PUERTO RICO MUNICIPAL
FINANCE AGENCY
(A Component Unit of the
Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2024

PUERTO RICO MUNICIPAL FINANCE AGENCY

(A Component Unit of the Commonwealth of Puerto Rico)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Puerto Rico Municipal Finance Agency:

Opinion

We have audited the accompanying financial statements of Puerto Rico Municipal Finance Agency (the "Agency") as of and for the year ended June 30,2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30,2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Agency 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 audit opinion.

Emphasis of Matter

Commonwealth Assistance

As further discussed in Note 5 to the financial statements, Act No. 29 of June 30, 1972, as amended and later substituted by Act 107-2020 of August 14, 2020, provides for the Commonwealth's general fund to fund any deficiencies from the municipalities in the Agency's debt service coverage. The Agency has never required the assistance of the Commonwealth to cover such debt service requirements. If the Commonwealth's assistance is required in the future, there is no assurance that the Commonwealth's general fund will be able to cover such deficiency, as such ability is dependent on the availability of funds from the Commonwealth, which in turn depends on budgetary appropriations made by the Legislature and the certification of such allocation by the Puerto Rico Fiscal Oversight and Management Board. The Legislature has no obligation to make such appropriation.

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.

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 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 the Agency'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.

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.

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 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Agency's basic financial statements as a whole. The Schedule I – Investments Held by Trustees by Bond Series, on page 25, is presented for purposes of additional analysis and is 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.

Kevane Grant Thornton LLP

San Juan, Puerto Rico,
June 24, 2025.

DLLP217-774

Puerto Rico Municipal Finance Agency

This management's discussion and analysis section ("MD&A") provides a narrative overview and analysis of the financial activities of the Puerto Rico Municipal Finance Agency's (the "Agency") during the fiscal year ended June 30, 2024. The following presentation is by necessity highly summarized, and therefore, in order to gain a thorough understanding of the Agency's financial condition, the basic financial statements, notes and required supplementary information should be reviewed in their entirety.

The Agency was created to assist Puerto Rico's municipalities in financing their public improvement programs. The Agency's activities consist of servicing its bond obligations and disbursing escrow deposits arising from the acquisition of investments in Puerto Rico municipal bonds and notes that were issued by the Government Development Bank for Puerto Rico (the "GDB"). Escrow liabilities to municipalities are undisbursed loan deposits directly related to municipal public improvement projects. The balance of the escrow liabilities to municipalities is reduced with the disbursements made for each related project and is increased with the acquisition of Puerto Rico municipal bonds and notes.

1. Financial Highlights

- As of June 30, 2024, the Agency's total assets and net position were approximately $219.1 million and $75.3 million, respectively.
- During the fiscal year ended June 30, 2024, the Agency distributed to the municipalities escrows amounting to approximately $24.9 million.
- During the fiscal year ended June 30, 2024, principal payments on Agency bonds amounted to approximately $36 million.
- The Agency's interest and dividend income was approximately $11.1 million, and the fair market value of the Agency's investment portfolio increased by approximately $1.1 million for the fiscal year ended June 30, 2024.
- For the fiscal year ended June 30, 2024, the Agency's interest expense was approximately $7.1 million.

2. Financial Statements Overview

The financial statements include the MD&A section, the independent auditors' report, and the basic financial statements of the Agency. The basic financial statements also include notes that explain in more detail some of the information in the basic financial statements.

3. Required Financial Statements

The financial statements of the Agency are prepared using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Agency. The statement of net position presents the Agency's assets, deferred outflow of resources, and liabilities, providing information about the nature and amount of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Agency and assessing its liquidity and financial flexibility.

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

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

4. Financial Analysis

Net position may serve, over time, as a useful indicator of whether a governmental entity's financial position is improving or deteriorating. As of June 30, 2024, the Agency's total assets exceeded total liabilities by approximately $75.3 million, representing an increase of approximately $5.1 million over the prior fiscal year's net position of approximately $70.2 million.

