

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

BASIC FINANCIAL STATEMENTS
YEARS ENDED
JUNE 30, 2024 AND 2023

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(A Component Unit of the
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TABLE OF CONTENTS

	<u>Pages</u>
FINANCIAL SECTION	
Independent Auditors' Report.....	1-3
Required Supplementary Information	
Management's Discussion and Analysis (Unaudited)	4-7
Basic Financial Statements	
Statements of Net Position.....	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Basic Financial Statements	11-17
SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of Close Year Liquidation 2024.....	18-20
Schedule of Close Year Liquidation 2023.....	21-23

FINANCIAL SECTION

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, 2024 and 2023, 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, 2024 and 2023, 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 are 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 audit's 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.

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 18 through 23, 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.

San Juan, Puerto Rico
October 28, 2024

Ortiz, Rivera, Rivera & Co., LLC

The stamp E591662 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the original of this report.



MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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, 2024 and 2023 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, 2024, the Corporation's total assets decreased by approximately \$6.7 million or 8% when compared to prior year, resulting from decreases in cash of approximately \$4.8 million and in due from municipalities of approximately \$1.9 million.
- As of June 30, 2024, the Corporation's total liabilities decreased by approximately \$11.9 million or 29% when compared to prior year, resulting from a decrease in accounts payable of approximately \$12.4 million and an increase in due to municipalities of approximately \$486 thousand.
- As of June 30, 2024, the Corporation's change in net position increased by approximately \$1.7 million or 49% when compared to prior year.
- On October 4, 2023, the Board of Directors of the Corporation adopted Resolution 2023-17, which authorized the distribution of funds deposited in the concentration bank account to the participating and nonparticipating 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 2023 amounting to approximately \$20.5 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.

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
AS OF AND FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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 2024 and 2023.

Net Position

Condensed financial information from the statements of net position as of June 30, 2024, 2023, and 2022, is as follows (in thousands):

	2024	2023	Change		2022	Change	
			Amount	%		Amount	%
Current assets	\$ 64,281	\$ 69,470	\$ (5,189)	-7%	\$ 44,843	\$ 24,627	55%
Non-current assets	8,975	10,504	(1,529)	-15%	13,049	(2,545)	-20%
Total Assets	<u>73,256</u>	<u>79,974</u>	<u>(6,718)</u>	-8%	<u>57,892</u>	<u>22,082</u>	38%
Current liabilities	29,333	41,271	(11,938)	-29%	22,698	18,573	82%
Total Liabilities	<u>29,333</u>	<u>41,271</u>	<u>(11,938)</u>	-29%	<u>22,698</u>	<u>18,573</u>	82%
Net Position	<u>\$ 43,923</u>	<u>\$ 38,703</u>	<u>\$ 5,220</u>	13%	<u>\$ 35,194</u>	<u>\$ 3,509</u>	10%

As of June 30, 2024, the Corporation's total assets decreased by \$6.7 million, explained as follows: Cash decreased from approximately \$65.8 million to \$61 million as a result of cash received from municipal sales and used taxes of \$211.6 million, less cash paid to municipalities of \$221.6 million, less cash paid to suppliers of \$1 million, plus \$6.2 million from interest received. The Due from Municipalities account decreased from approximately \$11.8 million to \$13.7 million, as a result of regular payments and prepayments received amounting to approximately \$1.9 million from municipalities related to collections agreements and regular collections.

Total liabilities decreased by \$11.9 million from approximately \$41.3 million to \$29.4 million. This is due to a decrease in accounts payable of approximately \$12.4 million related to distribution to the municipalities of the last month of fiscal year 2023 of approximately \$18.1 million paid during fiscal year 2024 and the net effect of collection of unidentified municipal sales and used tax for fiscal year 2024 of approximately \$5.7 million. The due to municipalities account increased by \$500 thousand from \$2.6 to \$3.1 as a result of the fiscal year end conciliation settlement.

As of June 30, 2023, the Corporation's total assets increased by \$22.1 million, explained as follows: Cash increased from approximately \$41.4 million to \$65.8 million as a result of cash received from municipal sales and used taxes of \$200.1 million, less cash paid to municipalities of \$178.8 million, less cash paid to suppliers of \$840 thousand, plus \$3.9 million from interest received. The Due from

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
AS OF AND FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Municipalities account decreased from approximately \$16.5 million to \$13.7 million, as a result of regular payments and prepayments received amounting to approximately \$2.8 million from municipalities related to collections agreements. The interest receivable increased by \$482 thousand from \$8 thousand to \$500 thousand due to the increase during the year of bank interest rate.

