PUERTO RICO SALES TAX FINANCING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements and
Required Supplementary Information

June 30, 2024

(With Independent Auditors' Report Thereon)

PUERTO RICO SALES TAX FINANCING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

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Independent Auditors' Report

The Board of Directors
Puerto Rico Sales Tax Financing Corporation:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, and each major fund of the Puerto Rico Sales Tax Financing Corporation (the Corporation), a component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2024, and the related notes to the financial statements which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the Corporation, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of 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 controls 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 Corporation's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

KPMG LLP

San Juan, Puerto Rico
November 8, 2024

Stamp No. E584020 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

PUERTO RICO SALES TAX FINANCING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis (Unaudited)

June 30, 2024

As management of the Puerto Rico Sales Tax Financing Corporation (the "Corporation" or "COFINA"), we offer readers of the Corporation's financial statements this narrative overview and analysis of its financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the Corporation's basic financial statements, including the notes thereto, which follow this section.

Financial Highlights

- The Corporation's net deficit in the statement of net position (deficit) increased from $6,781 million as of June 30, 2023 to $7,396 million as of June 30, 2024, an increase of approximately $615 million, or 9%. The increase in net deficit is due to the Corporation recording interest on its bonds payable of approximately $614 million, of which $184 million represent the accretion of interest on capital appreciation bonds during the year ended June 30, 2024. Also, during the year ended June 30, 2024, the Corporation accrued the amount of $23 million representing the sales and use tax ("SUT") collections deposited in the Remainder Fund that will be paid to the Commonwealth of Puerto Rico (the "Commonwealth") in accordance with Section 5.10 of the Indenture (as defined below). These increases were offset by program revenues (investment earnings) of approximately $19 million.
- COFINA Revenues (as defined below) increased to $511 million in fiscal year 2024 from $492 million in fiscal year 2023, an increase of approximately $19 million, or 4%. This increase was due to a statutory rate increase of 4% provided by Act No.91-2006, as amended ("Act No. 91"). The term "COFINA Revenues" refers to the Corporation's right to receive the first funds of the Pledged SUT (as defined below) collected in any fiscal year, up to an amount equal to fifty-three and sixty-five one hundredths percent (53.65%) of the Fixed Income Amount for each fiscal year, which is a statutorily determined amount that increases by four percent each fiscal year. The term "Pledged SUT" includes (a) the present and future revenues and collections generated by the portion of the SUT that corresponds, initially, to a tax rate of five and one-half percent (5.5%), subject to the right of the Commonwealth to reduce the rate of the Pledged SUT in accordance with the Indenture and the right of the Commonwealth to provide Substituted Collateral in accordance with the Substitution Requirements, and (b) the Substituted Collateral, if any, provided by the Commonwealth in accordance with the Substitution Requirements. For further information on the SUT and COFINA's ownership rights over certain portions of the SUT, refer to Note 6 to the basic financial statements.

Overview of the Financial Statements

These basic financial statements include management's discussion and analysis section, the independent auditor's report, and the basic financial statements of the Corporation. The basic financial statements also include notes that provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

These basic financial statements and notes thereto should be read in conjunction with certain public documents concerning the Corporation. COFINA's Third Amended Title III Plan of Adjustment (the "Plan of Adjustment"), the Title III court's (the "Title III Court") findings of fact and conclusions of law (the "Findings and Conclusions") regarding COFINA's debt restructuring under the Puerto Rico Oversight, Management and Economic Stability Act ("PROMESA"), and the Title III Court order confirming the Plan of Adjustment (the "Confirmation Order") are available without charge at https://cases.ra.kroll.com/puertorico/Home-DocketInfo. To the extent there is any discrepancy between the description contained herein and the terms set forth in each of these documents (collectively, the "Operative Documents"), the terms set forth in the Operative Documents control.

Required Financial Statements

- The statement of net position (deficit) provides information about the nature and amounts of resources (assets) and the Corporation's obligations (liabilities).

- Current year revenues and expenses are accounted for in the statement of activities. This statement measures the results of the Corporation's operations over the past year.
- Governmental funds' financial statements present the financial position and results of operations of the Corporation's two governmental fund types using a current financial resources measurement focus. The statement of revenues, expenditures, and changes in fund balance can be used to determine, for example, whether and how the Corporation met its debt service requirements for the year.

Financial Analysis

In evaluating the Corporation's finances, in addition to the Corporation's assets and liabilities, various non-financial factors, such as changes in economic conditions, and new or changed legislation should be considered. Due to the nature of the Corporation's activities, the Corporation's financial strength and ability to repay its obligations is solely dependent on the portion of the Pledged SUT collected and used to fund the Debt Service Fund. The confirmation of the Plan of Adjustment ended the Corporation's restructuring under Title III of PROMESA and included sweeping changes to its financial situation. For more information on the Corporation's restructuring under Title III of PROMESA, refer to Notes 3 and 15 of to the basic financial statements.

Government-Wide Financial Analysis

The following is a condensed summary of the assets, liabilities, and net position (deficit) for the Corporation as of June 30, 2024, and June 30, 2023 (in thousands), presented from an accounting perspective:

	June 30		Change	
	2024	2023	Amount	Percent
Assets:				
Future sales and use tax receivable	$ 5,371,207	$ 5,882,654	$ (511,447)	(8.7)%
Investments	348,233	318,236	29,997	9.4%
Other assets	2,029	4,429	(2,400)	(54.2)%
Total assets	5,721,469	6,205,319	(483,850)	(7.8)%
Liabilities:				
Accounts payable and accrued interest payable	215,293	220,695	(5,402)	(2.4)%
Due to Commonwealth of Puerto Rico	23,485	16,363	7,122	43.5%
Long-term liabilities	12,878,846	12,749,254	129,592	1.0%
Total liabilities	13,117,624	12,986,312	131,312	1.0%
Net deficit – unrestricted	$ (7,396,155)	$ (6,780,993)	$ (615,162)	9.1%

Future SUT collections are recognized as revenue in the fund's financial statements upon the Corporation's receipt of such collections, but these payments reduce the future SUT receivable in the government-wide financial statements. The Corporation's receipt of COFINA Revenues for fiscal year 2024 of approximately \$511 million reduced the balance of the future SUT receivable as of June 30, 2024. Also, as of June 30, 2024, the Corporation had \$12,879 million of bonds payable issued and outstanding, an increase of approximately \$130 million (or 1.0%) from \$12,749 million as of June 30, 2023. This increase was the result of the accretion of interest on capital appreciation bonds of \$184 million reduced by scheduled principal debt service payments of \$54 million for fiscal year 2024.

The increase in investments when compared to the previous year is principally due to the COFINA Revenues increasing annually by a statutorily determined 4% and those resources being accumulated in the Trustee's cash management accounts to cover scheduled debt service payments. On July 1, 2024, debt service payments amounting to approximately $289 million were paid on Puerto Rico Sales Tax Financing Corporation Restructured Sales Tax Bonds, Series 2019 Bonds (the "COFINA Bonds") while debt service payments of approximately $270 million were paid on July 1, 2023. Also, contributing to the increase in investments was the investment of operating funds previously held under deposits placed with banks and a market of higher interest rates for both operating funds and investments under the Master Trust Indenture by and between the Corporation and The Bank of New York Mellon ("BNYM"), as trustee (the "Trustee"), dated as of February 12, 2019, as supplemented and amended (the "Indenture").