Condensed financial information of the Agency's assets, deferred outflow of resources, liabilities, operating revenues, operating expenses, and change in net position is as follows (in thousands):

	June 30,		Change	
	2024	2023	Amount	Percent
Current assets	$ 92,832	$ 111,827	$ (18,995)	-17.0%
Other assets	126,293	164,091	(37,798)	-23.0%
Total assets	219,125	275,918	(56,793)	-20.6%
Current liabilities	22,957	37,751	(14,794)	-39.2%
Noncurrent liabilities	120,850	167,975	(47,125)	-28.1%
Total liabilities	143,807	205,726	(61,919)	-30.1%
Interest, dividend and investment income	12,317	12,234	83	0.7%
Interest and other expense	(7,191)	(18,392)	11,201	-60.9%
Change in net position	5,126	(6,158)	11,284	-183.2%
Net position, beginning of year	70,192	76,350	(6,158)	-8.1%
Net position, end of year	$ 75,318	$ 70,192	$ 5,126	7.3%

For fiscal year 2024, total assets and total liabilities decreased by approximately $56.8 million, $61.9, respectively, when compared with the prior fiscal year. These reductions are associated mostly with the bonds' principal and interest payments amounting to approximately $36 million and $8 million, respectively, during fiscal year 2024.

Interest, dividend and investment income increased by approximately $83 thousand for fiscal year 2024 due to the net effect of the following:

- During the fiscal year ended June 30, 2024, there was an unrealized gain of approximately $1.1 million on the fair market value of investments, an increase of approximately $1.3 million, when compared to an unrealized loss of approximately $225 thousand for the fiscal year ended June 30, 2023.

- Decrease in interest income and dividend income of approximately $1.2 million during the fiscal year ended June 30, 2024, when compared to the fiscal year ended June 30, 2023. The reduction in interest income is due to the decrease in the investment portfolio during the year.

Interest expense and other expenses decreased by approximately $11.2 million during the fiscal year ended June 30, 2024, due to a reduction in interest expense on bonds payable of approximately $2.7 million, and a decrease in non-investment expense of approximately $8.5 million. The lower interest expense is the result of a lower bond payable base amount after the payments made during fiscal year 2024. The decrease in non-investment expense is due to a one-time transaction related to a contribution to the Contribution to Municipal Revenue Collection Center (CRIM) amounting to $8.2 million made on fiscal year 2023.

5. Debt Administration

The Agency has two outstanding bond issuances (each of which are described in note 6). As of June 30, 2024, outstanding bonds of the Agency amounted to approximately $139.7 million. Debt repayments amounted to approximately $36 million during the year ended June 30, 2024, and included the defeasance of the 2005 Series C Refunding Bonds, and partial redemptions of the 2002 Series A and 2005 Series A bonds.

6. Current known facts

On June 24, 2025, the board of directors approved a contribution from the Agency to the Municipal Development Fund amounting to approximately $5 million to be distributed to forty-two (42) municipalities to cover an underpayment of municipal sales tax distribution made by the Municipal Development Fund for the fiscal years 2018 and 2019. The Agency will make the payment from its unrestricted cash.

7. Request for Information

This financial report is designed to provide all interested parties with a general overview of the Agency's finances and to facilitate the Agency's accountability for the resources it manages. If you have questions about this report or need additional information, contact the Puerto Rico Municipal Finance Agency, PO Box 42001, San Juan, Puerto Rico, 00940-2001.

PUERTO RICO MUNICIPAL FINANCE AGENCY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF NET POSITION
JUNE 30, 2024
(In thousands)

ASSETS	
CURRENT ASSETS:	
Prepaid insurance	$ 288
Restricted:	
Cash	39,126
Accrued interest receivable	3,935
Investments	49,483
Total current assets	92,832
NON-CURRENT ASSETS:	
Prepaid insurance	49
Restricted investments	126,244
Total non-current assets	126,293
Total assets	$ 219,125
LIABILITIES	
CURRENT LIABILITIES:	
Accrued expenses and other liabilities	$ 224
Total current liabilities	224
CURRENT LIABILITIES FROM RESTRICTED ASSETS:	
Accrued interest payable	2,933
Bonds payable	19,800
Total current liabilities from restricted assets	22,733
NON-CURRENT LIABILITIES FROM RESTRICTED ASSETS:	
Bonds payable, net	120,850
Total non-current liabilities from restricted assets	120,850
Total liabilities	$ 143,807
NET POSITION:	
Restricted for debt service	75,204
Unrestricted	114
Total net position	$ 75,318

See notes to basic financial statements.

