



PDM UTILITY CORPORATION

Audited Financial Statements

For the Years Ended December 31, 2023 and 2022



PDM UTILITY CORPORATION
Audited Financial Statements
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
PDM Utility Corporation
Humacao, Puerto Rico

Opinion

I have audited the accompanying financial statements of PDM Utility Corporation (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PDM Utility Corporation as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of PDM Utility Corporation and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Prior Period Financial Statements

The financial statements of PDM Utility Corporation as of and for the year ended December 31, 2022 were audited by other auditors whose report dated June 9, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PDM Utility Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PDM Utility Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PDM Utility Corporation's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Jorge L. Rodríguez Velázquez
Certified Public Accountant
License No. 2283
Expires December 1, 2024

Humacao, Puerto Rico
June 21, 2024

Stamp No. E563381 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the original of this report.



PDM UTILITY CORPORATION
Statements of Financial Position
December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 3,204,250	\$ 3,214,804
Accounts receivable, net of allowance for doubtful accounts of \$225,533 (\$308,307 - 2022)	838,819	770,293
Prepaid expenses	<u>103,657</u>	<u>118,704</u>
Total Current Assets	4,146,726	4,103,801
Property, plant and equipment, at cost, net	<u>8,654,560</u>	<u>8,892,653</u>
Total Assets	<u>\$ 12,801,286</u>	<u>\$ 12,996,454</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current maturity of finance lease liability	\$ 4,670	\$ 4,290
Accounts payable	242,663	258,420
Accrued expenses	267,905	244,623
Subscribers' deposits	<u>344,366</u>	<u>360,029</u>
Total Current Liabilities	859,604	867,362
Finance Lease Liability - less current maturity	<u>26,080</u>	<u>30,750</u>
Total Liabilities	<u>885,684</u>	<u>898,112</u>
Net Assets - Without donor restrictions	<u>11,915,602</u>	<u>12,098,342</u>
Total Liabilities and Net Assets	<u>\$ 12,801,286</u>	<u>\$ 12,996,454</u>

The accompanying notes are an integral part of these statements.



PDM UTILITY CORPORATION
Statements of Activities
For the Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues:		
Water and sewer charges	\$ 4,273,033	\$ 4,091,479
Operating Expenses:		
Purchased water	2,088,942	1,901,919
Depreciation and amortization	569,598	580,427
Repairs and maintenance	363,172	360,291
Salaries and related payroll taxes	254,017	242,167
Electricity	276,250	309,652
Other	10,512	8,195
Total operating expenses	<u>3,562,491</u>	<u>3,402,651</u>
Management and General Expenses:		
Salaries and related payroll taxes	445,041	386,595
Insurance	232,085	204,839
Professional fees	155,283	133,426
Office expenses	95,472	97,343
Utilities	36,959	30,411
Living allowances	19,371	17,100
Depreciation and amortization	7,974	10,094
Rent of equipment	9,896	9,440
Vehicle and related travel	3,907	9,795
Annual meeting	3,373	4,105
Meals and entertainment	1,370	3,317
Bad debt provision (recovery)	(47,802)	(92,031)
Other	145,913	90,209
Total expenses	<u>1,108,842</u>	<u>904,643</u>
Other Revenues (Expenses):		
Connection charges	46,000	41,015
Other income	178,793	137,302
Interest income	129	58
Loss on retirement / sale of property and equipment	(6,548)	(12,225)
Interest expense	(2,814)	(1,013)
	<u>215,560</u>	<u>165,137</u>
Decrease in net assets without donor restrictions	(182,740)	(50,678)
Net Assets at Beginning of Year - without donor restrictions	<u>12,098,342</u>	<u>12,149,020</u>
Net Assets at End of Year - without donor restrictions	<u>\$ 11,915,602</u>	<u>\$ 12,098,342</u>

The accompanying notes are an integral part of these statements.