Other assets, which include deposits placed with commercial banks, decreased from $4 million in fiscal year 2023 to $2 million in fiscal year 2024 as management has continued to invest excess cash from its operating funds to improve performance through external investment alternatives. Approximately $1 million of surplus funds were invested during fiscal year 2024. In addition, the annual replenishment of the Operating Reserve Fund of approximately $1 million was completed after June 30, 2024, as opposed to the prior year when the replenishment of also approximately $1 million was completed at the end of fiscal year 2023. The Operating Reserve Fund is replenished to its cap of $15 million at the end of each fiscal year as required by the Indenture.

Pursuant to Section 5.10 of the Indenture, SUT collections deposited in the Remainder Fund shall be paid to the Commonwealth. As of June 30, 2024, the Corporation established an accrual due to the Commonwealth of $23 million ($16 million as of June 30, 2023) in accordance with this provision of the Indenture.

Condensed revenues, expenses, and change in net position (deficit) for the years ended June 30, 2024 and June 30, 2023, are presented below (in thousands):

	June 30		Change	
	2024	2023	Amount	Percent
Expenses:				
Payments to the Commonwealth of Puerto Rico	$ (23,485)	$ (16,363)	$ (7,122)	43.5%
Interest on long-term debt	(614,421)	(607,571)	(6,850)	1.1%
Other	4,033	(1,683)	5,716	(339.6)%
Total expenditures	(633,873)	(625,617)	(8,256)	1.3%
Program revenues:				
Investment earnings and other	18,711	11,166	7,545	67.6%
Total revenues	18,711	11,166	7,545	67.6%
Change in net deficit	$ (615,162)	$ (614,451)	$ (711)	0.1%

Total interest expense on long-term debt for the fiscal year ended June 30, 2024 was approximately $614 million, an increase of $7 million (or 1.1%) when compared to 2023. The increase in the interest expense on long-term debt is mainly related to the impact of the discount on capital appreciation bonds.

Pursuant to Section 5.10 of the Indenture, on September 28, 2023, at the request of the Secretary of the Treasury of the Commonwealth, approximately $16 million was transferred from the Trustee to the Commonwealth. As of June 30, 2024, an account payable was accrued for approximately $23 million representing the SUT collections deposited in the Remainder Fund corresponding to fiscal year 2024, which amount was paid by the Trustee to the Secretary of Treasury after year end.

In fiscal year 2019, the Corporation recorded approximately $4 million to cover any unfavorable outcome related to an administrative claim dispute with the U.S. Internal Revenue Service ("IRS") which seeks the return of post-petition direct subsidy payments with respect of certain pre-petition bonds. During the year ended June 30, 2024, management released the contingent liability, including accrued interest, of approximately $6 million after reaching a settlement with the IRS which resulted in the withdrawal of such administrative claim from the Title III Court. The release of contingent liability is presented net of expenses within Other in the condensed revenues, expenses and change in net position (deficit) for year ended June 30, 2024.

Investment interest income increased from $11 million in fiscal year 2023 to $19 million in fiscal year 2024 due to the rising interest rate environment and higher average investment balances in the Trustee's cash management accounts. Also, increasing interest rates have resulted in COFINA's investments having greater returns during fiscal year 2024 when compared to the prior year.

Governmental Fund Financial Analysis

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Corporation uses to keep track of specific sources of funding and spending for a particular purpose. Governmental fund financial statements provide more detailed information about the Corporation's most significant funds and not the Corporation as a whole. The Corporation maintains two governmental funds which are considered major funds: the General Fund and the Debt Service Fund. Information is presented separately in the governmental funds' balance sheets and in the governmental funds' statements of revenues, expenditures and changes in fund balances. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on current inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. This information may be useful in evaluating the Corporation's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of financial decisions related to the Corporation's governmental activities. Both the governmental funds' balance sheets and the governmental funds' statements of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Corporation's governmental funds reported a total fund balance as of June 30, 2024 and June 30, 2023 of $327 million and $306 million, respectively. For the years ended June 30, 2024 and June 30, 2023 the receipts of SUT amounted to approximately $511 million and $492 million, respectively.

Pursuant to the Indenture, amounts deposited in the Remainder Fund will be paid to the Commonwealth. A subsequent payment to the Commonwealth of approximately $23 million ($16 million in 2023) was accrued as of June 30, 2024. The Debt Service Fund is funded with the receipt of Pledged SUT and interest thereon.

At the Plan of Adjustment's effective date (February 12, 2019), the Corporation's General Fund received $15 million, available for its operating expenses, plus additional funds remaining prior to such effective date that were held at the Corporation. In addition to these funds, operating expenses are covered by investment earnings derived from interest income generated by funds deposited in the Corporation's bond trustee accounts held for the benefit of the Corporation prior to distribution. These amounts are then transferred to the Corporation's operational account at a Puerto Rico banking institution, subject to the annual operating account cap amount of $15 million.

Debt Administration

As of June 30, 2024, the Corporation's outstanding bonds balance was approximately $12,879 million compared to $12,749 million as of June 30, 2023.

The COFINA Bonds include: (i) current interest bonds ("CIB") entitled to receive interest payments on a current basis and (ii) capital appreciation bonds ("CAB"), for which interest is added to principal and paid at maturity.

The net increase in bonds payable of approximately $130 million was the result of the accretion in the discount on CABs amounting to approximately $184 million less the scheduled principal debt service payments of approximately $54 million. During the year ended June 30, 2024, COFINA made its scheduled principal payments of its Series 2019A-1 and Series 2019B-1 CABs amounting to approximately $53 million and $690,343, respectively.

On August 1, 2019, certain taxable COFINA bonds were exchanged for tax-exempt COFINA Bonds (i.e., interest on such bonds is excluded from gross income for federal tax purposes under Section 103 of the U.S. Internal Revenue Code of 1986 (the "U.S. Tax Code")), through an invitation to exchange. At that date, COFINA exchanged $3,108,661,000 aggregate principal amount of Series 2019A-2 Bonds and $45,570,000 aggregate principal amount of Series 2019B-2 Bonds and amendments to the First Supplemental Trust Indenture and the Second Supplemental Trust Indenture became effective.

On November 10, 2021, COFINA also exchanged taxable Bonds Series 2019A-2 with principal amount of approximately $26 million for tax-exempt Bonds Series 2019A-2B that have the same terms of the exchanged bonds, except for the interest on such bonds which is excluded from gross income for federal tax purposes under Section 103 of U.S. Tax Code. The exchange transaction, approved by the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"), was made in connection with the debt restructuring of the Puerto Rico Infrastructure Financing Authority, a component unit of the Commonwealth and holder of COFINA Bonds. Certain amendments to the First Supplemental Trust Indenture were made to reflect the new tax-exempt status of the exchanged bonds.

The newly issued bonds are payable on various dates through fiscal year 2058. The COFINA Bonds do not have a debt service reserve fund nor rights of acceleration.

A New Continuing Disclosure Agreement dated as of February 12, 2019, was entered into by the Corporation in connection with the issuance of the COFINA Bonds pursuant to the Plan of Adjustment. The Corporation is in compliance with its continuing disclosure obligations. COFINA has posted continuing disclosure documents on the Municipal Securities Rulemaking Board Electronic Municipal Market Access website ("EMMA"), and on its website.

COFINA's Credit Ratings

COFINA's outstanding bonds are not rated and, currently, there is no plan to obtain a rating on the COFINA Bonds.