PUERTO RICO MUNICIPAL FINANCE AGENCY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024
(In thousands)

INVESTMENT INCOME:		
Interest and dividend income	$	11,169
Unrealized gain on changes in fair value of investments		1,068
Total operating and investment income		12,237
INTEREST EXPENSE:		
Interest expense		7,073
Total interest expense		7,073
NET INVESTMENT EXPENSE		5,164
NON-INVESTMENT REVENUES (EXPENSES):		
Other revenue		80
Management fees		(48)
Professional services and other fees		(70)
Total non-investment expenses		(38)
OPERATING GAIN AND CHANGE IN NET POSITION		5,126
NET POSITION, beginning of year		70,192
NET POSITION, end of year	$	75,318

See notes to basic financial statements.

PUERTO RICO MUNICIPAL FINANCE AGENCY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024
(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash paid for general and administrative expenses	$ (67)
Net cash used in operating activities	(67)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Payments of bonds payable	(36,045)
Interest paid on bonds payable	(7,964)
Payments of escrow liability to municipalities	(24,875)
Net cash used in non-capital financing activities	(68,884)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investment securities	(236,948)
Proceeds from sales and redemptions of investment securities	235,304
Proceeds from redemptions of municipal bonds and notes	38,799
Collections of interest income	12,166
Net cash provided by investing activities	49,321
NET DECREASE IN CASH	(19,630)
CASH - Beginning of year	58,756
CASH - End of year	$ 39,126
RECONCILIATION OF CASH AT END OF YEAR	
Unrestricted cash	$ -
Restricted cash	39,126
TOTAL CASH AT END OF YEAR	$ 39,126

See notes to basic financial statements.

(Continued)

PUERTO RICO MUNICIPAL FINANCE AGENCY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024
(In thousands)

RECONCILIATION OF OPERATING GAIN AND CHANGE IN NET POSITION TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating gain and change in net position	$	5,126
Adjustments to reconcile operating gain and change in net position to net cash used in operating activities:		
Investment income		(12,316)
Interest expense		7,073
Changes in assets and liabilities:		
Decrease in other assets		20
Increase in accrued expenses and other liabilities		30
Net cash used in operating activities	$	(67)

See notes to basic financial statements. (Concluded)

1. REPORTING ENTITY

The Puerto Rico Municipal Finance Agency (the "Agency") is a component unit of the Commonwealth of Puerto Rico (the "Commonwealth"), created by Act No. 29 of June 30, 1972, as amended (the “Act 29-1972”), and subsequently substituted by Act 107-2020 of August 14, 2020, as amended, (the “2020 Municipal Code”). The 2020 Municipal Code stipulates the norms, rules, and laws related to the income and financing of the operation of municipalities.

The Agency was created to assist Puerto Rico’s municipalities in financing their public improvement programs. The Agency’s activities consist of servicing its bond obligations and disbursing escrow deposits arising from the acquisition of investments in Puerto Rico municipal bonds and notes that were issued by the Government Development Bank for Puerto Rico (“GDB”). Escrow liabilities to municipalities are undisbursed loan deposits directly related to municipal public improvement projects. The balance of the escrow liabilities to municipalities is reduced with the disbursements made for each related project and is increased with the acquisition of Puerto Rico municipal bonds and notes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Agency conform to Accounting Principles Generally Accepted in the United States of America (“GAAP”) for governments as prescribed by the Governmental Accounting Standards Board (“GASB”), specifically, under the hierarchy established by GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Measurement Focus, Basis of Accounting and Financial Statements Presentation - The Agency’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Net investment income is the excess of amounts earned by the Agency on its interest-earning assets over the interest incurred on its interest-bearing liabilities. The Agency’s net investment income is subject to interest rate risk due to the re-pricing and maturity relationship of the Agency’s assets and liabilities. Revenues and expenses not meeting these criteria are reported as non-interest income and expenses.