PDM UTILITY CORPORATION
Statements of Cash Flows
For the Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Decrease in net assets without donor restrictions	\$ (182,740)	\$ (50,678)
Adjustments to reconcile decrease in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation and amortization	577,572	590,521
Bad debt provision (recovery)	(47,802)	(92,031)
Loss on retirement / sale of property and equipment	6,548	12,225
Decrease (increase) in assets:		
Accounts receivable	(20,724)	(25,244)
Prepaid expenses	15,047	(1,376)
Increase (decrease) in liabilities:		
Accounts payable	(15,757)	180,027
Accrued expenses	23,282	7,079
Subscribers' deposits	(15,663)	(5,833)
Total adjustments	<u>522,503</u>	<u>665,368</u>
Net cash provided by operating activities	<u>339,763</u>	<u>614,690</u>
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	-	4,000
Acquisition of property and equipment	<u>(346,027)</u>	<u>(96,808)</u>
Net cash used in investing activities	<u>(346,027)</u>	<u>(92,808)</u>
Cash Flows from Financing Activities:		
Principal payments of finance lease liability	<u>(4,290)</u>	<u>(4,381)</u>
Net cash used in financing activities	<u>(4,290)</u>	<u>(4,381)</u>
Net (decrease) increase in cash and cash equivalents	(10,554)	517,501
Cash and Cash Equivalents at Beginning of Year	<u>3,214,804</u>	<u>2,697,303</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,204,250</u>	<u>\$ 3,214,804</u>
Supplemental Disclosures		
Interest paid during the year	<u>\$ 2,814</u>	<u>\$ 1,000</u>
Write-off of accounts receivable from subscribers	<u>\$ 34,972</u>	<u>\$ 27,121</u>
Book value retirement of property and equipment	<u>\$ 6,548</u>	<u>\$ 16,225</u>
Book value retirement of vehicle and lease cancellation	<u>\$ -</u>	<u>\$ 26,475</u>
Acquisition of vehicle through finance lease liability	<u>\$ -</u>	<u>\$ 36,395</u>

The accompanying notes are an integral part of these statements.



PDM UTILITY CORPORATION
Notes to Financial Statements
December 31, 2023 and 2022

1. Reporting Entity and Summary of Significant Accounting Policies

PDM Utility Corporation (PDMU) is a not-for-profit public service corporation organized on June 8, 1973, under the laws of the Commonwealth of Puerto Rico. PDMU is engaged in the ownership and operation of the water and sewer system at Palmas del Mar Development, a planned community in Humacao, Puerto Rico, as stipulated in its franchise agreement (the Agreement). PDMU operates under a 50-year franchise agreement granted by the Puerto Rico Public Service Commission (PRPSC). Actually, the Department of Transportation and Public Works (DTPW) is the governmental regulatory agency of the Agreement. The Agreement can be amended, renewed, or revoked by the DTPW and can only be transferred with their approval. Refer to Note 11 for additional information.

PDMU purchases water from the Puerto Rico Aqueduct and Sewer Authority (PRASA), a Puerto Rico government entity, the main provider of water to the entire population of Puerto Rico. The purchase and subsequent sale of water by PDMU to its customers (subscribers) is covered by the Agreement and the PRPSC (actually regulated by DTPW) rate orders. The cost of water purchased is expensed at the time of purchase.

A summary of the significant accounting policies followed in the United States of America and consistently applied in the preparation of the accompanying financial statements judged by management to be the most appropriate in the circumstances to present fairly the PDMU's financial position and results of operations in accordance with accounting principles generally accepted (GAAP) in the United States of America follows:

Basis of Accounting

PDMU's financial statements have been prepared using the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recorded as earned and expenses are recorded as incurred.

Financial statements presentation

As a not-for-profit organization, PDMU is required to present information regarding its financial position and activities according to the following net assets classifications:

- ***Net assets without donor restrictions*** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of PDMU. These net assets may be used at the discretion of PDMU's management and its Board of Directors.
- ***Net assets with donor restrictions*** - Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of PDMU or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds or donated property be maintained in perpetuity.

Donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

As of December 31, 2023, and 2022, all of PDMU's net assets had no imposed donor restrictions and as such has been classified as net assets without donor restrictions.

Use of estimates in the preparation of financial statements

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



PDM UTILITY CORPORATION
Notes to Financial Statements
December 31, 2023 and 2022

Cash and cash equivalents

For purposes of the statement of cash flows, PDMU considers all highly liquid short-term investments purchased with maturities of three months or less, as cash and cash equivalents. There were no cash equivalents as of December 31, 2023 and 2022.

Allowance for doubtful accounts

The allowance for doubtful accounts is maintained at a level which, in management's judgment, it is adequate to absorb potential losses inherent in the accounts receivable aging. The amount of the allowance is based on management's evaluation of the collectability of the accounts receivable aging, including the nature of the receivable, credit concentrations, trends in historical loss experience, specific doubtful accounts, and economic conditions. Based on this evaluation, management has established a reserve for potential uncollectable receivables of approximately \$225,500 and \$308,300 at December 31, 2023 and 2022, respectively.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Maintenance and repair costs are charged to operations as incurred. Additions, renewals and betterments, unless of relatively minor amounts, are capitalized.