Currently Known Facts and Events

As of the date of these basic financial statements, COFINA has complied with the terms of the Plan of Adjustment and with COFINA's obligations under the Indenture, including the payment of principal and interest on the COFINA Bonds when due.

Receipt of Sales and Use Taxes

On October 20, 2023, the Trustee received SUT collections totaling $511 million, which equaled the amount of the COFINA Revenues for fiscal year 2024. Consistent with the Plan of Adjustment, upon the Trustee's receipt of the COFINA Revenues for fiscal year 2024, the Commonwealth is entitled to receive all SUT collections until the end of fiscal year 2024 (June 30, 2024). On July 1, 2024, the Trustee began to receive collections from the Pledged SUT for fiscal year 2025. The Trustee will continue to receive these collections until it receives all COFINA Revenues for fiscal year 2025, which will amount to $531,668,483.

COFINA's 2024 Fiscal Plan

In June 2024, the Oversight Board certified COFINA's 2024 Fiscal Plan (the "COFINA Fiscal Plan"). Such fiscal plan was certified pursuant Section 201(f) of PROMESA which allows for the joint development of the COFINA Fiscal Plan between COFINA and the Oversight Board. The COFINA Fiscal Plan includes, among other things, information regarding SUT collections, the Plan of Adjustment and the COFINA Bonds, recent highlights and financial projections, long-term projections and a debt sustainability analysis. Please refer to the COFINA Fiscal Plan published on the COFINA website.

COFINA's 2025 Budget

The Financial Oversight and Management Board approved a budget amounting to approximately $1.7 million for COFINA's operations for fiscal year ended June 30, 2025.

Request for Information

This financial report is designed to provide those interested with a general overview of the Corporation's finances and to enhance the Corporation's accountability for the funds it receives. Questions about this report or requests for additional information should be addressed to Puerto Rico Sales Tax Financing Corporation, PO Box 42001, San Juan, Puerto Rico, 00940-2001. Additional information can also be found at: www.cofina.pr.gov.

PUERTO RICO SALES TAX FINANCING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

Governmental Funds Balance Sheets and Statement of Net Position (Deficit)

June 30, 2024

	Governmental Funds Balance Sheets					
	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position (Deficit)	
Assets:						
Deposits placed with commercial banks	$ 596,330	$ -	$ 596,330	$ -	$ 596,330	BE-1
Cash held by trustee	-	1,009,827	1,009,827	-	1,009,827	
Future sales and use tax receivable	-	5,371,206,662	5,371,206,662	-	5,371,206,662	
Prepaid expenses and other assets	422,560	-	422,560	-	422,560	
Investments	21,384,118	326,849,038	348,233,156	-	348,233,156	
Total assets	22,403,008	5,699,065,527	5,721,468,535	-	5,721,468,535	
Liabilities:						
Accounts payable and accrued liabilities	264,614	-	264,614	-	264,614	BE-2
Accrued interest payable	-	-	-	215,028,009	215,028,009	
Due to Commonwealth of Puerto Rico	23,484,542	-	23,484,542	-	23,484,542	
Unearned revenue - sales and use tax	-	5,371,206,662	5,371,206,662	(5,371,206,662)	-	
Bonds payable						
Due within one year	-	-	-	74,225,000	74,225,000	
Due in more than one year	-	-	-	12,804,621,068	12,804,621,068	
Total liabilities	23,749,156	5,371,206,662	5,394,955,818	7,722,667,415	13,117,623,233	
Fund balance/net position (deficit):						
Fund balance:						
Restricted	-	327,858,865	327,858,865	(327,858,865)	-	
Unassigned	(1,346,148)	-	(1,346,148)	1,346,148	-	
Total fund balance	(1,346,148)	327,858,865	326,512,717	(326,512,717)	-	
Total liabilities and fund balance	$ 22,403,008	$ 5,699,065,527	$ 5,721,468,535			
Net deficit:						
Unrestricted				(7,396,154,698)	(7,396,154,698)	
Net deficit				$ (7,396,154,698)	$ (7,396,154,698)	

See accompanying notes to basic financial statements.

PUERTO RICO SALES TAX FINANCING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

Reconciliation of Governmental Funds Balance Sheets to the
Statement of Net Position (Deficit)

June 30, 2024

Total fund balances - governmental funds:	$	326,512,717
Amounts reported for governmental activities in the statement of net deficit are different because:		
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund financial statements		(215,028,009)
Bonds and notes payable are not due and payable in the current period, and, therefore, are not reported in the fund financial statements		(12,878,846,068)
Future sales and use tax receivable does not constitute current financial resources, and, therefore, is unearned in the fund financial statements		5,371,206,662
Net deficit of governmental activities	$	(7,396,154,698)

See accompanying notes to basic financial statements.

PUERTO RICO SALES TAX FINANCING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

Governmental Funds Statements of Revenues,
Expenditures, and Changes in Fund Balance and Statement of Activities

June 30, 2024

	Governmental Funds Statements of Revenue, Expenditures, and Changes in Fund Balances				
	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Expenditures/expenses:					
General government:					
Payments to the Commonwealth of Puerto Rico	$ 23,484,542	$ -	$ 23,484,542	$ -	$ 23,484,542 BE-3
Other, including release of contingent liability	1,334,337	-	1,334,337	(5,367,951)	(4,033,614)
Debt service:					
Principal	-	54,565,877	54,565,877	(54,565,877)	-
Interest	-	430,056,019	430,056,019	184,365,273	614,421,292
Total expenditures/expenses	24,818,879	484,621,896	509,440,775	124,431,445	633,872,220
Program revenues:					
Collections of sales and use tax	-	511,447,448	511,447,448	(511,447,448)	-
Investment earnings	1,109,498	17,596,731	18,706,229	-	18,706,229
Other income	-	-	-	4,095	4,095
Total revenues	1,109,498	529,044,179	530,153,677	(511,443,353)	18,710,324
Net program revenue (expenses)	(23,709,381)	44,422,283	20,712,902	(635,874,798)	(615,161,896)
Other financing sources (uses):					
Transfers (out) in	16,362,779	(16,362,779)	-	-	-
Total other financing sources (uses)	16,362,779	(16,362,779)	-	-	-
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses	(7,346,602)	28,059,504	20,712,902	(20,712,902)	-
Change in net deficit	-	-	-	(615,161,896)	(615,161,896)
Fund balance/net deficit:					
At beginning of year	6,000,454	299,799,361	305,799,815	(7,086,792,617)	(6,780,992,802)
At end of year	$ (1,346,148)	$ 327,858,865	$ 326,512,717	$ (7,722,667,415)	$ (7,396,154,698)

See accompanying notes to basic financial statements.

PUERTO RICO SALES TAX FINANCING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

Reconciliation of Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities

June 30, 2024

Net changes in fund balances - total governmental funds:	$	20,712,902
Amounts reported for governmental activities in the statement of activities are different because:		
Some revenues (expenses) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues (expenditures) the governmental funds - net		5,372,046
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net deficit		54,565,877
Accretion on capital appreciation bonds does not require the use of current financial resources and, therefore, is not reported as expenditure in the governmental funds		(184,365,273)
Collections of sales and use tax provide current financial resources to governmental funds; however, represent repayments of the future sales and use tax receivable in the statement of activities		(511,447,448)
Change in net deficit of governmental activities	$	(615,161,896)

See accompanying notes to basic financial statements.