The statement of net position presents the Agency’s assets and liabilities, with the difference reported as net position. Net position is reported in two categories:

(a) Restricted component of net position consists of restricted assets reduced by liabilities related to those assets. Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

(b) Unrestricted component of net position 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 in order 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.

The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include: (1) interest income investments and (2) changes in fair value of investments. Operating expenses are those that relate to the administration of the Agency. Other items not meeting the definition of program revenues or operating expenses are reported as non-operating revenues or expenses.

Income Tax - The Agency is exempt from taxation in Puerto Rico.

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

Investments - Investments and investment contracts are carried at fair value, except for money market investments and participating investment contracts with a remaining maturity at the time of purchase of one year or less, and non-participating investment contracts, which are carried at cost. Except for investments in Puerto Rico municipal bonds and notes, fair value is determined based on quoted market prices and quotations received from independent broker/dealers or pricing service organizations. Puerto Rico municipal bonds and notes fair values are estimated by management based on quoted market prices for the debt these investments collateralize. Such quoted market prices are obtained from independent sources.

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. By contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 Investments with inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Investments have unobservable inputs for an asset or liability and may require a degree of professional judgment.

Realized gains and losses from the sale of investments and unrealized changes in fair values are recorded as investment income.

Except for investments in Puerto Rico municipal bonds and notes, and bonds payable, the carrying values of the Agency's financial instruments are substantially similar to their fair value as of June 30, 2024, because such instruments have either short-term maturities or bear interest at rates that vary with the market.

Bond Premium/Discount - Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts.

Bond Issue Costs **-** Bond issue costs are recorded as expenditures when paid.

Recently Issued Accounting Guidance - GASB has issued the following accounting pronouncements that have an effective date after June 30, 2024:

(a) **GASB Statement No 101, *Compensated Absences***. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement also establishes 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 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.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (FY 2024-2025), and all reporting periods thereafter. Earlier application is encouraged.

(b) **GASB Statement No. 102, *Certain Risk Disclosures***. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. 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 a 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.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements.
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

(c) **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.

Management's Discussion and Analysis - 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.

Unusual or Infrequent Items - This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position - 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. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

Major Component Unit Information - 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.

Budgetary Comparison Information - 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.

(d) **GASB Statement No. 104, *Disclosures of Certain Capital Assets*** – The State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of 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 asset in the capital as-sets 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 will have, if any, on the Agency's financial statements.

3. DEPOSITS PLACED WITH BANK

Deposits placed with bank consists of cash and cash equivalent instruments which the Agency considers as highly liquid investments with a maturity of three months or less.

Custodial credit risk is the risk that in the event of a financial institution's failure, the Agency's deposits may not be returned to it. The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance.

As of June 30, 2024, none of the Agency's depository balance is uninsured or uncollateralized, as indicated in the following table (in thousands):

	Carrying Amount	Bank Balance
Commercial bank	$ 39,126	$ 39,126

4. CLAIM RECEIVABLE FROM THE PUBLIC ENTITY TRUST

On November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA (the "Qualifying Modification"). Under the Qualifying Modification, holders of certain bond and deposit claims exchanged their claims for bonds issued by a newly created public instrumentality, the GDB Debt Recovery Authority, and GDB transferred to such entity its municipal loan portfolio, a portion of its public entity loan portfolio, its real estate assets, and its unencumbered cash. In addition, pursuant to Act No. 109 of 2017, also known as the *Government Development Bank for Puerto Rico Debt Restructuring Act* (the "GDB Restructuring Act"), the balance of liabilities owed between the Commonwealth and its agents, instrumentalities and affiliates, including the Agency (each a "Non-Municipal Government Entity") and GDB were determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-municipal Government Entity held by GDB as of such date.

