The **Municipality of Corozal's** (the "Municipality") Management's Discussion and Analysis has been designed with the followings goals:

a) Assist the reader in focusing on significant financial issues,
b) Provide an overview of the Municipality's financial activity,
c) Identify changes in the Municipality's financial position (its ability to address the next and subsequent year challenges),
d) Identify any material deviations from the financial plan (the approved budget), and;
e) Identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the Municipality's financial statements.

FINANCIAL HIGHLIGHTS

- Total assets of the Municipality amounted to $68,917,323 which represents an increase of 13.0 percent compared to prior fiscal year.

- At the end of fiscal year 2022, total liabilities and deferred inflows of resources amounted to $33,407,937. Out of said amount, $20,681,872 corresponded to long-term liabilities of which of $6,156,917 represented the outstanding balance bonds and notes issued. The Municipality continued to meet all debt service requirements, most of which was paid from self-generated revenues.

- Total net position of the Municipality amounted to $36,067,717 which represents an increase of 21.0 percent compared to prior fiscal year.

- Total revenues available for the financing of activities as reflected in the Statement of Activities amounted to $29,456,839 derived from the following sources: $313,034 from charges for services; $1,161,635 from operating grants and contributions, and $27,982,170 from general revenues.

- Total expenses incurred to afford the cost of all functions and programs as reflected in the Statement of Activities amounted to $23,280,683.

- As of the close of the current fiscal year, the Municipality's Governmental Funds reported combined ending fund balance of $5,236,722.

- At the end of the current fiscal year, the Municipality's general fund superavit amounted to $1,076,974 compared to prior year fund balance of $133,045.

- The actual General Fund budgetary activities resulted in a favourable balance of $1,590,958.

USING THIS ANNUAL REPORT (CONTINUED)

Infrastructure Assets (continued)

GASB 34 requires that these assets be valued and reported within the governmental column of the Government-Wide Statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The information about the condition and maintenance of condition of the government infrastructure assets should assist financial statement users in evaluating a local government and its performance over time. The Municipality has elected to depreciate infrastructure assets instead of using the modified approach.

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Municipality's net position totaled $ 36.1 and $ 29.9 million at the end of 2022 and 2021 as restated, respectively.

The largest portion of the Municipality's net position consists of the investment made throughout the years in capital assets such as land, buildings, equipment and infrastructure. The Municipality uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Municipality's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the Debt Service Fund, since the capital assets themselves cannot be used to liquidate these liabilities. The amounts restricted for debt service represents another portion of the net position and these are resources subject to external restrictions for the purposes explained above. The following condensed Statement of Net Position of the Primary Government shows on a comparative basis the most important components of the $ 6.2 increase reflected in the Net Position figure.

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FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

Municipality of Corozal
Condensed Statement of Activities
June 30, 2022 and 2021

	2022	2021	Increase (Decrease)	%
Program revenues				
Charges for services	$ 313,034	$ 460,308	$ (147,274)	(32%)
Operating grants and contributions	1,161,635	3,231,484	(2,069,849)	(64%)
General revenues				
Property taxes	5,587,251	3,723,676	1,863,575	50%
Municipal license tax	1,172,672	1,343,574	(170,902)	(13%)
Sales and use tax	2,233,408	2,070,618	162,790	8%
Grants and contributions not restricted to specific programs	16,505,145	5,446,781	11,058,364	203%
Interest, fines and penalties	5,241	18,459	(13,218)	(72%)
Miscellaneous	2,478,453	491,718	1,986,735	404%
Total revenues	29,456,839	16,786,618	12,670,221	75%
Expenses				
General government	9,708,757	7,229,394	2,479,363	34%
Public safety	1,727,970	668,260	1,059,710	159%
Health and welfare	6,114,047	2,105,377	4,008,670	190%
Public works	3,454,603	3,417,523	37,080	1%
Culture and recreation	657,124	618,488	38,636	6%
Education	43,889	43,889	-	-
Urban & community development	65,472	-	65,472	100%
Economic development	1,178,081	57,244	1,120,837	1958%
Interest on long-term debt	330,740	410,781	(80,041)	(19%)
Total expenses	23,280,683	14,550,956	8,729,727	60%
Change in net position	6,176,156	2,235,662	3,940,494	176%
Net position, beginning of year as restated	29,891,561	27,655,899	2,235,662	8%
Net position, end of year as restated	$ 36,067,717	$ 29,891,561	$ 6,176,156	21%

