with the Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 19812] (the Commonwealth Plan of Adjustment), and an order confirming the Commonwealth Plan of Adjustment [ECF No. 19813] (the Commonwealth Confirmation Order). Between January 28, 2022 and

February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit. By March 11, 2022, the First Circuit denied all parties' motions for a stay pending appeal, which allowed the Commonwealth Plan of Adjustment to become effective despite the appeals. Oral argument on the merits of the appeals were scheduled for April 28, 2022. On March 15, 2022 (the Effective Date), the conditions precedent to the Effective Date of the Commonwealth Plan of Adjustment were satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Commonwealth Plan of Adjustment has been confirmed and is currently effective as of the date hereof.

The Commonwealth Plan of Adjustment discharges any claim related to budgetary appropriations, including appropriations for the repayment of certain loans held by the PET (defined below). For further information on the Commonwealth Plan of Adjustment refer to Note 10 and the Commonwealth Plan of Adjustment, Findings of Fact, and Commonwealth Confirmation Order, which are available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

Hurricane Fiona

On September 18, 2022, Hurricane Fiona struck Puerto Rico, causing damage to the Island's electric, aqueduct and sewer systems, buildings, residences and other structures. As a result, the Government of Puerto Rico implemented various temporary measures to support residents and the Island's economy. Accordingly, on September 19, 2022, the Puerto Rico Treasury Department issued a temporary SUT payment exemption for prepared foods and carbonated beverages effective from September 22, 2022 to October 13, 2022. This temporary measure is not expected to have an adverse effect on the Corporation's SUT collections for fiscal year 2023.

6. Contacting the Corporation's Financial Management

This financial report is designed to provide all interested parties with a general overview of the Corporation's finances and to facilitate the Corporation's accountability for the resources it manages. Questions concerning any of the information provided in this report or requests for additional information should be addresses to Municipal Finance Corporation, PO Box 42001, San Juan, Puerto Rico 00940-2001.

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash **(Note 3)**	$ 41,401,650	$ 36,856,587
Accounts receivable **(Notes 2 and 4)**	14,936	5,668
Due from municipalities:		
Current year liquidation **(Note 5)**	1,576,032	1,119,672
Collections agreements **(Note 6)**	1,842,145	1,730,335
Total current assets	44,834,763	39,712,262
Noncurrent assets:		
Due from municipalities:		
Collections agreements **(Note 6)**	13,049,871	15,460,285
Total noncurrent assets	13,049,871	15,460,285
Total assets	57,884,634	55,172,547
LIABILITIES		
Current liabilities:		
Accounts payable **(Note 7)**	18,593,960	16,210,091
Due to municipalities **(Note 8)**	4,096,469	4,316,952
Total current and total liabilities	22,690,429	20,527,043
NET POSITION		
Unrestricted	35,194,205	34,645,504
Total net position	$ 35,194,205	$ 34,645,504

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

MUNICIPAL FINANCE CORPORATION

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Municipal sales and use tax	$ 193,058,355	$ 159,725,767
OPERATING EXPENSES		
Distribution of municipal sales and use tax to municipalities	193,058,355	159,725,767
General and administrative	857,651	845,551
Total operating expenses	193,916,006	160,571,318
OPERATING LOSS	(857,651)	(845,551)
NON-OPERATING REVENUES		
Other income	24,544	62,306
Interest income	1,381,808	1,334,532
Total non-operating revenues	1,406,352	1,396,838
CHANGE IN NET POSITION	548,701	551,287
NET POSITION AT BEGINNING OF THE YEAR	34,645,504	34,094,217
NET POSITION AT THE END OF THE YEAR	$ 35,194,205	$ 34,645,504

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

MUNICIPAL FINANCE CORPORATION

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES		
Cash received from municipal sales and use taxes	$ 194,891,331	$ 161,049,641
Cash paid to municipalities	(190,887,747)	(153,385,863)
Cash paid to suppliers	(864,873)	(870,801)
Net cash provided by operating activities	3,138,711	6,792,977
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Net other collections	24,544	44,976
Net cash provided by noncapital financing activities	24,544	44,976
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,381,808	1,334,532
Net cash provided by investing activities	1,381,808	1,334,532
NET INCREASE IN CASH	4,545,063	8,172,485
CASH AT BEGINNING OF YEAR	36,856,587	28,684,102
CASH AT END OF YEAR	$ 41,401,650	$ 36,856,587
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Operating loss	$ (857,651)	$ (845,551)
Adjustment to reconcile operating loss to net cash provided by/(used in) operating activities		
Changes in assets and liabilities:		
Decrease/(increase):		
Accounts receivable	(9,268)	901,694
Due from municipalities	1,842,244	422,180
Increase/(decrease):		
Account payable	2,383,869	7,578,975
Due to municipalities	(220,483)	(1,264,321)
Net cash provided by operating activities	$ 3,138,711	$ 6,792,977

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

1. REPORTING ENTITY

The Municipal Finance Corporation (the "Corporation") is a public corporation and an independent instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth"). The Corporation was originally created by Act No. 19 of January 24, 2014, as amended ("Act No.19-2014") known as the "Municipal Financing Corporation Law", which was superseded by Act No. 107-2020, as amended, establishing the Municipal Code of Puerto Rico (the "Code"). The Code stipulates the norms, rules and laws related to income and financing for the operation of municipalities as well as describes the operation and new responsibilities of the Corporation in its articles 7.302 (21 L.P.R.A. § 8284) to 7.306 (21 L.P.R.A. § 8295).