Property, plant and equipment received as donations are capitalized at its estimated fair value at the date of receipt. For the years ended December 31, 2023 and 2022, there were no donations.

Depreciation and amortization expense is computed on the straight-line method over the estimated useful life of the respective assets, which ranges from 3 to 15 years (other assets) and 50 years (infrastructure assets). Leasehold improvements and right-of-use asset: vehicle, are amortized over the estimated useful life of the asset, or the respective lease term, as applicable.

Impairment of long-lived assets

PDMU evaluates its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. In performing the review for recoverability, an estimate of the future cash flows expected to result from the use of the asset and its eventual disposition is made. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. There were no assets impairment for the years ended December 31, 2023 and 2022.

Revenue recognition

PDMU recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts as follows:

- a. Identify the contract with a customer
- b. Identify the performance obligations in the contract
- c. Determine the transaction price
- d. Allocate the transaction price to the performance obligations in the contract
- e. Recognize revenue when or as performance obligations are satisfied.

PDMU derives its revenue from the sale of water and sewer services to home and business owners within the Palmas del Mar planned community, as stipulated in the Agreement. Revenues are recognized when performance obligations are satisfied. Generally, PDMU performance obligations are satisfied when control of water and sewer services are transferred, and revenue is recognized on a monthly basis after the service is performed. Because customers are invoiced at the time service has been performed and PDMU's right to consideration is unconditional at that time, PDMU currently does not maintain contract asset balances.



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For setup of customer accounts, any amounts that have been collected for services, where control has not been transferred, are recorded as subscribers' deposits (contract liabilities). For tap fees, PDMU's performance obligations are satisfied when the services are connected and started.

PDMU recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return, are recognized when the conditions on which they depend have been met. PDMU recognize contributions as with donor restrictions if they are received with donor stipulations that limit the use either through purpose or time restrictions. When donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Income taxes

PDMU is a not-for-profit organization exempt from local income tax pursuant to the Section 1101.01(a)(2)(B) of the Puerto Rico Internal Revenue Code of 2011, as amended. Accordingly, no provision for income tax has been provided in the accompanying financial statements. Also, PDMU is exempt of municipal license, personal and real property tax according to different laws in the Commonwealth of Puerto Rico.

Management has evaluated the effect of guidance surrounding uncertain tax positions and concluded that PDMU does not have any financial statements exposure to uncertain tax position at December 31, 2023, nor any matter that could jeopardize its tax-exempt status.

All applicable tax returns through December 31, 2023 have been appropriately filed by PDMU. With a few exceptions, PDMU is no longer subject to income tax examination by tax authority for the years before 2019.

Leases

PDMU determines if an arrangement is a lease at lease inception and reviews lease arrangement for finance or operating lease classification at their commencement date based on the provisions of the Accounting Standard Codification (ASC) 842. Finance leases are reported in PDMU's statements of financial position under property, plant and equipment, current portion of finance lease liability and finance lease liability. There are no operating leases as of December 31, 2023 and 2022.

The right-of-use-asset represents PDMU's right to control the use of an underlying asset for the lease term, and the finance lease liability represents its obligation to make lease payments arising from the lease. Lease right-of-use (ROU) assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The interest rate used is the implicit rate of the leases if known; otherwise the lessee uses the risk-free rate as the discount when measuring and classifying leases. The lease expense and amortization of ROU are recognized over the shorter of the life of the underlying asset or lease term.

PDMU elected the practical expedient to exclude short-term leases (those lease agreements for terms of twelve months or less) from PDMU's ROU assets and lease liabilities. In addition, PDMU elected the optional transition practical expedient to not apply Topic 842 to land easement that existed or expired before the transition date.

Reclassifications

Certain reclassifications were made to the supplemental information of the cash flows for 2022 financial statements in order to conform them with the current presentation in the face of the statements of cash flows.



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Notes to Financial Statements
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2. Concentrations of credit risk

Financial instruments, which potentially subject PDMU to concentrations of credit risk, consist principally of cash deposits, cash equivalents and accounts receivable. At times during the year, the cash deposits may have exceeded the amount insured by the Federal Deposit Insurance Corporation (FDIC) limit or the Securities Investor Protection Corporation (SIPC) limit of \$250,000. As of December 31, 2023 and 2022, PDMU had approximately \$1,685,700 and \$1,748,400, respectively, in excess of FDIC insured limits. As of December 31, 2023 and 2022, PDMU had approximately \$961,500 and \$923,900, respectively in excess of SIPC insured limits. PDMU monitors the credit quality of the financial institutions and does not anticipate its nonperformance.