Those Non-Municipal Government Entities having net claims against GDB after giving effect to the foregoing adjustment, including the Agency, received their pro rata share of interests in a newly formed trust created by the GDB Restructuring Act, the Public Entity Trust (the "PET"). The interests a Non-Municipal Government Entity received against the PET was deemed to be in full satisfaction of any and all claims such Non-Municipal Government Entity may have against GDB.

As a result of the execution of the Qualifying Modification, the Agency received beneficial units of the PET amounting to $4.9 million in exchange for the deposits held at GDB.

The assets of the PET (the "PET Assets") consist of, among other items, an unsecured claim of $578 million against the Commonwealth, which is the subject of a proof of claim filed in the Commonwealth's Title III case (the "PET Claim"). Non-Municipal Government Entities' recoveries on account of their interests in the PET will depend upon the recovery ultimately received by the PET on account of the PET Assets. The Commonwealth Plan of Adjustment discharges any claim related to budgetary appropriations, including appropriations for the repayment of certain loans held by the PET. As of the date hereof, the Court has not determined if the PET Claim is an allowed claim that will be entitled to a distribution. As a result, units received from the PET were accounted for with a carrying value of zero.

5. INVESTMENTS

The GDB developed investment guidelines for the Government of Puerto Rico and their respective agencies and instrumentalities under the Act 113 of August 3, 1995, and Executive Order 1995-50A. Subsequently, AAFAF developed and authorized the Investment Policy Guidelines of February 8, 2019 (the "Investment Policy Guidelines"), which apply to the Agency and allow the Agency to invest in, among others, the following investment instruments (subject to any additional limitations as may be established by the Agency):

- Obligations of the U.S. government, its agencies and sponsored agencies
- Fully insured or collateralized Certificates of Deposit
- Commercial paper
- Mortgage and asset-backed securities
- Corporate bonds and notes
- Certain external investment pools

The Investment Policy Guidelines establish restrictions for investment instruments, such as rating requirements for specific instruments.

As of June 30, 2024, the fair value of the Agency's investments, based on the hierarchy of inputs, is determined as follows (in thousands):

Investment Type	Level 1	Level 2	Level 3	Total
Puerto Rico municipal bonds and notes	$ -	$ 134,585	$ -	$ 134,585
U.S. government, agencies and sponsored agencies obligations	-	4,118	-	4,118
Guaranteed investments contracts	-	13,100	-	13,100
Corporate debt	-	12,614	-	12,614
Money market	-	11,310	-	11,310
Total investments	$ -	$ 175,727	$ -	$ 175,727

As of June 30, 2024, restricted investment securities held by trustees for repayment of bond issuances and other liabilities consist of the following (in thousands):

	Amount
Puerto Rico municipal bonds and notes	$ 134,585
U.S government, agencies and sponsored agencies obligations	4,118
Guaranteed investment contracts	13,100
Corporate debt	12,614
Money Market	11,310
	$ 175,727

As of June 30, 2024, contractual maturities by investment securities consist of the following (in thousands):

	Contractual Maturities				
	Within One Year	After One to Five Years	After Five to Ten Years	After Ten Years	Total
Puerto Rico municipal bonds and notes	$ 21,441	$ 102,461	$ 10,683	$ -	$ 134,585
U.S. government, agencies and sponsored agencies obligations	4,118	-	-	-	4,118
Guaranteed investments contracts	-	13,100	-	-	13,100
Corporate debt	12,614	-	-	-	12,614
Money market	11,310	-	-	-	11,310
	$ 49,483	$ 115,561	$ 10,683	$ -	$ 175,727

Expected maturities differ from contractual maturities when issuers or counterparties have the right-to-call or prepay such obligations with or without call or prepayment penalties.