As a result of the approval of the Code, the Corporation is attached to the Puerto Rico Fiscal Agency and Financial Advisory Authority (the "FAFAA"). The Code established that the FAFAA shall cover the operating expenses of the Corporation; provided, however, that if the FAFAA cannot cover such expenses, they shall be paid from the funds deposited in the Corporation's accounts, which is derived from the municipal sales and use tax collections.

The Corporation was created for purposes of collecting and distributing the one percent (1%) of the municipal sales and use tax and to issue bonds or use other financing mechanisms to pay or refinance municipal debt secured by the municipal sales and use tax.

The Corporation's final settlement of the 1% municipal transfer is presented as supplementary information on the Schedule of Close Year Liquidation. The Schedule of Close Year Liquidation has been prepared on the cash basis of accounting. Sales and use tax revenues are recorded when collected and deducted when distributed to the municipalities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to governmental entities, as prescribed by the Governmental Accounting Standards Board ("GASB").

The preparation of basic financial statements in conformity with U. S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of changes in net position, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Following is a description of the Corporation's most significant accounting policies:

Measurement Focus and Basis of Accounting – The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The Corporation recognizes revenues when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Operating revenues consist primarily of the collection of the 1% municipal sales and use tax. Operating expenses consist primarily of the distribution of the municipal sales and use tax.

The statement of net position presents the Corporation's assets and liabilities, with the difference reported as net position. Net position may be reported in three categories:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding debt balances that is attributable to the acquisition, construction, or improvement of those assets.

Restricted component – consists of restricted assets reduced by liabilities related to those assets. Restrictions are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted component – consists of net amount of the assets and liabilities that do not meet the definition of the preceding category. Unrestricted component of net position often is designated, to indicate that management does not consider them to be available for general operations. Unrestricted component of net position often has constraints on use that are imposed by management, but such constraints may be removed or modified.

As of June 30, 2022 and 2021, the Corporation's net position was presented as unrestricted component.

The statement of revenues, expenses, and change in net position demonstrates the degree to which the operating expenses are offset by operating revenues.

The statement of cash flows reports cash receipts, cash payments, and net change in cash resulting from operating, investing, and capital and noncapital financial activities, and provides answers to such questions as where cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Accounts Receivable - Accounts receivable is stated net of estimated allowance for uncollectible accounts. The allowance is based on management's evaluation of the risk characteristics of the receivable, including such factors as past collection experience, sources of repayment, adverse situation that may affect the customer's ability to repay, and general economic conditions. Charge-offs are recorded against the allowance when management believes that the collectability is unlikely. Recoveries of amounts previously charged off are credited to the allowance. Because of uncertainties inherent in the estimation process, management's estimate may change in the future. Management estimates that the accounts receivable is collectible, therefore, did not establish a provision for uncollectible accounts.

Recently Issued Accounting Pronouncements – The GASB has issued the following accounting pronouncements that are effective for periods subsequent to June 30, 2022.

- **GASB Statement No. 93, Replacement of Interbank Offered Rates (IBOR).** The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notably the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* which allowed for a one-year postponement of its effective date. Earlier application is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

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

  The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

- **GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.** This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

  The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

- **GASB Statement No. 98, *The Annual Comprehensive Financial Report*.** This Statement establishes the term *annual comprehensive financial report* and its acronym ACFR. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments.

  This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur.

  The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

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

    - Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.

    - Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

    - Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.

    - Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

    - Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.

    - Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).

    - Disclosures related to nonmonetary transactions.

    - Pledges of future revenues when resources are not received by the pledging government.

    - Clarification of provisions in Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended, related to the focus of the government-wide financial statements.

    - Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

    - Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

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

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

- **GASB Statement No. 100,** ***Accounting Changes and Error Corrections***. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

  This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change.

  That preferability should be based on the qualitative characteristics of financial reporting understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

  This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

  The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

- **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. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

  This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settle through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use of payment or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined postemployment benefits should no be included in a liability for compensated absences.

  This Statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave- not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

  This Statement also established guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

  With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

  This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are not longer required to disclosed which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Management is evaluating the impact that these Statements will have on the Corporation's basic financial statements.