Total liabilities increased by \$18.5 million from approximately \$22.7 million to \$41.3 million. This is due to an increase in accounts payable of approximately \$20.1 million related to distribution to the municipalities of the last month of fiscal year 2024 of approximately \$18.1 million paid during fiscal year 2024 and the net effect of collection of unidentified municipal sales and used tax for fiscal year 2023 of approximately \$2 million. The due to municipalities account decreased by \$1.5 million from \$4.1 to \$2.6 as a result of the fiscal year end conciliation settlement.

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, 2024, 2023, and 2022, is as follows (in thousands):

	2024	2023	Change		2022	Change	
			Amount	%		Amount	%
Operating revenues	\$ 209,632	\$ 197,292	\$ 12,340	6%	\$ 193,058	\$ 4,234	2%
Expenses and non-operating revenues:							
Operating expenses	(210,720)	(198,195)	(12,525)	6%	(193,916)	(4,279)	2%
Non-operating revenues	6,308	4,412	1,896	43%	1,407	3,005	214%
Total expenses and non-operating revenues	(204,412)	(193,783)	(10,629)	5%	(192,509)	(1,274)	1%
Change in net position	5,220	3,509	1,711	49%	549	2,960	539%
Net position, beginning	38,703	35,194	3,509	10%	34,645	549	2%
Net position, ending	\$ 43,923	\$ 38,703	\$ 5,220	13%	\$ 35,194	\$ 3,509	10%

As of June 30, 2024, the Corporation's change in net position increased by approximately \$1.7 million due to an increase in interest income when compared with prior year.

As of June 30, 2023, the Corporation's change in net position increased by approximately \$3 million due to an increase in interest income when compared with prior year.

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
AS OF AND FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

5. Currently known Facts

On September 18, 2024, the Corporation made the distribution corresponding to unidentified location municipal sales and use tax collections deposited by the Treasury Department to the Corporation, for fiscal year 2024 amounting to approximately \$26 million (the "Distribution"). On June 11, 2024, the Treasury Department issues the Internal Revenue Information Bulletin No. 24-02 ("BI RI 24-02") for the purpose of notifying the distribution percentages for fiscal year 2024-2025 that will correspond to each municipality of the Municipal IVU on Sales Dispatched by Mail of merchants who do not have a commercial location in Puerto Rico as determined in accordance with Article 6080.14 (a)(2)-1(b) of the Regulations.

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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash (Note 3)	\$ 61,014,866	\$ 65,801,946
Accounts receivable (Notes 2 and 4)	11,529	5,162
Interest receivable (Note 3)	493,540	485,860
Due from municipalities:		
Current year liquidation (Note 5)	1,084,966	1,602,945
Collections agreements (Note 6)	1,676,525	1,573,509
Total current assets	<u>64,281,426</u>	<u>69,469,422</u>
Noncurrent assets:		
Due from municipalities:		
Collections agreements (Note 6)	8,974,620	10,504,060
Total noncurrent assets	<u>8,974,620</u>	<u>10,504,060</u>
Total assets	<u>73,256,046</u>	<u>79,973,482</u>
LIABILITIES		
Current liabilities:		
Accounts payable (Note 7)	26,256,035	38,679,781
Due to Municipalities (Note 8)	3,077,470	2,591,525
Total current and total liabilities	<u>29,333,505</u>	<u>41,271,306</u>
NET POSITION		
Unrestricted	<u>43,922,541</u>	<u>38,702,176</u>
Total net position	<u>\$ 43,922,541</u>	<u>\$ 38,702,176</u>

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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Municipal sales and use tax	\$ 209,632,067	\$ 197,292,179
OPERATING EXPENSES		
Distribution of municipal sales and use tax to municipalities	209,632,067	197,292,179
General and administrative	1,088,180	903,710
Total operating expenses	<u>210,720,247</u>	<u>198,195,889</u>
OPERATING LOSS	<u>(1,088,180)</u>	<u>(903,710)</u>
NON-OPERATING REVENUES		
Other income	43,125	35,050
Interest income	6,265,420	4,376,631
Total non-operating revenues	<u>6,308,545</u>	<u>4,411,681</u>
CHANGE IN NET POSITION	5,220,365	3,507,971
NET POSITION AT BEGINNING OF THE YEAR	<u>38,702,176</u>	<u>35,194,205</u>
NET POSITION AT THE END OF THE YEAR	<u><u>\$ 43,922,541</u></u>	<u><u>\$ 38,702,176</u></u>