As of June 30, 2024, the credit ratings of the investment securities portfolio are as follows (in thousands):

	Credit Rate Risk			
	AAA / Aaa	AA / Aa	BBB / Baa	Total
Puerto Rico municipal bonds and notes	$ -	$ 134,585	$ -	$ 134,585
U.S. government, agencies and sponsored agencies obligations	4,118	-	-	4,118
Guaranteed investments contracts	-	-	13,100	13,100
Corporate debt	12,614	-	-	12,614
Money market	11,310	-	-	11,310
	$ 28,042	$ 134,585	$ 13,100	$ 175,727

As required by the indentures and Act 29-1972, as amended, and subsequently substituted by the 2020 Municipal Code, the municipal bonds and notes are general obligations of each municipal issuer payable from ad valorem taxation, without limitation as to rate or amount, on all taxable property within the boundaries of the applicable municipal issuer. Each issuing municipality's good faith, credit, and unlimited taxing power are pledged for the payment of its general obligation municipal bonds and notes. Interest rates on general obligation municipal bonds and notes range from 4.45% to 7.71%. Act 29-1972, as amended, and subsequently substituted by the 2020 Municipal Code, also provides for the Commonwealth's general fund to fund municipalities' deficiencies in the Agency's debt service coverage. The Agency has never required the assistance of the Commonwealth to cover such debt service requirements, though there are no assurances that the Commonwealth's general fund will be able to cover future deficiencies. The availability of funds from the Commonwealth depends on budgetary appropriations made pursuant to a certified budget by the Fiscal Oversight and Management Board.

6. BONDS PAYABLE

As of June 30, 2024, bonds payable consists of the following (in thousands):

	Interest Rate	Amount	Due within One Year
2002 Series A Bonds, including unamortized premium of $37, maturing at August 1, 2027.	5.00%	$ 52,300	$ -
2005 Series A, including unamortized premium of $913, maturing at various date through August 1, 2030.	4.45% - 5.25%	87,400	19,800
		$ 139,700	$ 19,800

As of June 30, 2024, debt services requirements for outstanding bonds are as follows (in thousands):

Year Ending June 30,	Principal	Interest	Total
2025	$ 19,800	$ 8,246	$ 28,046
2026	8,960	6,466	15,426
2027	-	4,648	4,648
2028	-	3,540	3,540
2029	52,300	2,929	55,229
2030-2031	58,640	6,101	64,741
	139,700	$ 31,930	$ 171,630
Plus:			
Unamortized premium	950		
	$ 140,650		

Bonds activity for the year ended June 30, 2024, was as follows (in thousands):

	Balance at June 30, 2023	Issuances	Other Increases	Other Reductions	Payments	Balance at June 30, 2024
Bonds payable	$ 175,745	$ -	$ -	$ -	$ (36,045)	$ 139,700
Unamortized Premium	1,210	-	-	(260)	-	950
	$ 176,955	$ -	$ -	$ (260)	$ (36,045)	$ 140,650

On August 1, 2022, the Agency paid $17 million which was the principal due on that date. On November 15, 2022, the Agency partially redeemed 2005 Series A bonds with principal and accrued interest amounting to approximately $8.9 million and $135,000, respectively. As of June 30, 2024, principal outstanding on the 2005 Series A Bonds amounted to $87.4 million. The 2005 Series A Bonds outstanding include bonds maturing on August 1, 2030, with principal and interest amounts of $58,025,000 and $615,000 that are subject to redemption to the extent of the respective amortization requirements, upon not less than 30 days prior notice to registered owners starting on August 1, 2026, and thereafter at a redemption price equal to the principal amount to be redeemed plus accrued interest.

The amortization requirements of the 2005 Series A Bonds subject to redemption are as follows (in thousands):

Amortization requirement for 2005 Series A Bonds
Maturing on August 1

	Principal	Interest	Total
2026	$ 14,085	$ 145	$ 14,230
2027	16,335	165	16,500
2028	13,685	140	13,825
2029	7,885	95	7,980
2030	6,035	70	6,105
	$ 58,025	$ 615	$ 58,640

The 2005 Series B Refunding Bonds were not subject to redemption. The 2005 Series B Refunding Bonds issued were used, together with other money, to refund some of the outstanding 1997 Series A Bonds. The reacquisition price exceeded the net carrying amount of the old debt by approximately $3.5 million. The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of the interest expense over the remaining life of the old debt or the life of the net debt, whichever is shorter. The 2005 Series B Refunding Bonds matured on July 1, 2021, and were paid in full on that date.