3. CASH

The Corporation is authorized to deposit only in bank institutions approved by the Department of Treasury of the Commonwealth. Such deposits should be kept in separate accounts in the name of the Corporation. It is the Corporation's policy to have all bank account openings approved by the Board of Directors.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution's failure, the Corporation's deposits may not be returned to it. The Corporation maintains cash deposits in one commercial bank located in Puerto Rico. Under the Commonwealth's statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of insurance provided by the Federal Deposit Insurance Corporation (FDIC). All securities pledged as collateral by the Corporation are held by the Puerto Rico Secretary of Treasury but in the Corporation's name. The total deposits in commercial banks amounted to $41,401,650 and $36,856,587 as of June 30, 2022 and 2021, respectively.

Deposits in Commercial Banks

The Corporation has the following depository accounts in a commercial bank:

	June 30, 2022		June 30, 2021	
Depository Account	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Deposits insured by the FDIC	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Deposits subject to the colleteral requirements	41,151,650	41,151,650	36,606,587	36,606,587
Total deposits	$ 41,401,650	$ 41,401,650	$ 36,856,587	$ 36,856,587

4. ACCOUNTS RECEIVABLE

The accounts receivable is related to the municipal sales and use tax collections made by the Collectors' Municipalities and submitted to the Corporation after fiscal years ended June 30, 2022 and 2021, respectively, and are as follows:

Municipality of	2022	2021
Aguada	$ 76	$ -
Aguadilla	-	76
Añasco	-	10
Barceloneta	3,265	-
Barranquitas	-	18
Cabo Rojo	-	128
Caguas	167	4,294
Canóvanas	-	65
Cataño	21	197
Comerío	95	-
Fajardo	-	26
Gurabo	-	205
Hormigueros	-	456
Humacao	6,009	-
Juana Díaz	985	2
Lajas	61	-
Loíza	95	-
Manatí	15	-
Naranjito	45	-
Peñuelas	147	-
Sabana Grande	282	65
Salinas	-	22
San Germán	-	16
San Juan	45	-
Toa Alta	2,236	-
Utuado	1,392	-
Vega Baja	-	88
	$ 14,936	$ 5,668

5. DUE FROM MUNICIPALITIES

The amount due from Municipalities consists of advances made in excess of the collected funds.

The Corporation is required by law to prepare a settlement statement on a fiscal year basis, whereby a reconciliation between the amounts advanced to the municipalities and amounts collected from taxpayers is made. The Corporation prepares a settlement not later than October 31, after the end of the fiscal year (see supplementary information). The amount due from Municipalities is recorded and amortized through a pro rata deduction from the next fiscal year collections.

The balance of due from municipalities amounts to $1,576,032 and $1,119,672 on June 30, 2022 and 2021, respectively.

6. DUE FROM MUNICIPALITIES ON COLLECTION AGREEMENTS

Annually, the Corporation reconciles the total cash remitted to the municipalities with the net cash collections received through all collection's channels, including the Web Portal of the Corporation or by direct deposit to the individual accounts of the Corporation on behalf of the Municipalities. Through this reconciliation, the Corporation determines if there were advances to the Municipalities in excess of the collections made, resulting in an accounts receivable to the Corporation, or if advances were less than collections, resulting in a debt of the Corporation to the Municipalities.

Therefore, the Corporation identifies that several Municipalities maintain accounts receivable related from previous fiscal years, for which formal collection agreements were established.

In November 2018, the Corporation and certain Municipalities entered in several Collection Agreements for the repayment of prior year unpaid advances. The Collection Agreements applicable interest rate depends on the maturity option selected by each Municipality. The first due date of the payment plans was October 2019, with a fixed and discounted interest rate that fluctuates between 4% and 8%, and an amortization period from 5 to 15 years.

Due from Municipalities as of June 30, 2022 and 2021, respectively, consist of the following:

Municipality of	2022	2021
Bayamón	$ 6,010,469	$ 6,653,645
Mayagüez	3,952,956	4,394,269
Carolina	3,218,055	3,387,200
Guaynabo	929,049	1,972,420
Canóvanas	781,487	783,086
Total	$ 14,892,016	$ 17,190,620
Less: Current portion	1,842,145	1,730,335
Long-term portion	$ 13,049,871	$ 15,460,285

7. ACCOUNTS PAYABLE

As of June 30, 2022 and 2021, the amount of accounts payable include funds deposited in the Corporation's concentration bank account that corresponds to unidentified location municipal sales and use tax collections amounting to approximately $18.5 million and $16.1 for fiscal year 2022 and 2021, respectively, and certain other administrative expenses.

The balance of accounts payable as of June 30, 2022 and 2021, respectively, consist of the following:

	2022	2021
Municipal sales and use taxes	$ 18,511,069	$ 16,119,978
Bank charges	62,891	70,113
Audit fees	20,000	20,000
Total	$ 18,593,960	$ 16,210,091

On a letter dated April 26, 2022, Municipalities excluded from the distribution of unidentified location municipal sales and use tax collections (SUT) for fiscal year 2021 (Bayamón, Carolina, Guaynabo, Mayaguez and San Juan) sent a letter to the Corporation, making reference to a meeting held on March 31, 2022 to propose that the Corporation refrain from remitting or depositing the unidentified location SUT collected by the Treasury Department in the bank account of the Corporation until an agreement is formalized establishing a distribution formula with parameters and mechanisms in proportion to the municipal SUT collections for all Municipalities.