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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES		
Cash received from municipal sales and use taxes	\$ 211,570,103	\$ 200,089,487
Cash paid to municipalities	(221,632,045)	(178,776,288)
Cash paid to suppliers	(1,026,003)	(846,988)
Net cash (used in) provided by operating activities	<u>(11,087,945)</u>	<u>20,466,211</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Net other collections	43,125	35,050
Net cash provided by noncapital financing activities	<u>43,125</u>	<u>35,050</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	6,257,740	3,899,035
Net cash provided by investing activities	<u>6,257,740</u>	<u>3,899,035</u>
NET (DECREASE) INCREASE IN CASH	(4,787,080)	24,400,296
CASH AT BEGINNING OF YEAR	<u>65,801,946</u>	<u>41,401,650</u>
CASH AT END OF YEAR	<u><u>\$ 61,014,866</u></u>	<u><u>\$ 65,801,946</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (1,088,180)	\$ (903,710)
Adjustment to reconcile operating loss to net cash (used in) provided by operating activities		
Changes in assets and liabilities:		
(Increase) decrease:		
Accounts receivable	(6,367)	9,774
Due from municipalities	1,944,403	2,787,534
Increase (decrease):		
Accounts payable	(12,423,746)	20,077,557
Due to municipalities	485,945	(1,504,944)
Net cash (used in) provided by operating activities	<u><u>\$ (11,087,945)</u></u>	<u><u>\$ 20,466,211</u></u>

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

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

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 are derived from the municipal sales and use tax collections.

The Corporation was created for the 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.

The 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 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.

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

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. An unrestricted component of net position is often 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, 2024 and 2023, 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 comes 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 situations 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 the amount 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.

New Accounting Standards Adopted and Accounting Pronouncements Issued but Not Yet Effective

New Accounting Standards Adopted

During the fiscal year ended on June 30, 2024, certain governmental accounting pronouncements became effective, none of which had any impact in the results of the operations, or in the presentation of the financial statements of the Corporation.

Accounting Pronouncements Issued but Not Yet Effective- The GASB has issued the following accounting pronouncements that are effective for periods subsequent to June 30, 2024:

- **GASB Statement No. 101, *Compensated Absences*.** The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
- **GASB Statement No. 102, *Certain Risk Disclosures*.** The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

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

- **GASB Statement No. 103, Financial Reporting Model improvements-** The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement requires that the information presented in the Management's Discussion and Analysis (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 Assets and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses.

This Statement required 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.

This Statement requires governments to present budgetary comparison information using a single method of communication-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.

- **GASB Statement No. 104, Disclosure of Certain Capital Assets-** 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, and intangible right-to-use assets recognized in accordance with Statement No. 94, should be disclosed separately by major class of underlying assets in the capital asset note disclosures. Subscription assets recognized in accordance with Statement No. 96, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

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

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

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 \$61,014,866 and \$65,801,946 as of June 30, 2024 and 2023, respectively.

Deposits in Commercial Banks

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

Depository Account	June 30, 2024		June 30, 2023	
	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 collateral requirements	60,764,866	60,764,866	65,551,946	65,551,946
Total deposits	<u>\$ 61,014,866</u>	<u>\$ 61,014,866</u>	<u>\$ 65,801,946</u>	<u>\$ 65,801,946</u>

As of June 30, 2024 and 2023, bank accounts accrued \$493,540 and \$485,860, respectively, in interest receivable which were collected during the month of July.