The 2005 Series C Refunding Bonds were used, together with other money, to refund some of the outstanding 1999 Series A Bonds and 1999 Series B Refunding Bonds. The reacquisition price exceeded the net carrying amount of the old debt by approximately $15.9 million. The difference between the reacquisition price and the net carrying amount of the old debt was deferred and amortized as a component of the interest expense over the remaining life of the old debt or the life of the net debt, whichever was shorter. On July 27, 2022, the Agency entered into an Escrow Agreement for the defeasance of the 2005 Series C Refunding Bonds with U.S. Bank Trust National Association as Trustee, in which the Agency deposited $16.1 million in a trust ($15.6 million for principal due and approximately $500,000 for interest payable), which will be sufficient to pay all the 2005 Series C Refunding Bonds upon maturity on August 1, 2023. As of June 30, 2024, the 2005 Series C Refunding Bonds were fully defeased.

As of June 30, 2024, the Agency's 2002 Series A Bonds and 2005 Series A Bonds Refunding Bonds were rated AA by Standard & Poor's.

TRUST INDENTURE EVENTS OF DEFAULT

Agency trust indenture contains events of default which are summarized as follows:

- Missed payment of principal and interest when they become due.
- Failure to retire bonds by purchase or redemption in any fiscal year in a principal amount at least equal to the Amortization Requirement for such fiscal year.
- The amount on deposit to the credit of the Reserve Account shall be less than the Required Debt Service Reserve and the Executive Director of the Agency shall fail or refuse to comply with the Trust Indenture, which requires the Executive Director to certify the amount of such deficiency to the Secretary of the Treasury of Puerto Rico, or the Commonwealth shall fail to apportion and pay to the Agency, in conformity with the Trust Indenture, for deposit in the Reserve Account such amount or amounts as shall be certified by the Executive Director pursuant to such provisions of the Enabling Act.
- The Agency shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the bonds or in this Indenture on the part of the Agency to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall, subject to the provisions of Article XIII hereof of the Trust Indenture, have been given to the Agency by the holders of not less than ten per centum (10%) in aggregate principal amount of the bonds then outstanding.

ENFORCEMENT OF REMEDIES

Upon the happening and continuance of any event of default specified in the Trust Indenture, then, and in every such case, the Trustee may, and upon the written request of the holders of not less than twenty-five percent (25%) in aggregate principal amount of the bonds then outstanding shall, proceed to protect and enforce its rights and the rights of the bondholders under the laws of the Commonwealth or under the Trust Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Trust Indenture or in aid or execution of any power granted by the Trust Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

7. ARBITRAGE

Bonds payable are subject to arbitrage regulations issued by the Internal Revenue Service of the United States of America ("IRS"), requiring a rebate to the federal government of excess investment earnings on tax exempt debt proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt debt issued. Excess earnings must be rebated at least once every five years or upon maturity of the debt whichever is earlier. For computation dates other than the final computation date, the issuer must pay at least 90% of the rebate owed.

Management of the Agency is actively reviewing the accounting records and legal documentation of the remaining bonds outstanding and unspent bond proceeds usage to ascertain compliance with applicable IRS regulations. Bonds of this type are subject to compliance audits from the IRS from time to time which may result in possible discoveries.

8. DEBT SERVICE RESERVE FUND

The Agency's outstanding bonds have their respective debt-service reserve fund accounts ("DSRF") that were set-up to cover any potential principal or interest debt-service shortfalls for those bonds. The DSRF for the Agency's outstanding bonds are with the trustee banks for those bonds and are governed by the terms and conditions of the applicable bond trust agreements.