(1) Reporting Entity

The Puerto Rico Sales Tax Financing Corporation (the "Corporation" or "COFINA") is a public corporation and instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth"), constituting a corporate and political entity independent and separate from the Commonwealth. The Corporation was created by the Puerto Rico Legislative Assembly (the "Legislative Assembly") under Act No. 91 of May 13, 2006; as amended by Act No. 291, approved on December 26, 2006; Act No. 56, approved on July 6, 2007; Act No. 1, approved on January 14, 2009; Act No. 7, approved on March 9, 2009; Act No. 18, approved on May 22, 2009; Act No.133, approved on July 12, 2012; Act No. 116, approved on October 10, 2013; Act No. 101, approved on July 1, 2015; Act No. 84, approved on July 22, 2016; and Act No. 241, approved on November 15, 2018 (collectively, "Act No. 91"). Act No. 241-2018 was enacted to amend and restate Act No. 91, to establish the legal framework for the restructuring of the Corporation's previously issued and outstanding bonds. To this end, Act No. 241-2018, among other things, (i) modified the Corporation's corporate governance structure, (ii) authorized the issuance of the COFINA Bonds (as defined herein), (iii) confirmed the Corporation's ownership of the COFINA Revenues (as defined herein), (iv) created a statutory lien to secure the COFINA Bonds, and (v) enacted the covenants to further secure the repayment of the COFINA Bonds.

The Corporation is an independent and separate legal entity from the Government of Puerto Rico and any other government entity of the Commonwealth. The Corporation is operated independently, and its business and affairs are governed by or under the direction of its board of directors.

For more information on the sales and use tax ("SUT") and COFINA's ownership rights over certain portions of the SUT, see Note 6 to the basic financial statements.

COFINA, while a legally separate entity from the Commonwealth, meets the blending criteria established by Governmental Accounting Standards Board Statement No. 14, *The Reporting Entity*, as amended, to be reported as blended component unit of the primary government in the basic financial statements of the Commonwealth.

(2) Summary of Significant Accounting Policies

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") 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 changes in net position (deficit) during the reporting period. Actual results could differ from those estimates.

The accounting and reporting policies of the Corporation conform to U.S. GAAP, as applicable to governmental entities. The Corporation follows the Governmental Accounting Standards Board ("GASB") under the hierarchy established by GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in the preparation of its basic financial statements.

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

(a) Basis of Presentation

The financial activities of the Corporation consist only of governmental activities. For its reporting purposes, the Corporation has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

Government-Wide Financial Statements – The statement of net position (deficit) and the statement of activities report information on all activities of the Corporation. The effect of interfund balances has been removed from the statement of net position (deficit). Governmental activities are financed with the revenues of the SUT deposited in the COFINA Revenues Fund (as defined below), which is the segregated fund owned by the Corporation into which the COFINA Revenues are deposited and held by the Trustee (the "COFINA Revenues Fund"), and other financing sources.

The statement of net position (deficit) presents the Corporation's assets and liabilities, with the difference reported as net position (deficit). Net position (deficit) is reported in two categories:

- 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.
- Unrestricted Net Position – Consists of net position that does not meet the definition in the preceding category. Unrestricted net position often is designated in order to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on use that are imposed by management, but such constraints may be removed or modified.

The statement of activities demonstrates the degree to which 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 consist of investment earnings. Other items not meeting the definition of program revenues are reported as general revenues.

Governmental Funds Financial Statements – The accounts of the Corporation are organized on the basis of funds, each of which is considered a separate accounting entity. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All funds of the Corporation are major funds.

Fund Accounting – The financial activities of the Corporation are recorded in individual funds, each of which is deemed to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The financial activities of the Corporation that are reported in the accompanying basic financial statements have been classified into the following major governmental funds:

- General Fund – The general fund of the Corporation is used to account for all financial resources, except those required to be accounted for in another fund.
- Debt Service Fund – The debt service fund is used to account for the SUT deposited in the COFINA Revenues Fund for the payment of interest and principal on long-term obligations.

Fund balances for each governmental fund are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The Corporation did not have any non-spendable resources as of June 30, 2024.
- Restricted – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by

constitutional provisions or enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of the resource provider or by constitutional provisions or enabling legislation.

- Committed – amounts that can be spent only for specific purposes determined by a formal action of the Corporation's highest level of decision-making authority. The Corporation's highest decision-making level of authority rests with the board of directors. The Corporation did not have any committed resources as of June 30, 2024.
- Assigned – amounts the Corporation intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed (generally approved by the Corporation's Executive Director).
- Unassigned – amounts that are available for any purpose.

(b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-Wide Financial Statements – Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Funds Financial Statements – The governmental fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under accrual accounting, except that interest on general long-term obligations is generally recognized when paid, and debt service principal expenditures, claims and judgments are recorded only when payment is due. Revenue arising from Pledged SUT (as defined below) is recognized on an annual basis, upon collection or when the Commonwealth is obligated to make the payments.

(c) Budgetary Accounting

The Corporation is not required to submit a budget for approval by the Legislative Assembly; consequently, no formal budgetary accounting procedures are followed.

(d) Deposits placed with commercial banks

Deposits placed with commercial banks include deposits maintained by the Corporation in interest and non-interest-bearing accounts in commercial banks. The balance of approximately $596,000 as of June 30, 2024 is segregated among two unrestricted bank accounts available for any general corporate purposes. Refer to Note 11 of the basic financial statements for further information regarding COFINA's Operating Reserve Fund cap.

(e) Investments and Fair Value Measurement

Investments are reported at fair value, except for money market instruments with a remaining maturity at the time of purchase of one year or less and investment positions in funds regulated under Securities and Exchange Commission Rule 2a7 of the Investment Company Act of 1940, like external investment pools, which are carried at amortized cost pursuant GASB Statement No. 79, Certain External Investment Pools, and Pool Participants. There are no limitations nor restrictions on withdrawals related to the external investment pools held by the Corporation. Fair value is determined based on quoted market prices and quotations received from independent broker/dealers or pricing service organizations.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. That hierarchy has three levels:

Level 1 - inputs whose values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices, included within Level 1 that are observable for the assets or liability, either directly or indirectly.

Level 3 - inputs are unobservable inputs for asset or liability and may require a degree of professional judgment.

(f) Future Sales and Use Tax Receivable

Collections of SUT are recognized as revenue in the fund financial statements upon collection. In the government-wide financial statements, these payments reduce the future SUT receivable. Refer to Note 6 to the basic financial statements for further information regarding the future SUT receivable.

(g) Bond Issue Costs and Premium/Discount on Bonds

Premium (discounts) on bonds are amortized in a systematic manner over the life of the debt in the government-wide financial statements. Premium (discounts) are recognized in the period when the related long-term debt is issued in the governmental funds' financial statements, and therefore are not accounted for in subsequent periods. Bond issue costs are expensed as incurred in both government-wide and governmental fund financial statements.

(h) Interfund Transactions

Transfers represent flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the fund making transfers and as other financing sources in the funds receiving transfers.

(i) 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

- GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged.

- GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflows 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 addresses management's discussion analysis, unusual and infrequent items, proprietary fund financial statements, definitions of operating and nonoperating revenues and expenses, budgetary comparisons, and reporting of significant component units. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

- 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. Specifically, the statement requires to separately disclose information about such assets in the notes to the financial statements. The types of capital assets within the scope of the new requirements include lease assets, intangible right-to-use assets, subscription assets and other intangible assets. Also, additional disclosures about capital assets held for sale are also required. 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 on the Corporation's basic financial statements.