8. DUE TO MUNICIPALITIES

The amount due to Municipalities represents the funds collected in excess to the advances of money made to the municipalities during the fiscal year.

The amount due to Municipalities is paid at settlement. The Corporation prepares a settlement not later than October 31, after the fiscal year ended (see supplementary information). The amount due to Municipalities is recorded and paid through the next fiscal year.

The balance of due to municipalities amounts to $4,096,469 and $4,316,952 as of June 30, 2022 and 2021, respectively.

9. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through October 26, 2022 and determined that there have been no events that have occurred that would require adjustments to our disclosures in the June 30, 2022 and 2021 basic financial statements, except for the following:

COMMONWEALTH OF PUERTO RICO PLAN OF ADJUSTMENT

Prior to March 15, 2022, the Commonwealth and many of its component units suffered a fiscal, economic and liquidity crisis, the culmination of many years of significant governmental deficits, an economic recession that persisted since 2006, prior liquidity challenges, a high unemployment rate, population decline, and high levels of debt and pension obligations. As the Commonwealth's tax base shrunk and its revenues were affected by prevailing economic conditions, an increasing portion of the Commonwealth's general fund budget consisted of health care and pension-related costs and debt service requirements through fiscal year 2019, resulting in reduced funding for other essential services. The Commonwealth's historical liquidity constraints, among other factors, adversely affected its credit ratings and its ability to obtain financing at reasonable interest rates.

On June 30, 2016, the United States Congress enacted the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) to address these problems, which included the establishment of the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), an in-court restructuring process under Title III of PROMESA, and an out-of-court restructuring process under Title VI of PROMESA. Thereafter, the Commonwealth and other governmental entities including, the Municipal Finance Corporation (COFIM), the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (ERS), the Puerto Rico Highways and Transportation Authority (HTA), the Puerto Rico Electric Power Authority (PREPA), and the Public Building Authority (PBA) initiated proceedings under Title III, and the Government Development Bank for Puerto Rico (GDB), the Puerto Rico Infrastructure Financing Authority (PRIFA), and PRCCDA initiated proceedings under Title VI, each at the request of the Governor to restructure or adjust their existing debt.

On July 30, 2021, the Oversight Board—as representative to the Commonwealth, ERS, and PBA in their respective Title III cases-filed its Seventh Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 17629] (the Seventh Amended Plan) and a corrected disclosure statement related thereto [ECF No. 17628], which was approved by the United States District Court for the District of Puerto Rico (the Title III Court).

On October 26, 2021, the Governor signed into law Act No. 53 of 2021 (Act 53), known as the "Law to End the Bankruptcy of Puerto Rico", which provided legislative approval for the bond transactions contemplated in the Seventh Amended Plan conditioned on the elimination of its monthly pension cut provisions in an amended version of that plan.

On November 3, 2021, the Oversight Board filed its Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 19053] (the Eighth Amended Plan), which further revised the Seventh Amended Plan to eliminate its monthly pension cut provisions consistent with Act 53, among other things. The hearing to consider confirmation of the Eighth Amended Plan commenced on November 8, 2021 and concluded on November 23, 2021. The final modified version of the Eighth Amended Plan was filed on January 14, 2022 [ECF No. 19813-1] (as confirmed, the Commonwealth Plan of Adjustment).

On January 18, 2022, the Title III Court entered its findings of fact and conclusions of law in connection with the Eighth Amended Plan [ECF No. 19812] (the Findings of Fact) and an order confirming the Eighth Amended Plan [ECF No. 19813] (the Commonwealth Confirmation Order). In both the Commonwealth Confirmation Order and Findings of Fact, the Title III Court found that Act 53 properly authorized the issuance of new bonds and provided adequate means for implementation of the Commonwealth Plan of Adjustment.

Between January 28, 2022 and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit. By March 11, 2022, the First Circuit denied all parties' motions for a stay pending appeal, which allowed the Commonwealth Plan of Adjustment to become effective despite the appeals. Oral argument on the merits of the appeals is currently scheduled for April 28, 2022.

On March 15, 2022 (the Effective Date), the conditions precedent to the Effective Date of the Commonwealth Plan of Adjustment were satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Commonwealth Plan of Adjustment has been confirmed and is currently effective as of the date hereof.

As of the Effective Date, the Commonwealth Plan of Adjustment reduced the Commonwealth's total funded debt obligations from approximately $34.3 billion of prepetition debt to only approximately $7.4 billion, representing a total debt reduction of 78%. This debt reduction will also reduce the Commonwealth's maximum annual debt service from approximately $4.2 billion to $1.15 billion, representing a total debt service reduction of 73%. Also as of the Effective Date, all of the legacy Commonwealth general obligation bonds, ERS bonds, and PBA bonds were discharged, and all of the Commonwealth, ERS, and PBA obligations and guarantees related thereto were discharged.