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

4. ACCOUNTS RECEIVABLE

The accounts receivable for fiscal years ended June 30, 2024, and 2023, respectively, are as follows:

<u>Municipality of</u>	<u>2024</u>	<u>2023</u>
Aguada	\$ 151	\$ -
Aguadilla	72	1,002
Arecibo	48	-
Camuy	-	65
Caguas	536	-
Cataño	2,379	-
Comerio	6	-
Corozal	1	-
Dorado	-	197
Fajardo	10	607
Guánica	-	1
Guayanilla	9	-
Isabela	1	37
Juana Díaz	3,091	1,698
Manatí	9	-
Maricao	1	-
Moca	-	589
Naranjito	69	-
Orocovis	-	360
Peñuelas	633	-
Ponce	543	-
Rincon	1	-
Rio Grande	11	-
Salinas	-	84
San Lorenzo	109	-
San Sebastián	-	28
Toa Baja	2,964	494
Vega Baja	146	-
Yabucoa	739	-
	<u>\$ 11,529</u>	<u>\$ 5,162</u>

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

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 \$1,084,966 and \$1,602,945 on June 30, 2024 and 2023, respectively.

6. DUE FROM MUNICIPALITIES ON COLLECTIONS 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, 2024 and 2023, respectively, consist of the following:

<u>Municipality of</u>	<u>2024</u>	<u>2023</u>
Bayamón	\$ 4,123,509	\$ 4,813,910
Mayagüez	2,986,995	3,484,425
Carolina	2,836,483	3,034,871
Canóvanas	704,158	744,363
Total	<u>\$ 10,651,145</u>	<u>\$ 12,077,569</u>
Less: Current portion	1,676,525	1,573,509
Long-term portion	<u><u>\$ 8,974,620</u></u>	<u><u>\$ 10,504,060</u></u>

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

7. ACCOUNTS PAYABLE

As of June 30, 2024 and 2023, the amount of accounts payable include: (1) funds deposited in the Corporation's concentration bank account that corresponds to unidentified location municipal sales and use tax collections of \$26,045,981 and \$20,488,993, respectively, (2) municipal sales and use taxes receives during the last month of the fiscal year ended June 30, 2023 amounted to \$18,042,911 paid to the Municipalities after fiscal year ended, and (3) certain other administrative expenses amounting to approximately \$210,054 and \$147,877 for fiscal year 2024 and 2023, respectively.

The balance of accounts payable as of June 30, 2024, and 2023, respectively, consist of the following:

	<u>2024</u>	<u>2023</u>
Municipal sales and use taxes	\$ 26,045,981	\$ 38,531,904
Bank charges	182,654	127,877
Accrued expenses	7,400	-
Audit fees	20,000	20,000
Total	<u>\$ 26,256,035</u>	<u>\$ 38,679,781</u>

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 \$3,077,470 and \$2,591,525 as of June 30, 2024, and 2023, respectively.

9. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through October 28, 2024, and determined that there have been no events that have occurred that would require adjustments to our disclosures in June 30, 2024 and 2023 basic financial statements, except for the followings:

On September 18, 2024, the Corporation made the distribution corresponding to unidentified location municipal sales and use tax collections deposited by the Treasury Department to the Corporation, for fiscal year 2024 amounting to approximately \$26 million (the "Distribution"). On June 11, 2024, the Treasury Department issues the Internal Revenue Information Bulletin No. 24-02 ("BI RI 24-02") for the purpose of notifying the distribution percentages for fiscal year 2024-2025 that will correspond to each municipality of the Municipal IVU on Sales Dispatched by Mail of merchants who do not have a commercial location in Puerto Rico as determined in accordance with Article 6080.14 (a)(2)-1(b) of the Regulations.

On September 30, 2024, the Municipality of Maricao paid off the amount due to COFIM as of June 30, 2024 for \$153,952.00.