(3) Puerto Rico Oversight, Management, and Economic Stability Act

On June 30, 2016, the President of the United States signed into law the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA"). In general terms, PROMESA seeks to provide the Commonwealth, its instrumentalities, and public corporations with fiscal and economic discipline through, among other things: (i) the establishment of the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"), whose responsibilities include the certification of fiscal plans and budgets for the Commonwealth and its related entities; (ii) a temporary stay of all creditor lawsuits under Title IV of PROMESA; and (iii) two alternative methods to adjust unsustainable debts: (a) a voluntary debt modification process under Title VI of PROMESA, which establishes a largely out-of-court debt restructuring process through which modifications to financial debts can be accepted by a supermajority of creditors; and (b) a quasi-bankruptcy proceeding under Title III of PROMESA, which establishes an in-court debt restructuring process substantially based upon incorporated provisions of Title 11 of the United States Code (U.S. Bankruptcy Code).

In February 2019, the Corporation completed its debt restructuring process pursuant to a certain Third Amended Title III Plan of Adjustment (the "Plan of Adjustment"), confirmed under Title III of PROMESA.

In connection with the consummation and effectiveness of the Plan of Adjustment, the Corporation issued its Puerto Rico Sales Tax Financing Corporation Restructured Sales Tax Bonds, Series 2019 Bonds (the "COFINA Bonds") under a certain Master Trust Indenture, dated as of February 12, 2019, as supplemented and amended (the "Indenture"). The Plan of Adjustment reduced COFINA's bond debt from approximately $18 billion to $12 billion through a bond exchange and resolved the allocation of SUT revenues between the Commonwealth and COFINA.

On October 4, 2021, the U.S. Supreme Court denied the Petition for a Writ of Certiorari presented by COFINA's junior bondholders on April 2, 2021, challenging the validity of the Plan of Adjustment under PROMESA. The petition challenged the United States Court of Appeals for the First Circuit's (the "First Circuit") decision to uphold Judge Laura Taylor Swain's order confirming the Plan of Adjustment. The First Circuit's March 2, 2021 decision concluded that efforts to revoke the Plan of Adjustment were barred under the doctrine of equitable mootness because the plan had already been implemented. The U.S. Supreme Court's decision conclusively resolves the last remaining challenge to the Plan of Adjustment.

Please refer to the Note 15 for subsequent events regarding motion to close COFINA Title III case.

(4) Deposits and Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure of a depository financial institution, the Corporation will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amounts deposited in excess of federal depository insurance. All securities pledged as collateral are held by banks in the Corporation's name.

Deposits maintained by the Corporation as of June 30, 2024, represent the balance of interest and non-interest-bearing accounts in commercial banks and cash held by the Trustee under the Indenture. The table presented below discloses the level of custodial credit risk assumed by the Corporation as of June 30, 2024.

	Carrying amount	Depository bank balance	Amount uninsured and uncollateralized
Deposits placed with bank	$ 596,330	$ 596,330	—
Cash held by trustee	1,009,827	1,009,827	759,827
Total	$ 1,606,157	$ 1,606,157	$ 759,827

(5) Deposits Claim Receivable from Public Entity Trust (PET)

On August 10, 2018, the Government Development Bank for Puerto Rico ("GDB") commenced an action to restructure certain of its indebtedness pursuant to a Qualifying Modification (the "Qualifying Modification") under Title VI of PROMESA. The United States District Court for the District of Puerto Rico approved GDB's proposed restructuring on November 6, 2018, and the Qualifying Modification became effective on November 29, 2018.

Pursuant to Act No. 109-2017, also known as the *Government Development Bank for Puerto Rico Debt Restructuring Act* (the "GDB Restructuring Act"), and the terms of the Qualifying Modification, claims on account of deposits held by the Commonwealth and other public entities, including COFINA, were exchanged for beneficial units in the "Public Entity Trust" ("PET") created pursuant to the GDB Restructuring Act. Specifically, under the provisions of the GDB Restructuring Act, on the closing date of the Qualifying Modification (*i.e.*, November 29, 2018), the balance of liabilities owed between the Commonwealth and its agencies, instrumentalities and affiliates, including COFINA (each a "Non-Municipal Government Entity") and GDB was 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, which included COFINA, received their pro rata share of interests in the PET, which was deemed to be in full satisfaction of any and all claims such Non-Municipal Government Entity may have had against GDB.

The Corporation held deposits at GDB of approximately $27 million. A custodial credit loss on these deposits was recorded in previous years resulting in a reserve of the entire balance. As result of the GDB Qualifying Modification, COFINA received beneficial units of the PET amounting to approximately $27 million in exchange of deposits held at GDB. The units received from the PET and the custodial credit loss were reclassified as deposits claim receivable from the PET and an allowance for doubtful accounts, respectively, with a net carrying amount of zero.

The assets of the PET (the "PET Assets") consist of, among other items, a claim in the amount of approximately $578 million against the Commonwealth (the "PET Claim"), which is the subject of a proof of claim filed in the Commonwealth's Title III case. 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. The Corporation's recovery on account of this deposit claim will depend upon the recovery ultimately received by the PET on account of the PET Assets, and as a result, units received from the PET are fully reserved. The PET claim receivable as of June 30, 2024, was as follows:

	Balance as of June 30, 2024	Claim Allowance	Net Carrying Value
Claim receivable	$ 26,577,918	$(26,577,918)	$ -

As of the date of the issuance of the basic financial statements, there have been no recoveries on the claim in the PET.

(6) Future Sales and Use Tax Receivable

The Commonwealth imposes a SUT on a broad range of goods and services. As of June 30, 2024, the total SUT imposed was 11.5% and was allocated as follows: 5.5% for the benefit of the Commonwealth (the "5.5% Sales Tax"), 0.5% for the benefit of the Municipal Administration Fund, 4.5% as an SUT surcharge for the benefit of the Commonwealth and 1.0% for the municipalities of the Commonwealth. Pursuant to Act. No. 91, each fiscal year, the first funds of the 5.5% Sales Tax are required to be transferred to COFINA until COFINA has received an amount equal to the COFINA Revenues for such fiscal year.

Over the course of fiscal year 2024, the future SUT receivable was reduced by the fiscal year 2024 collections of the COFINA Revenues. As collections for fiscal year 2024 amounted to approximately $511 million, the Corporation's future SUT receivable is approximately $5 billion as of June 30, 2024. The COFINA Revenues that the Corporation receives every fiscal year will reduce the future SUT receivable until it equals $0. Based on the schedule of the COFINA Revenues presented in Note 9 to the basic financial statements, in fiscal year 2033 the Corporation should collect the outstanding future SUT balance of $5 billion as of June 30, 2024. After that, the COFINA Revenues that the Corporation receives each fiscal year will be recorded as revenue.

Act No.91, as amended, provides for the establishment of the COFINA Revenues Fund, which is held in the name of the Trustee for the benefit of the holders of the COFINA Bonds and may not be owned or controlled in any way by the Commonwealth or any government entity other than the Corporation. The COFINA Revenues Fund is maintained in one or more mainland U.S. banks.