All Commonwealth laws that required the transfer of funds from the Commonwealth to other entities, including laws providing appropriations to GDB, are deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. In addition, the Commonwealth Plan of Adjustment discharges any claim related to budgetary appropriations, including appropriations for the repayment of certain loans held by the PET.

A critical component of the Commonwealth Plan of Adjustment is the post-Effective Date issuance of new general obligation bonds (the New GO Bonds) and contingent value instruments (CVIs) that provides recoveries to GO and PBA bondholders, as well as holders of clawback claims against the Commonwealth and certain of its component units and instrumentalities.

Municipal governments typically issue amortizing debt—i.e., debt with principal maturities due on a regularly scheduled basis over a duration that varies generally between 20 and 40 years. The Commonwealth's New GO Bonds will mature over 25 years and will include both Capital Appreciation Bonds (CABs) and Current Interest Bonds (CIBs). All of the CABs and CIBs will have term bonds with mandatory sinking fund payments. This is intended to optimize cash available to pay debt service since the municipal market has a yield curve, and bonds are not priced to the average life as is the case in other markets, because specific investors may purchase bonds in differing parts of the maturity curve, including individual investors, corporations and mutual funds.

The New GO Bonds were issued with an aggregate original principal amount of approximately $7.4 billion, consisting of approximately (i) $6.6 billion of New GO CIBs, (ii) $442.5 million of New GO CABs with a 5.375% interest rate, and (iii) $288.2 million of New GO CABs with a 5.0% interest rate. They have 11 different maturity dates and will be secured by (a) a statutory first lien, (b) a pledge of the amounts on deposit in the Debt Service Fund, and (c) a pledge of the Commonwealth's full faith, credit and taxing power in accordance with Article VI, Section 2 of the Commonwealth Constitution and applicable Puerto Rico law. The New GO Bonds are dated as of, and will accrue or accrete interest from, July 1, 2021.

The Commonwealth Plan of Adjustment also provides for the issuance of CVIs, an instrument that gives a holder the right to receive payments in the event that certain triggers are met. The Commonwealth Plan of Adjustment establishes revenue-based performance benchmarks and permits the holders of CVIs to receive payments on account of the CVIs only if the benchmarks are exceeded. The CVIs issued under the Commonwealth Plan of Adjustment are based on over-performance collections of the Commonwealth's 5.5% sales and use tax (SUT), with some CVIs also being subject to over-performance collections of rum tax. The CVIs represent a conditional promise by the Commonwealth to pay CVI holders only if the SUT or rum tax baselines are exceeded in a given fiscal year. The outperformance metric will be measured as of the end of each fiscal year (i.e., June 30) beginning in fiscal year 2022 and is based on a SUT and rum tax collections baselines for fiscal years 2022 to 2043 as established in the Board-certified fiscal plan for the Commonwealth, dated May 27, 2020. As with the New GO Bonds, the Commonwealth pledged its full faith, credit and taxing power under the Puerto Rico Constitution and applicable Puerto Rico law for payment of the CVIs. The CVIs will be deemed issued on July 1, 2021.

The CVIs are also divided into two categories: (i) general obligation debt CVIs (GO CVIs), which will be allocated to various holders of GO bondholder claims; and (ii) clawback debt CVIs (the Clawback CVIs), which will be allocated to claims related to HTA, PRCCDA, PRIFA, and MBA bonds. The GO CVIs have a 22-year term. The Clawback CVIs have a 30-year term. The GO CVIs are subject to a lifetime cap of $3.5 billion, with maximum annual payments of $200 million plus any unused amounts from previous years subject to cumulative annual payments not exceeding $400 million. Similarly, the Clawback CVIs are subject to a $5.2 billion aggregate lifetime cap, allocated across the different types of bond claims, with maximum annual payments of (i) $175 million plus any unused amounts from previous years, not to exceed cumulative annual payments of $350 million, for fiscal years 1-22 of the 30-year term; and (ii) $375 million plus any unused amounts from previous years, not to exceed cumulative annual payments of $750 million, for fiscal years 23-30 of the 30-year term. The CVIs also apply an annual payment waterfall in which the first $100 million will be paid to GO CVIs and the next $11,111,111 will be paid to Clawback CVIs.

The Commonwealth Plan of Adjustment classifies claims into 69 classes, with each receiving the following aggregate recoveries:

- Various categories of Commonwealth bond claims (Classes 15-50): 73% recovery consisting of cash, New GO Bonds, and GO CVIs.
- Various categories of PBA bond claims (Classes 1-12, 14): 79% recovery in cash in addition to the New GO Bonds and GO CVIs that PBA bondholders receive on account of their guarantee claims against the Commonwealth.
- Various categories of clawback creditor claims (Classes 59-63): 23% recovery consisting of the Clawback CVIs.
- ERS bond claims (Class 65): 16% recovery consisting of cash and interests in the ERS Private Equity Portfolio (as defined in and established under the Commonwealth Plan of Adjustment).
- Various categories of general unsecured claims (Classes 13, 58, and 66): 21% recovery in cash.
- Other miscellaneous claims (Classes 52-57, 64, 67-69): 26% recovery in cash.