SUPPLEMENTARY INFORMATION

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED)
JUNE 30, 2024

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Adjuntas	\$ 466,383	\$ 104,519	\$ 570,902	\$ 572,062	\$ 1,160	\$ -
Aguada	1,936,495	181,216	2,117,712	2,124,465	6,753	-
Aguadilla	5,626,259	301,455	5,927,714	5,910,719	-	16,995
Aguas Buenas	589,114	128,808	717,922	717,162	-	760
Aibonito	1,455,504	114,549	1,570,053	1,584,735	14,682	-
Añasco	1,192,048	107,790	1,299,839	1,293,479	-	6,360
Arecibo	4,414,409	280,312	4,694,720	4,686,592	-	8,129
Arroyo	544,413	107,672	652,085	647,876	-	4,209
Barceloneta	4,516,104	218,380	4,734,484	4,740,861	6,377	-
Barranquitas	1,043,420	101,513	1,144,932	1,147,331	2,399	-
Bayamón	257,228	1,546,349	1,803,578	1,546,349	-	257,228
Cabo Rojo	2,497,995	152,294	2,650,290	2,649,195	-	1,094
Caguas	23,249,441	1,132,222	24,381,663	24,548,607	166,944	-
Camuy	1,280,984	119,558	1,400,542	1,408,638	8,096	-
Canóvanas	3,756,228	221,072	3,977,300	3,997,943	20,643	-
Carolina	373,058	1,026,776	1,399,834	1,026,776	-	373,058
Cataño	5,941,581	296,393	6,237,974	6,309,764	71,790	-
Cayey	6,094,883	324,938	6,419,820	6,467,424	47,604	-
Ceiba	281,539	72,447	353,986	352,658	-	1,328
Ciales	471,383	106,403	577,786	583,567	5,781	-
Cidra	1,936,877	184,187	2,121,063	2,134,046	12,983	-
Coamo	1,170,700	131,583	1,302,283	1,310,963	8,681	-
Comerio	399,679	96,225	495,904	495,842	-	63
Corozal	1,085,708	86,578	1,172,286	1,165,873	-	6,414
Culebra	235,363	109,508	344,871	341,955	-	2,917
Dorado	5,028,412	258,326	5,286,738	5,374,824	88,086	-
Fajardo	5,068,930	302,047	5,370,977	5,366,593	-	4,385
Florida	224,459	104,840	329,299	336,346	7,046	-
Guánica	428,754	86,686	515,440	517,139	1,699	-
Guayama	3,411,531	217,031	3,628,561	3,617,300	-	11,261
Guayanilla	471,363	105,325	576,687	578,201	1,513	-
Guaynabo	582,402	662,930	1,245,332	667,689	-	577,643
Gurabo	2,338,264	184,057	2,522,321	2,544,514	22,193	-

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED) (CONTINUED)
JUNE 30, 2024

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Hatillo	\$ 8,535,911	\$ 417,937	\$ 8,953,848	\$ 8,963,376	\$ 9,528	\$ -
Hormigueros	1,396,228	166,060	1,562,288	1,560,375	-	1,914
Humacao	7,320,843	336,833	7,657,676	7,585,291	-	72,385
Isabela	3,408,530	200,714	3,609,244	3,603,158	-	6,086
Jayuya	513,823	119,229	633,051	632,940	-	111
Juana Díaz	2,255,926	182,712	2,438,638	2,452,154	13,516	-
Juncos	1,512,199	137,338	1,649,537	1,634,087	-	15,450
Lajas	794,853	116,597	911,450	914,925	3,476	-
Lares	911,033	130,809	1,041,841	1,049,064	7,223	-
Las Marías	105,685	99,924	205,609	204,445	-	1,164
Las Piedras	1,600,989	96,695	1,697,684	1,698,332	647	-
Loíza	543,127	102,047	645,174	647,272	2,099	-
Luquillo	1,189,751	150,583	1,340,334	1,344,923	4,589	-
Manatí	5,156,453	324,036	5,480,489	5,482,839	2,351	-
Maricao	21,661	98,705	120,366	120,366	-	-
Maunabo	125,996	87,886	213,882	215,985	2,103	-
Mayagüez	46,387	528,153	574,540	528,153	-	46,387
Moca	1,177,992	151,591	1,329,583	1,324,055	-	5,528
Morovis	874,139	107,414	981,553	977,100	-	4,454
Naguabo	683,681	122,055	805,736	805,713	-	23
Naranjito	1,308,726	149,711	1,458,437	1,463,107	4,669	-
Orocovis	664,144	103,373	767,517	769,325	1,808	-
Patillas	495,931	106,215	602,146	592,524	-	9,622
Peñuelas	653,820	97,487	751,307	758,294	6,986	-
Ponce	19,886,550	868,392	20,754,942	20,763,063	8,120	-
Quebradillas	934,523	140,258	1,074,781	1,075,275	493	-
Rincón	1,093,093	144,735	1,237,829	1,245,096	7,267	-
Río Grande	3,412,446	176,370	3,588,816	3,603,844	15,027	-
Sabana Grande	742,940	122,081	865,021	868,132	3,111	-
Salinas	1,314,212	137,750	1,451,961	1,455,268	3,307	-
San Germán	1,815,277	168,636	1,983,913	1,980,009	-	3,904
San Juan	1,569,154	3,017,811	4,586,965	3,017,811	-	1,569,154
San Lorenzo	1,696,440	158,061	1,854,500	1,844,428	-	10,073
San Sebastián	2,148,814	194,256	2,343,070	2,350,370	7,300	-