The 2002 Series A Bond's DSRF requires an amount equal to the sum of: (i) the higher of (a) 50% of the maximum principal and interest payments requirements for any fiscal year on all 2002 indenture bonds then outstanding and (b) the largest amount of the maximum principal and interest payments requirements for any fiscal year on the 2002 municipal bonds of any 2002 municipal issuer, and (ii) 50% of the annual earnings for such fiscal year on the larger of the amounts in clauses (a) and (b) above based on the assumption that said amount is invested in investment instrument in accordance with the United States Internal Revenue Code of 1986, as amended. Pursuant to the Series 2002A indenture bonds, the required DSRF is approximately $14 million. On June 30, 2024, the Agency maintains approximately $14.6 million in the DSRF of the 2002 Series A Bonds.

The Series 2005 A Bond's DSRF requires an amount equal to the sum of: (i) the higher of (a) 50% of the maximum principal and interest payments requirements for any fiscal year on all of the Series 2005 A Bonds then outstanding and (b) the largest amount of the maximum principal and interest payments requirement for any fiscal year on the 2005 municipal bonds of any 2005 municipal issuer, and (ii) 50% of the annual earnings for such fiscal year on the larger for the amounts in clauses (a) and (b) above based on the assumption that said amount is invested in investment instrument in accordance with the United States Internal Revenue Code of 1986, as amended. As of June 30, 2024, the Series 2005 C Bonds were fully defeased; therefore, no reserve account is maintained. Pursuant to the Series 2005 A Bonds, the required DSRF is approximately $14 million.

9. MUNICIPAL REVENUE COLLECTION CENTER

On November 2, 2015, the Municipal Revenue Collection Center (CRIM) and GDB executed a deed of trust that established the mechanics of where the funds that are collected by the CRIM are deposited and used for debt service payments of the general obligations bonds of the municipalities that are borrowers of the Agency. On November 28, 2018, the CRIM as settlor, the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA) as Trustee, and Banco Popular as custody bank, entered into a second amended and restated trust account custody agreement in which FAFAA replaced GDB as trustee of the Trust.

All monies going in the Trust are subject to Law 80 and Law 64 (“Municipal Finance Act”). The Trust is composed of three funds:

- Municipal Public Debt Redemption Fund – This fund is used to pay bonds and loans payable from the Special Additional Tax (CAE), such as the municipal general obligation bonds held by the Agency. There are four main creditors: private banks, the Agency, the GDB Debt Recovery Authority (DRA) and the Commonwealth Employees Association (AEELA for its Spanish acronym).

- Matching Fund – These are the Commonwealth’s General Fund contributions to the municipalities.

- State Redemption Fund – This is comprised of the 1.03% of the property tax that is dedicated to the payment of the Commonwealth’s General Obligation Bonds (GOs).

10. SUBSEQUENT EVENTS

On June 24, 2025, the board of directors approved a contribution from the Agency to the Municipal Department Fund amounting to approximately $5 million to be distributed to forty-two (42) municipalities to cover an underpayment of municipal sales tax distribution made by the Municipal Development Fund for the fiscal years 2018 and 2019. The Agency will make the payment from its unrestricted cash.

Subsequent events were evaluated through June 24, 2025, the date the basic financial statements were available to be issued, to determine if any such events should either be recognized or disclosed in the June 30, 2024 financial statements.

SUPPLEMENTAL SCHEDULE

PUERTO RICO MUNICIPAL FINANCE AGENCY
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE I – INVESTMENTS HELD BY TRUSTEES BY BOND SERIES
AS OF JUNE 30, 2024
(In thousands)

	2005 Series A Bonds	2002 Series A Bonds	Total
Puerto Rico municipal bonds and notes	$ 86,849	$ 47,736	$ 134,585
U.S. government, agencies and sponsored agencies obligations	2,083	2,035	4,118
Guaranteed investment contracts	-	13,100	13,100
Corporate debt	12,614	-	12,614
Money Market	11,310	-	11,310
Total investments	$ 112,856	$ 62,871	$ 175,727
Cash and cash equivalents	$ 24,987	$ 14,139	$ 39,126