Any and all ownership interests and rights to the COFINA Revenues were or have been transferred to the Corporation. The transfer described is an absolute transfer of all legal and equitable right, title, and interest, and not a pledge or other financing. In the Confirmation Order, the Title III Court determined that the Corporation has title to the COFINA Revenues and definitively resolved as a legal matter all questions of title to such revenues and the Corporation's sole and exclusive ownership of them. The Corporation is and will be the sole and exclusive owner of the COFINA Revenues until such time as the COFINA Bonds, together with any interest thereon, and all amounts and obligations under all ancillary agreements, have been completely paid in cash in full or have otherwise been discharged in accordance with their terms.

Persons designated as withholding agents for purposes of the imposition and collection of the SUT pursuant to Act No. 1-2011, as amended, also known as the *Internal Revenue Code for a New Puerto Rico* (the "PR Tax Code"), shall be deemed to collect any portion of the SUT in which the Corporation has an ownership interest. Any such withholding agent will continue to be subject to any and all obligations and responsibilities imposed by the PR Tax Code on withholding agents in relation to the imposition and collection of SUT. The COFINA Revenues do not constitute "available resources" or "available revenues" of the Government of Puerto Rico as used in Section 8 of Article VI of the Puerto Rico Constitution or as otherwise used in the Puerto Rico Constitution.

As of June 30, 2024, in each fiscal year, the first collections of the 5.5% Sales Tax are deposited in the COFINA Revenues Fund and applied to fund the COFINA Revenues. The COFINA Revenues are the first funds up to an amount equal to fifty-three and sixty-five one hundredths percent (53.65%) of the Fixed Income Amount for each fiscal year and all legal and equitable rights, title, and interest thereto. The Fixed Income Amount for the fiscal year ended June 30, 2024, was $952,879,209 ($990,994,377 for fiscal year 2025) and, pursuant to the provisions of Act No. 91, it increases each fiscal year at a statutory rate of 4.0% up to $1.85 billion. Regardless of the level of the 5.5% Sales Tax collections, Act No. 91 requires that in each fiscal year all collections of the 5.5% Sales Tax be deposited in the COFINA Revenues Fund until an amount equal to the COFINA Revenues is deposited before any collections of the 5.5% Sales Tax are deposited in the Commonwealth's General Fund.

Collections of SUT are recognized as revenue in the fund financial statements upon collection. In the government-wide financial statements, these payments reduce the future sales and use tax receivable.

(7) Investments

As of June 30, 2024, as provided by Act No. 241-2018, the Corporation may invest the funds on deposit with the Trustee as provided for in the Ancillary Agreements (as such term is defined in Act No. 241-2018), which include the Indenture. Any other funds are held by the Corporation in bank accounts and may or may not be otherwise invested.

Investments Under Indenture

Investments held by the Trustee are made in "Eligible Investments" in accordance with the provisions of Section 6.02 of the Indenture, which include interest-bearing general obligations of the United States of America, United States treasury bills and other non-interest bearing general obligations of the United States of America and certain short-term discount United States government obligations that, in each case, mature no later than the next Monthly Disbursement Date (as such term is defined in the Indenture) in the case of investments held in the COFINA Revenue Fund and not later than the date required to pay principal and interest when due on the COFINA Bonds in the case of moneys held in the Debt Service Fund.

Operating Fund Investments

On November 18, 2022, COFINA's board of directors adopted an investment policy (the "Investment Policy") to ensure the prudent management of COFINA's operating funds. The Investment Policy does not apply to funds held by the Trustee, which are governed by the Indenture as discussed above. The objective of the Investment Policy is the preservation of principal, maintenance of liquidity and maximization of returns on investments applying the "Prudent Investor Rule" standard. Under the Investment Policy, COFINA is allowed to invest its operating funds in (1) U.S. Treasury Obligations issued by or backed by the full faith and credit of the United States Treasury, (2) federally insured or collateralized certificates of state-chartered banks or federally chartered banks, and (3) money market mutual funds. The Executive Director of the Corporation, in consultation with the COFINA Board of Directors, is responsible for conducting the investment transactions authorized in this Investment Policy, although he or she may delegate the responsibility of the day-to-day management of the investment portfolio to an investment firm selected by the COFINA Board of Directors.

On January 31, 2023, COFINA entered into an investment management service contract with a third party for the investment of its operating funds in accordance with the Investment Policy. The COFINA Board of Directors periodically reviews the performance of COFINA's investment portfolio, including compliance with the Investment Policy.

***Interest Rate Risk* -** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2024, the Corporation's board of directors is responsible for implementing and monitoring the interest rate risk policies and strategies. As of June 30, 2024, the practice of the board of directors is to meet on a regular basis to coordinate and monitor the interest rate risk management of interest sensitive assets and interest sensitive liabilities, including matching their anticipated level and maturities, consistent with the corresponding laws and the board of directors' objectives.

The following table summarizes the type and maturities of investments held by the Corporation as of June 30, 2024:

Investment type		Due within one year	Credit Risk Rating
Debt securities:			
U.S. Treasury State and Local Government Series (SLGs)	$	12,832,869	AAA
External Investment Pools:			
Dreyfus Government Cash Management		314,016,169	AAAm
Blackrock Liquidity Funds Treasury Trust Fund		21,384,118	AAAm
Total investments	$	348,233,156	

Credit Risk **-** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation's investment policies provide that investment transactions shall be entered into only with counterparties that are rated BBB+/A-1 or better by Standard & Poor's or an equivalent rating by Moody's or Fitch, depending on the type and maturity of the investment and the counterparty to the transaction. Any exceptions must be approved by the Corporation's board of directors. The Investment Policy also provide that purchases and sales of investment securities shall be made using the delivery versus payment procedures.

Investments in U.S. Treasury SLGs carry the explicit guarantee of the U.S. Government.

As of June 30, 2024, the credit rating of Dreyfus and Blackrock was "AAAm" by Standard & Poor's as shown in the table above. The "AAAm" is Standard & Poor's highest rating defined as extremely strong capacity to maintain principal stability and limit exposure to principal losses due to credit market and liquidity risks. The investments in Dreyfus were held by Bank of New York Mellon, as trustee, in the name of the Corporation. The investments in Blackrock were held by Oriental Wealth Management, an investment firm, in the name of the Corporation.

Concentration of Credit Risk **-** The Corporation places no limits on the amount it may invest in any one issuer. As of June 30, 2024, 4% of the Corporation's investments are in debt securities and 96% are in external investment pools. The following table shows the investments by fair value level held by the Corporation as of June 30, 2024:

Investments by fair value level		Fair Value Measurement Levels			
		Level 1	Level 2	Level 3	Total
Debt securities:					
U.S. Treasury State and Local Government Series (SLGs)	$	–	12,832,869	–	12,832,869
Total investments by fair value level	$	–	12,832,869	–	12,832,869
Investments not measured at fair value:					
External Investment Pools:					
Dreyfus Government Cash Management					314,016,169
Blackrock Liquidity Funds Treasury Trust Funds					21,384,118
Total investments					$ 348,233,156

The debt securities classified in Level 2 of the fair value hierarchy are valued using inputs other than quoted prices under Level 1 and which are observable for the assets, either directly or indirectly on the measurement date.