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED) (CONTINUED)
JUNE 30, 2024

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Santa Isabel	\$ 2,440,321	\$ 197,566	\$ 2,637,887	\$ 2,644,902	\$ 7,015	\$ -
Toa Alta	1,709,119	185,553	1,894,672	1,894,465	-	207
Toa Baja	7,560,322	435,696	7,996,018	8,003,627	7,608	-
Trujillo Alto	3,321,095	235,354	3,556,449	3,871,824	315,375	-
Utuado	849,617	129,381	978,998	976,782	-	2,216
Vega Alta	1,906,992	177,576	2,084,568	2,083,936	-	633
Vega Baja	2,933,898	212,682	3,146,580	3,103,747	-	42,833
Vieques	601,246	90,802	692,048	691,495	-	552
Villalba	434,524	85,376	519,900	520,055	154	-
Yabucoa	866,398	116,958	983,356	986,166	2,810	-
Yauco	2,237,249	185,711	2,422,960	2,410,028	-	12,932
Sub-total	189,142,969	20,489,099	209,632,067	207,485,612	931,014	3,077,470
2021 Liquidation					153,952	
Total	\$ 189,142,969	\$ 20,489,099	\$ 209,632,067	\$ 207,485,612	\$ 1,084,966	\$ 3,077,470

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED)
JUNE 30, 2023

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Adjuntas	\$ 457,745	\$ 79,741	\$ 537,486	\$ 553,168	\$ 15,682	\$ -
Aguada	1,749,612	161,733	1,911,345	1,930,181	18,836	
Aguadilla	5,275,061	262,034	5,537,095	5,569,769	32,674	
Aguas Buenas	559,039	107,161	666,200	666,779	579	
Aibonito	1,357,553	83,211	1,440,764	1,446,095	5,331	
Añasco	1,128,623	101,669	1,230,292	1,259,856	29,564	
Arecibo	4,131,036	224,658	4,355,694	4,374,007	18,313	
Arroyo	506,240	97,283	603,523	603,683	160	
Barceloneta	4,417,074	216,533	4,633,607	4,695,591	61,984	
Barranquitas	996,098	79,458	1,075,556	1,080,591	5,035	
Bayamón	278,866	1,428,371	1,707,237	1,428,371		278,866
Cabo Rojo	2,305,900	145,711	2,451,611	2,548,114	96,503	
Caguas	22,469,670	1,010,503	23,480,173	23,510,078	29,905	
Camuy	1,218,699	94,250	1,312,949	1,383,200	70,251	
Canóvanas	3,703,889	182,658	3,886,547	3,792,579		93,968
Carolina	368,765	937,393	1,306,158	937,393		368,765
Cataño	5,502,333	283,109	5,785,442	5,723,888		61,554
Cayey	5,919,828	296,030	6,215,858	6,296,238	80,380	
Ceiba	274,693	66,691	341,384	347,084	5,700	
Ciales	431,014	82,729	513,743	511,885		1,858
Cidra	1,860,716	169,949	2,030,665	2,056,156	25,491	
Coamo	1,097,943	120,832	1,218,775	1,219,836	1,061	
Comerio	385,158	90,223	475,381	486,398	11,017	
Corozal	1,041,801	80,676	1,122,477	1,123,087	610	
Culebra	206,773	101,148	307,921	318,090	10,169	
Dorado	4,710,616	234,780	4,945,396	4,925,864		19,532
Fajardo	4,746,076	240,276	4,986,352	5,050,335	63,983	
Florida	187,834	93,606	281,440	281,440		
Guánica	396,010	80,783	476,793	481,581	4,788	
Guayama	3,253,073	228,747	3,481,820	3,504,180	22,360	
Guayanilla	468,291	77,449	545,740	549,618	3,878	
Guaynabo	12,330	656,481	668,811	656,481		12,330
Gurabo	2,164,589	177,146	2,341,735	2,327,516		14,219