For general unsecured claims, the Commonwealth Plan of Adjustment provides for separate levels of creditor cash recoveries at each debtor, as applicable. All general unsecured claims against the Commonwealth, ERS, and PBA are discharged, except certain Eminent Domain/Inverse Condemnation Claims (as defined in the Commonwealth Plan of Adjustment) that are not discharged until they receive payment in full, subject to an appeal of the Title III Court's ruling on such claims. If that ruling is reversed, then the Eminent Domain/Inverse Condemnation Claims will be dischargeable and impaired. All other general unsecured creditors at the Commonwealth will receive up a pro rata share of the general unsecured creditor reserve fund (the GUC Reserve), plus amounts received by the Avoidance Actions Trust (as defined in and established under the Commonwealth Plan of Adjustment) up to 40% of the value of their claim. The GUC Reserve was funded with $200 million on the Effective Date and will be replenished with an additional aggregate total amount of $375 million funded in incremental amounts annually through December 31, 2025. Depending on the outcome of the appeal regarding Eminent Domain/Inverse Condemnation Claims, the GUC Reserve amount could be reduced by up to $30 million. ERS's general unsecured creditors will receive pro rata cash distributions from a fund established for ERS general unsecured creditors, which consists of $500,000 plus any net recoveries by the Avoidance Actions Trust allocable to ERS. PBA's general unsecured creditors will be entitled to a cash payment equal to 10% of their claim upon allowance.

Importantly, the Commonwealth Plan of Adjustment preserves all accrued pension benefits for active and retired public employees under Class 51. However, participants of the Retirement System for the Judiciary of the Commonwealth of Puerto Rico (JRS) and Teachers Retirement System of Puerto Rico (TRS) will be subject to benefits freeze and the elimination of any cost of living adjustments previously authorized under the JRS and TRS pension plans.

During the pendency of the PROMESA cases, a variety of legal issues were raised related to creditor claims. As a result of the recoveries provided under the Commonwealth Plan of Adjustment, the Title VI qualified modifications for GDB, PRIFA, and PRCCDA, substantially all of those litigation proceedings have been resolved and dismissed. Certain claims, however, were not discharged under the Commonwealth Plan of Adjustment, including: (i) the Eminent Domain/Inverse Condemnation Claims (Class 54); (ii) the Tax Credit Claims (Class 57); (iii) the resolution of certain claims subject to the ACR process (see Commonwealth Plan of Adjustment § 82.7); and (iv) certain Underwriter Actions related to indebtedness issued by the Commonwealth or any of its agencies or instrumentalities against any non-debtors (see Commonwealth Plan of Adjustment § 92.2(f)). Additional litigation proceedings also will be dismissed upon the effective date of the HTA plan of adjustment, which is currently expected to be proposed in April 2022.

For further information, refer to the final versions of the Commonwealth Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

Hurricane Fiona

On September 18, 2022, Hurricane Fiona struck Puerto Rico, causing damage to the Island's electric, aqueduct and sewer systems, buildings, residences and other structures. As a result, the Government of Puerto Rico implemented various temporary measures to support residents and the Island's economy. Accordingly, on September 19, 2022, the Puerto Rico Treasury Department issued a temporary SUT payment exemption for prepared foods and carbonated beverages effective from September 22, 2022 to October 6, 2022. This temporary measure is not expected to have an adverse effect on the Corporation's SUT collections for fiscal year 2023.

SUPPLEMENTARY INFORMATION

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED)
JUNE 30, 2022

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Adjuntas	$ 433,806	$ 43,393	$ 477,199	$ 462,570	$ -	$ 14,629
Aguada	1,699,632	181,721	1,881,353	1,888,094	6,741	-
Aguadilla	4,878,094	390,476	5,268,570	5,319,626	51,056	-
Aguas Buenas	522,673	83,713	606,386	624,759	18,373	-
Aibonito	1,255,491	158,805	1,414,296	1,409,463	-	4,833
Añasco	1,042,585	124,248	1,166,833	1,182,721	15,888	-
Arecibo	3,974,087	340,460	4,314,547	4,357,672	43,125	-
Arroyo	458,347	74,821	533,168	538,727	5,559	-
Barceloneta	4,368,681	386,678	4,755,359	4,748,724	-	6,635
Barranquitas	916,091	119,697	1,035,788	1,042,164	6,376	-
Bayamón	1,151,574	-	1,151,574	709,877	-	441,697
Cabo Rojo	2,178,390	228,052	2,406,442	2,417,031	10,589	-
Caguas	21,858,653	1,768,828	23,627,481	23,946,182	318,701	-
Camuy	1,142,453	134,649	1,277,102	1,298,189	21,087	-
Canóvanas	3,517,175	274,478	3,791,653	3,767,959	-	23,694
Carolina	465,389	-	465,389	51,571	-	413,818
Cataño	5,213,949	498,400	5,712,349	5,737,445	25,096	-
Cayey	5,580,345	478,779	6,059,124	6,060,851	1,727	-
Ceiba	289,100	54,782	343,882	342,422	-	1,460
Ciales	422,483	69,311	491,794	490,358	-	1,436
Cidra	1,821,441	206,030	2,027,471	2,031,927	4,456	-
Coamo	977,591	123,957	1,101,548	1,099,257	-	2,291
Comerío	357,859	66,485	424,344	424,629	285	-
Corozal	980,867	118,275	1,099,142	1,101,979	2,837	-
Culebra	178,065	48,977	227,042	226,850	-	192
Dorado	4,528,423	368,494	4,896,917	4,848,172	-	48,745
Fajardo	4,538,242	387,697	4,925,939	4,921,847	-	4,092
Florida	156,762	47,971	204,733	204,299	-	434
Guánica	330,575	61,419	391,994	399,894	7,900	-
Guayama	3,189,259	280,776	3,470,035	3,487,866	17,831	-
Guayanilla	438,095	63,294	501,389	506,531	5,142	-
Guaynabo	1,699,775	-	1,699,775	-	-	1,699,775
Gurabo	2,068,996	210,741	2,279,737	2,294,772	15,035	-