(8) Relationship with FAFAA and the Commonwealth

Puerto Rico Fiscal Agency and Financial Advisory Authority ("FAFAA")

The Puerto Rico Emergency Moratorium and Financial Rehabilitation Act, Act No. 21-2016 (the "Moratorium Act"), as amended, created FAFAA as an independent public corporation to assume GDB's role as fiscal agent, financial advisor and reporting agent for the Commonwealth and its instrumentalities. Act No. 2-2017, as amended, subsequently repealed and replaced the provisions of the Moratorium Act regarding FAFAA. FAFAA has also been assigned the tasks of overseeing matters related to the restructuring or adjustment of the Commonwealth's financial liabilities, coordinating liability management or other transactions with respect to such obligations, and ensuring compliance with fiscal plans and budgets approved by the Oversight Board pursuant PROMESA. During the fiscal year ended June 30, 2024, FAFAA provided certain management and administrative services to the Corporation under a memorandum of understanding. FAFAA charged the Corporation $72,000 for management and administrative services during the fiscal year ended June 30, 2024.

Also, FAFAA made payments amounting to approximately $49,000 on behalf of COFINA to cover certain legal expenses incurred related to the U.S. Internal Revenue Service ("IRS") Administrative Claim Dispute, which has been settled. FAFAA assumed responsibility for covering legal expenses during such administrative claim dispute process.

Commonwealth

Pursuant to Section 5.10 of the Indenture, remaining SUT amounts deposited in the Remainder Fund shall be paid to the Commonwealth. As of June 30, 2024, the Corporation established an accrual of $23,484,542 in accordance with this provision of the Indenture. This amount is presented as Due to Commonwealth in the fund financial statements as it was due and payable as of June 30, 2024.

As a result of the Plan of Adjustment, the Commonwealth became legally obligated to pay the expenses associated with the Commonwealth-COFINA adversary proceeding during the pendency of the COFINA Title III case.

The Corporation also leases office space from the Puerto Rico Public Buildings Authority, a component unit of the Commonwealth. Refer to Note 10 for further information.

(9) Bonds Payable

As of June 30, 2024, bonds payable of the Corporation consists of the following (in thousands)[12]:

Description	Face or Effective Interest Rate		Amount
COFINA Bonds, Series 2019A-1:			
Current Interest Bonds due from July 1, 2033 to July 1, 2058	4.50%-5.00%	$	5,412,723
Capital Appreciation Bonds due from July 1, 2019 to July 1, 2051	4.250%-5.625%		3,711,889
COFINA Bonds, Series 2019A-2, Series 2019A-2A, Series 2019A-2B:			
Current Interest Bonds due from July 1, 2035 to July 1, 2058	4.329%-5.00%		3,591,809
COFINA Bonds, Series 2019B-1:			
Current Interest Bonds due from July 1, 2033 to July 1, 2058	4.50%-5.00%		69,318
Capital Appreciation Bonds due from July 1, 2019 to July 1, 2051	4.250%-5.625%		47,537
COFINA Bonds, Series 2019B-2:			
Current Interest Bonds due from July 1, 2035 to July 1, 2058	4.329%-4.784%		45,570
Bonds payable		$	12,878,846

All current interest bonds have fixed interest rates.

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

Description		Balance at June 30, 2023	Additions	Reductions	Balance at June 30, 2024	Due within one year
Bonds payable	$	9,119,420	—	—	9,119,420	—
Capital appreciation bonds – principal		9,565,503	—	(54,566)	9,510,937	74,225
Discount on capital appreciation bonds		(5,935,876)	184,365	—	(5,751,511)	—
Bonds payable – net	$	12,749,047	184,365	(54,566)	12,878,846	74,225

The COFINA Bonds are secured by a statutory lien on the COFINA Revenues subject to the Commonwealth's right to substitute "New Collateral" (as defined below) in accordance with the terms of the Plan of Adjustment. The "New Collateral" is defined as all or a portion of a tax of general applicability throughout

[12] For purposes of this Statement, the term "COFINA Bonds" has the same meaning as "Restructured Sales Tax Bonds" as used in the COFINA bond documents.

Puerto Rico that is enacted in full substitution of the SUT pledged to COFINA or otherwise constitutes like or comparable security for COFINA.

The COFINA Bonds include (i) current interest bonds (CIB) entitled to interest payments on a current basis and (ii) capital appreciation bonds (CAB), for which interest is added to principal and paid at maturity. Notwithstanding the timing of the effective date of the Plan of Adjustment, interest on the COFINA Bonds commenced to accrue or accrete as of August 1, 2018. Interest payments and interest accretion terms for current interest bonds and capital appreciation bonds, respectively, are as follows:

(a) The current interest bonds or CIBs bear interest from August 1, 2018, until paid (whether at maturity, prior to redemption or after maturity following payment default by the Corporation), payable on the effective date and semiannually thereafter on each payment date at the corresponding interest rates. Interest on current interest bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest will accrue on overdue interest and principal at the corresponding interest rate and will compound on each interest payment date. All overdue interest and principal (and any interest accruing thereon) will remain due and payable until paid.

(b) Interest on capital appreciation bonds or CABs accrue and accrete from August 1, 2018, until paid (whether at maturity, prior to redemption or after maturity following payment default by the Corporation). Interest on capital appreciation bonds will not be paid on a current basis but will be added to the principal thereof in the form of accretion on the effective date and semiannually thereafter on each valuation date, and will be treated as if accruing on the basis of a 360-day year consisting of twelve 30-day months between valuation dates, until paid (whether at maturity, prior to redemption or after maturity following payment default by the Corporation).

The COFINA Bonds will be subject to redemption at the option of the Corporation, in whole or in part, in any order of maturity, at par plus accrued interest thereon or accreted value as applicable, upon thirty (30) days prior to written notice as follows:

Current Interest Bonds (CIBs)

Maturity	*Optional Redemption*
2034	Redeemable at Par commencing July 1, 2025
2040	Redeemable at Par commencing July 1, 2028
	20
2053	Redeemable at Par commencing July 1, 2028
	2
2058	Redeemable at Par commencing July 1, 2028

Maturity	*Optional Redemption*
2024 & 2027	Not subject to redemption prior to maturity
2029	Redeemable at 103% of Accreted Value ("AV") commencing July 1, 2028
2031 Red	Redeemable at 105% of AV commencing July 1, 2028 and at 103% of AV commencing on July 1, 2029
2033 Re	Redeemable at 107.5% of AV commencing July 1, 2028, at 105% of AV commencing July 1, 2031 and 103% of AV commencing July 1, 2032
2046 & 2051	Redeemable at 107.5% of AV commencing July 1, 2028, at 105% of AV commencing July 1, 2038, at 103% of AV commencing July 1, 2038 and at 100% of AV commencing July 1, 2043

The COFINA Bonds are also subject to mandatory redemption prior to their respective maturity dates from sinking fund installments. All such mandatory redemptions of CIBs will be at a redemption price equal to par and mandatory redemptions of CABs will be at a redemption price equal to 100% of the then current accreted value.

The COFINA Bonds have neither a debt service reserve fund nor rights of acceleration.