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED) (CONTINUED)
JUNE 30, 2023

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Hatillo	\$ 8,055,087	\$ 392,671	\$ 8,447,758	\$ 8,479,574	\$ 31,816	\$ -
Hormigueros	1,394,207	145,684	1,539,891	1,538,278	-	1,613
Humacao	7,002,272	333,760	7,336,032	7,380,486	44,454	-
Isabela	3,293,069	193,631	3,486,700	3,509,103	22,403	-
Jayuya	479,739	109,228	588,967	603,252	14,285	-
Juana Díaz	2,160,041	175,815	2,335,856	2,349,881	14,025	-
Juncos	1,448,677	130,911	1,579,588	1,589,138	9,550	-
Lajas	746,769	93,109	839,878	846,710	6,832	-
Lares	840,699	85,828	926,527	939,098	12,571	-
Las Marías	89,360	93,884	183,244	184,397	1,153	-
Las Piedras	1,499,714	90,688	1,590,402	1,593,884	3,482	-
Loíza	501,831	78,614	580,445	586,234	5,789	-
Luquillo	1,004,385	128,329	1,132,714	1,147,318	14,604	-
Manatí	4,986,829	310,611	5,297,440	5,310,815	13,375	-
Maricao	23,166	95,449	118,615	118,615	-	-
Maunabo	120,422	68,143	188,565	190,621	2,056	-
Mayagüez	64,460	523,099	587,559	523,099	-	64,460
Moca	1,117,119	132,385	1,249,504	1,258,394	8,890	-
Morovis	829,395	101,297	930,692	929,404	-	1,288
Naguabo	631,641	104,878	736,519	742,274	5,755	-
Naranjito	1,215,739	128,983	1,344,722	1,344,274	-	448
Orocovis	613,047	85,965	699,012	701,332	2,320	-
Patillas	455,116	100,596	555,712	564,488	8,776	-
Peñuelas	584,716	91,472	676,188	718,773	42,585	-
Ponce	19,307,337	720,721	20,028,058	20,022,569	-	5,489
Quebradillas	883,945	120,879	1,004,824	1,009,137	4,313	-
Rincón	983,530	115,123	1,098,653	1,106,967	8,314	-
Río Grande	2,997,426	169,539	3,166,965	3,215,984	49,019	-
Sabana Grande	688,608	111,693	800,301	808,015	7,714	-
Salinas	1,158,826	131,318	1,290,144	1,309,003	18,859	-
San Germán	1,727,725	149,268	1,876,993	1,877,764	771	-
San Juan	1,176,659	2,703,814	3,880,473	2,703,814	-	1,176,659
San Lorenzo	1,439,522	151,419	1,590,941	1,607,819	16,878	-
San Sebastián	2,066,262	187,240	2,253,502	2,270,430	16,928	-

MUNICIPAL FINANCE CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CLOSE YEAR LIQUIDATION (UNAUDITED) (CONTINUED)
JUNE 30, 2023

Municipality of	Collections	Prior Year Collections	Total Collections	Advances to Municipality	Due from Municipality	Due to Municipality
Santa Isabel	\$ 2,336,904	\$ 146,993	\$ 2,483,897	\$ 2,502,493	\$ 18,596	\$ -
Toa Alta	1,662,557	170,796	1,833,353	1,850,679	17,326	-
Toa Baja	7,199,193	377,540	7,576,733	7,869,517	292,784	-
Trujillo Alto	3,182,085	233,452	3,415,537	2,925,061	-	490,476
Utua	817,549	123,036	940,585	974,064	33,479	-
Vega Alta	1,743,495	163,191	1,906,686	1,926,790	20,104	-
Vega Baja	2,712,353	200,826	2,913,179	2,930,744	17,565	-
Vieques	567,255	84,856	652,111	658,406	6,295	-
Villalba	413,702	72,759	486,461	492,745	6,284	-
Yabucoa	830,569	110,192	940,761	952,972	12,211	-
Yauco	2,145,161	178,361	2,323,522	2,327,491	3,969	-
Sub-total	178,781,111	18,511,068	197,292,179	196,131,038	1,430,384	2,591,525
2021 Liquidation					172,561	
Total	\$ 178,781,111	\$ 18,511,068	\$ 197,292,179	\$ 196,131,038	\$ 1,602,945	\$ 2,591,525