(Continues)

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED) (CONTINUED)
JUNE 30, 2022

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Hatillo	$ 7,953,989	$ 606,373	$ 8,560,362	$ 8,587,220	$ 26,858	$ -
Hormigueros	1,325,633	159,856	1,485,489	1,497,729	12,240	-
Humacao	6,674,846	482,819	7,157,665	7,190,851	33,186	-
Isabela	3,145,095	263,742	3,408,837	3,414,831	5,994	-
Jayuya	461,376	74,056	535,432	580,226	44,794	-
Juana Díaz	2,070,619	225,706	2,296,325	2,295,031	-	1,294
Juncos	1,421,838	172,949	1,594,787	1,600,921	6,134	-
Lajas	735,434	99,585	835,019	848,451	13,432	-
Lares	787,407	109,627	897,034	892,173	-	4,861
Las Marías	84,602	36,870	121,472	124,123	2,651	-
Las Piedras	1,312,779	160,091	1,472,870	1,486,796	13,926	-
Loíza	481,789	65,688	547,477	546,181	-	1,296
Luquillo	1,039,664	107,865	1,147,529	1,160,360	12,831	-
Manatí	4,851,769	394,531	5,246,300	5,265,090	18,790	-
Maricao	24,379	31,263	55,642	56,445	803	-
Maunabo	115,574	38,969	154,543	157,112	2,569	-
Mayagüez	696,406	-	696,406	640,777	-	55,629
Moca	1,063,136	127,095	1,190,231	1,201,707	11,476	-
Morovis	772,641	107,510	880,151	879,680	-	471
Naguabo	594,910	83,884	678,794	693,460	14,666	-
Naranjito	1,137,069	137,414	1,274,483	1,287,047	12,564	-
Orocovis	613,699	91,730	705,429	716,660	11,231	-
Patillas	416,834	66,292	483,126	493,387	10,261	-
Peñuelas	554,817	87,795	642,612	659,193	16,581	-
Ponce	18,485,407	1,426,665	19,912,072	20,060,427	148,355	-
Quebradillas	835,364	99,556	934,920	942,831	7,911	-
Rincón	937,020	106,729	1,043,749	1,058,918	15,169	-
Río Grande	2,804,711	221,245	3,025,956	3,023,870	-	2,086
Sabana Grande	653,385	100,450	753,835	758,851	5,016	-
Salinas	1,129,192	136,755	1,265,947	1,274,410	8,463	-
San Germán	1,585,205	172,843	1,758,048	1,764,662	6,614	-
San Juan	1,341,314	-	1,341,314	-	-	1,341,314
San Lorenzo	1,512,388	176,984	1,689,372	1,699,294	9,922	-
San Sebastián	2,013,051	211,189	2,224,240	2,231,316	7,076	-

(Continues)

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED) (CONTINUED)
JUNE 30, 2022

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Santa Isabel	$ 2,321,530	$ 203,211	$ 2,524,741	$ 2,524,174	$ -	$ 567
Toa Alta	1,678,345	201,970	1,880,315	1,903,305	22,990	-
Toa Baja	7,817,436	621,215	8,438,651	8,463,349	24,698	-
Trujillo Alto	3,365,240	301,544	3,666,784	3,877,770	210,986	-
Utuado	803,670	118,350	922,020	913,707	-	8,313
Vega Alta	1,676,344	199,403	1,875,747	1,901,167	25,420	-
Vega Baja	3,241,885	221,081	3,462,966	3,482,987	20,021	-
Vieques	549,857	77,670	627,527	610,620	-	16,907
Villalba	385,901	66,560	452,461	454,645	2,184	-
Yabucoa	767,271	124,996	892,267	899,291	7,024	-
Yauco	2,062,608	204,445	2,267,053	2,278,258	11,205	-
Sub-total	176,938,377	16,119,978	193,058,355	190,343,731	1,381,845	4,096,469
2021 Liquidation					194,187	
Total	$ 176,938,377	$ 16,119,978	$ 193,058,355	$ 190,343,731	$ 1,576,032	$ 4,096,469