As of June 30, 2024, debt service requirements for bonds outstanding were as follows:

Year ending June 30	Principal	Interest	Total
2025	$ 94,674,754	$ 430,056,019	$ 524,730,773
2026	115,941,475	430,056,019	545,997,494
2027	138,060,000	430,056,019	568,116,019
2028	161,065,472	430,056,019	591,121,491
2029	184,985,000	430,056,019	615,041,019
2030-2034	1,320,995,745	2,147,896,444	3,468,892,189
2035-2039	2,351,720,000	1,883,443,341	4,235,163,341
2040-2044	3,479,334,610	1,438,370,542	4,917,705,152
2045-2049	3,543,673,457	1,410,164,489	4,953,837,946
2050-2054	3,646,267,565	1,307,751,954	4,954,019,519
2055-2058	3,519,415,000	447,236,617	3,966,651,617
	18,556,133,078	$ 10,785,143,482	$ 29,341,276,560
Less: Unaccreted interest	(5,751,512,010)		
	$ 12,804,621,068		

Reconciliation to Statement of Net Position (Deficit):

Bonds payable:	
Due within one year	$ 74,225,000
Due in more than one year	12,804,621,068
Total	$ 12,878,846,068

The scheduled principal payment of $74,225,000 paid on July 1, 2024 (fiscal year 2025) was payable from the COFINA Revenue Fund deposited during fiscal year 2024 of approximately $511 million. Future scheduled principal payments due on the (1st) first of July will be payable from the COFINA Revenue Fund scheduled to be deposited in each previous fiscal year.

The first collections of the 5.5% Sales Tax are deposited in the COFINA Revenue Fund and applied to fund the COFINA Revenues. The Fixed Income Amount for the fiscal year ended June 30, 2024, was $952,879,209, ($990,994,377 for fiscal year 2025). Under Act No. 91, as amended, the Fixed Income Amount increases each fiscal year at a statutory rate of 4.0% up to $1.85 billion. COFINA Revenues are the first funds up to an amount equal to fifty-three and sixty-five one hundredths percent (53.65%) of the Fixed Income Amount for each fiscal year, follows:

Year ending June 30	Amount
2025	$ 531,668,483
2026	552,935,223
2027	575,052,631
2028	598,054,737
2029	621,976,926
2030-2034	3,503,580,765
2035-2039	4,262,641,705
2040-2044	4,927,604,902
2045-2049	4,962,625,000
2050-2054	4,962,625,000
2055-2058	3,970,100,000
	$ 29,468,865,372

On January 18, 2022, the Plan of Adjustment for the Commonwealth was confirmed by the Title III Court. The Commonwealth Plan of Adjustment included certain contingent value instruments payable based on an outperformance metric of SUT collections. The Commonwealth's contingent value instruments do not have an impact on COFINA Revenues, as defined in the Indenture.

(10) Leases

COFINA leases office space from the Puerto Rico Public Buildings Authority, a component unit of the Commonwealth, in what is known as Roberto Sanchez Villella Government Center in the Municipality of San Juan, Puerto Rico. This lease is accounted for as a short-term lease in accordance with GASB No. 87, Leases. GASB No. 87 requires that leases with a maximum possible term of 12 months or less at commencement, including any options to extend, regardless of their probability of being exercised, are recognized as expense. Rent expense for fiscal year 2024 was approximately $16,500.

(11) The Operating Reserve Fund Cap

As part of the Corporation's restructuring in fiscal year 2019, the General Fund received $15 million, available for its operating expenses, to establish the Operating Reserve Fund. In addition to these funds, operating expenses are covered by investment earnings derived from interest income generated by funds deposited in the Corporation's bond trustee accounts held for the benefit of the Corporation prior to distribution. In each fiscal year, an authorized officer of the Corporation certifies in writing to the Trustee the necessary amounts to be deposited in the Operating Reserve Fund established pursuant to the Trust Agreement, which amounts may not exceed the Operating Reserve Fund cap of $15 million established in the Trust Agreement.

Subsequent to June 30, 2024, the amount of $1,278,617 was transferred to the General Fund from the Debt Service Fund to comply with this requirement.

During fiscal year 2023, management invested excess cash of approximately $19 million from its operating accounts, including $13 million from the Operating Reserve Fund, in external investment pools to improve performance of its investments accounted for in the General Fund. The Operating Reserve Fund is now included within deposits placed in commercial banks and investments in the accompanying governmental funds balance sheets and statement of net position (deficit).

(12) Inter-fund Transfers

The following table includes the inter-fund transfer for the year ended June 30, 2024. The inter-fund transfer was made to comply with the requirements of the Indenture. Refer to Note 8 to the basic financial statements for further information.

Transfer out	Transfer in	Transfer for	Amount
Debt Service Fund	General Fund	Remainder Fund for fiscal year 2023	$ 16,362,779

(13) Release of Contingent Liability – IRS Administrative Claim Dispute

On July 15, 2024, a U.S. Federal Court ordered the approval of a stipulation with the U.S. Department of Treasury/IRS to withdraw the proof of claim against COFINA of $4.2 million and accrued interest with a balance of approximately $6 million as of June 30, 2024. In fiscal year 2019, the Corporation recognized such contingent liability to cover any unfavorable outcome related to this administrative claim dispute with the IRS, which sought the return of post-petition direct subsidy payments with respect to certain pre-petition bonds. Upon entry of the stipulation, the IRS will be deemed to have withdrawn, with prejudice the proof of claim. Notwithstanding the withdrawal of the claim, the IRS will continue the audit and pay COFINA the amount of approximately $549,000 that has been agreed between the parties in settlement of the audit and will be accounted for upon receipt from IRS. Upon completion of such agreement and settlement, the IRS will close the audit. The contingent liability amounting to $5,796,201 was released as of June 30, 2024. The release of contingent liability is presented net of expenses within Other in the statement of revenues, expenditures, and changes in fund balance and statement of activities.

Refer to Note 15 regarding Subsequent Events in connection with the resolution of the IRS administrative claim dispute and the transfer of funds from BNYM to COFINA.

(14) Risk Management

The COFINA's by-laws require COFINA to indemnify the members of its Board and Officers to the fullest extent permitted under the Commonwealth law against liabilities that may arise by reason of their service to COFINA, and to advance expenses reasonably incurred as result of claim actions against them for which they could be indemnified. To minimize the risk of loss for potential liabilities, COFINA purchases insurance coverage for directors and officers (D&O) liability, along with legal fees and expenses payable from amounts on the Operating Reserve Fund and the Remainder Fund established under the Bond Indenture.

The selection of the insurer has to be approved by the Public Insurance Office of the Department of Treasury of the Commonwealth. Insurance coverage is updated annually to account for changes in operating risk. For the year ended June 30, 2024, there has been neither insurance settlements nor related claims against COFINA board members. Insurance expenses for the year ended June 30, 2024 amounted to approximately $715,000.

(15) Subsequent Events

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

Motion to Close COFINA Title III case

On August 6, 2024, the U.S. District Court for the District of Puerto Rico received and reviewed a motion from the Oversight Board and COFINA to close the COFINA Title III case. The Oversight Board and COFINA argued that the case was completed after the settlement of the IRS administrative claim dispute as discussed in Note 13 and the distribution of the $100,000 general unsecured creditors reserve.

On September 19, 2024, the Oversight Board filed a declaration supporting its motion to close the COFINA Title III case. On October 30, 2024, the motion and the request for entry of an order closing the COFINA Title III case were granted by the U.S. District Court for the District of Puerto Rico.

Transfer of Funds to COFINA

In 2019, the BNYM, as Trustee of the COFINA bonds, had received funds amounting to $836,563 (cash held by Trustee) as part of COFINA’s Plan of Adjustment, to cover certain future post-effective date claims of the Trustee under Section 19.13 of the COFINA Plan Adjustment pending resolution of certain disputes with the IRS. As previously discussed, such disputes were resolved in July 2024 and, on September 25, 2024, the BNYM transferred the amount of $830,761, net of trustee fees, to the COFINA Operating Fund.

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