FINANCIAL ANALYSIS OF THE MUNICIPALITY'S INDIVIDUAL FUNDS

As noted earlier, the Municipality uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Municipality's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Municipality's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Municipality's governmental funds reported a combined fund balance of $ 5.2 million compared to $ 3.2 million in the prior year.

The general fund is included within the governmental funds; it is the chief operating fund of the Municipality. As of June 30, 2022, the general fund has a balance of $1.1 million. The general fund balance increase by $1.0 million during fiscal year 2022.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Mayor and the Municipality Legislature revised the Municipality's budget to reclassify certain expenditures among the different governmental functions. Such reclassifications were necessary to provide for the developments that affected the Municipality's finances.

Actual revenues and expenditures were mostly on line with budgeted due to fiscal control measures established by the current mayor. The actual General Fund budgetary activities resulted in a favourable balance of $ 1.6 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Municipality's investment in capital assets as of June 30, 2022, amounts to $104.2 million, net of accumulated depreciation of $53.1 million, leaving a net book value of $51.1 million. This investment in capital assets includes land, buildings, improvements, equipment, intangibles, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

Actual expenditures to purchase or construct capital assets were $ 5.5 million for the year. Depreciation charges for the year totalled $ 2.9 million.

Impact of COVID-19

In order to contain the spread of COVID-19 and take affirmative action to mitigate the negative effect in economy, the Governor of the Commonwealth of Puerto Rico issued various executive orders which, among other things, imposed an overnight curfew, ordered schools, non-essential businesses, nonprofit entities and Commonwealth and Municipal governmental organizations to close or partially operate. In addition, prior to June 30, 2021 the P.R. Department of Treasury and the CRIM granted certain emergency measures for taxpayers, including for the filing and payment of property, municipal license and sales and use taxes.

The Municipality at this time cannot predict with any certainty the actual impact COVID-19 may have on revenues in the coming fiscal years. While the impact on the Municipality is uncertain at this time, the Municipality is monitoring the impact and taking several measures to ensure continuity of services of the general public while protecting employees from this virus.

Extraordinary fund for waste collection and disposal and implementation of recycling programs in municipalities Act No. 53-2021

Act No. 53, from October 26, 2021, states an extraordinary fund for waste collection and disposal and the implementation by the municipalities of recycling programs. This fund will be within the municipal equalization fund, but in a separate account.

This Act establishes that as the Government of Puerto Rico's Plan of Adjustment of the Debt includes reductions to the guaranteed debt, a portion of the economies generated will be made accessible to municipalities. This fund will have an annual appropriation from the Government's general fund, equivalent to 42% of the prior years' collection of the 1.03% Redemption Fund. This assignment will only be included in the fiscal year budget if the Medicaid funds received in the prior fiscal year exceeds the amounts projected in the Government's Fiscal Plan, certified by the Financial Oversight and Management Board.

This Act establishes that these funds will be used exclusively and specifically for the following purposes:

a) Waste collection and disposal

b) Solid waste collection and disposal

c) Debris collection and disposal

d) Implementation of a recycling program

Next year's budget

In addition to the fiscal factors discussed above, the Municipality's officials considered certain economic factors such as estimates for the growth or decline in population, personal income, housing statistics and unemployment rates when establishing the fiscal year's 2022-2023 budget. For year 2022-2023, the Municipality applied a conservative approach in the development of budgets estimates.

FINANCIAL CONTACT

The Municipality's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability. If you have questions about the report or need additional financial information, contact the Municipality's Chief Financial Officer.