MUNICIPAL FINANCE CORPORATION

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED)

JUNE 30, 2021

Municipality of	Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Adjuntas	$ 194,901	$ 193,652	$ -	$ 1,249
Aguada	1,691,929	1,668,774	-	23,155
Aguadilla	4,287,230	4,282,421	-	4,809
Aguas Buenas	538,026	525,762	-	12,264
Aibonito	1,190,278	1,204,272	13,994	-
Añasco	985,640	984,529	-	1,111
Arecibo	3,844,390	3,821,851	-	22,539
Arroyo	442,405	466,769	24,364	-
Barceloneta	4,142,703	4,100,344	-	42,359
Barranquitas	913,416	904,790	-	8,626
Bayamón	415,523	-	-	415,523
Cabo Rojo	1,860,209	1,866,269	6,060	-
Caguas	21,347,329	21,017,609	-	329,720
Camuy	1,052,342	1,061,890	9,548	-
Canóvanas	1,653,855	1,553,291	-	100,564
Carolina	408,093	-	-	408,093
Cataño	4,661,496	4,679,824	18,328	-
Cayey	5,099,464	5,011,511	-	87,953
Ceiba	272,126	267,640	-	4,486
Ciales	377,971	389,259	11,288	-
Cidra	1,861,811	1,879,608	17,797	-
Coamo	894,241	899,720	5,479	-
Comerío	367,054	365,434	-	1,620
Corozal	901,936	912,328	10,392	-
Culebra	104,730	105,389	659	-
Dorado	3,991,125	3,994,068	2,943	-
Fajardo	3,990,744	3,940,122	-	50,622
Florida	156,640	155,906	-	734
Guánica	278,876	270,361	-	8,515
Guayama	3,158,667	3,144,497	-	14,170
Guayanilla	433,558	431,954	-	1,604
Guaynabo	1,217,805	-	-	1,217,805
Gurabo	1,988,202	2,014,426	26,224	-

(Continues)

MUNICIPAL FINANCE CORPORATION

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED) (CONTINUED)

JUNE 30, 2021

Municipality of	Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Hatillo	$ 7,632,673	$ 7,588,292	$ -	$ 44,381
Hormigueros	1,305,067	1,314,181	9,114	-
Humacao	6,320,980	6,285,450	-	35,530
Isabela	2,977,067	2,953,529	-	23,538
Jayuya	441,127	484,533	43,406	-
Juana Díaz	1,909,546	1,929,907	20,361	-
Juncos	1,316,448	1,324,149	7,701	-
Lajas	688,760	674,722	-	14,038
Lares	762,623	768,325	5,702	-
Las Marías	86,190	127,373	41,183	-
Las Piedras	1,181,119	1,183,804	2,685	-
Loíza	453,925	459,671	5,746	-
Luquillo	871,132	860,887	-	10,245
Manatí	4,602,539	4,602,089	-	450
Maricao	28,467	274,041	245,574	-
Maunabo	102,062	95,510	-	6,552
Mayagüez	52,186	-	-	52,186
Moca	1,035,022	1,025,993	-	9,029
Morovis	789,609	812,167	22,558	-
Naguabo	554,303	547,971	-	6,332
Naranjito	1,069,367	1,074,659	5,292	-
Orocovis	642,239	630,658	-	11,581
Patillas	394,191	392,047	-	2,144
Peñuelas	582,334	582,489	155	-
Ponce	16,191,296	15,840,904	-	350,392
Quebradillas	789,977	798,325	8,348	-
Rincón	762,437	739,431	-	23,006
Río Grande	2,136,817	2,092,750	-	44,067
Sabana Grande	651,671	654,938	3,267	-
Salinas	1,083,086	1,076,119	-	6,967
San Germán	1,490,901	1,519,765	28,864	-
San Juan	851,382	-	-	851,382
San Lorenzo	1,441,271	1,449,597	8,326	-
San Sebastián	1,914,188	1,927,292	13,104	-

(Continues)

MUNICIPAL FINANCE CORPORATION

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED) (CONTINUED)

JUNE 30, 2021

Municipality of	Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Santa Isabel	$ 2,228,286	$ 2,232,289	$ 4,003	$ -
Toa Alta	1,651,710	1,647,291	-	4,419
Toa Baja	7,109,940	7,077,312	-	32,628
Trujillo Alto	2,494,517	2,929,345	434,828	-
Utuado	761,217	776,377	15,160	-
Vega Alta	1,633,673	1,608,794	-	24,879
Vega Baja	2,545,940	2,552,106	6,166	-
Vieques	400,618	428,793	28,175	-
Villalba	364,686	359,001	-	5,685
Yabucoa	807,668	816,087	8,419	-
Yauco	1,890,795	1,895,254	4,459	-
Total	$ 159,725,767	$ 156,528,487	$ 1,119,672	$ 4,316,952