PDMU's accounts receivable result primarily from the sale of water to customers within the Palmas del Mar Development in Puerto Rico and reflect a broad customer base in such market. PDMU has no individually significant customers and it routinely assesses the financial strength of its customers and provides for estimated losses on accounts deemed uncollectible.

3. Liquidity and Availability of Financial Assets

As of December 31, 2023 and 2022, PDMU's financial assets available for general expenses, that is, without donor restrictions or other limiting use, within one year of the financial position date, comprises the following:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 3,204,250	\$ 3,214,804
Accounts receivable - net	838,819	770,293
Financial assets available for general expenditures	<u>\$ 4,043,069</u>	<u>\$ 3,985,097</u>

PDMU's goal is generally to maintain financial assets, which consist of cash to meet normal operating expenses and for the constant purchase and investment in working capital to improve the infrastructure. The Board of Directors may create reserves for capital projects and/or contingencies. PDMU has a policy to structure its financial assets to be available as its general expenditure, liabilities, and other obligations come due. Also, PDMU has a \$150,000 line of credit with a financial institution, which could be used in the event of an unanticipated liquidity need. Refer to Note 5.

4. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Wastewater treatment plant and sewer pump stations	\$ 14,699,533	\$ 14,562,010
Water mains and tanks	6,472,335	6,476,126
Office equipment	155,189	153,421
Vehicles	326,040	323,897
Buildings	199,541	199,460
Operating equipment	1,671,848	1,399,730
Right-of-use asset: vehicle	36,395	36,395
	<u>23,560,881</u>	<u>23,151,039</u>
Less - Accumulated depreciation and amortization (including approximately \$9,700 and \$2,400 of finance lease right-of-use asset as of December 31, 2023 and 2022, respectively)	<u>(14,985,670)</u>	<u>(14,408,259)</u>
	8,575,211	8,742,780
Land	71,312	71,312
Construction in progress	8,037	78,561
	<u>\$ 8,654,560</u>	<u>\$ 8,892,653</u>



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Pursuant to the terms of the Agreement, infrastructure assets are constructed by Palmas del Mar Properties, Inc. (PDMPI), Palmas del Mar's Master Plan Developer, and transferred to PDMU at cost, as defined in the Agreement. Upon agreement as to the cost by PDMU, a corresponding construction advance liability is recorded, which is repaid to PDMPI at the rate of \$4,400 annually, revised to inflation (as approved during 2004) for each connection to PDMU's water and sewer system. No such payments were made during the years ended December 31, 2023 and 2022. The cost of infrastructure assets is funded from connection fees, whereas the costs of other assets are funded entirely from water and sewer rates.

Some of PDMU's infrastructure assets are located on land (the Land) owned by Palmas Del Mar Homeowners Association, Inc. (PHA) and Palmas Athletic Club, Corp. (PAC). Certain parcel of the Land is included in PDMU's statements of financial position for the amount of \$71,312. Currently, management continues working with PHA and PAC on the transfer of legal title of the remaining parcels of the Land pending to be transferred from PHA and PAC to PDMU.

5. Credit Facility

PDMU has a line of credit with a local financial institution for the amount of \$150,000. Any amount outstanding under this line of credit bears interest at 1.90% over prime rate (8.50% and 7.50% as of December 31, 2023 and 2022, respectively) and is renewable on an annual basis. There was no outstanding balance as of December 31, 2023 and 2022.

6. Subscribers' Deposits and interest payable on Subscribers' Deposits

PDMU requires a deposit from its subscribers ranging from \$34 to \$993, depending on the size of their connection and the type of service provided. During 2004, new deposit amounts were established. Until June 2, 2004, PDMU accrued interest on deposits as required by the Public Service Commission (PSC). Subscribers' deposits after June 2, 2004, and existing deposits not claimed will no longer accrue interest. The subscriber's deposit is repaid to the subscriber upon the termination of the subscriber's service.

7. Employee Benefit Plan

Effective January 1, 2004, PDMU established an Employee Benefit Plan (EBP). Employees are eligible to participate in the EBP when they have completed twelve consecutive months of service. The EBP is a defined contribution plan which provides for contributions by PDMU to the accounts of eligible employees in amounts equal to 10% of base salaries and wages. PDMU's contribution to the EBP amounted to approximately \$37,500 and \$37,000 during the years ended December 31, 2023 and 2022, respectively. Those contributions are included in salaries and related payroll taxes in the accompanying statements of activities.

8. Commitments and Contingencies

Pursuant to the terms of an agreement dated June 18, 1987, certain owners of land being developed within the PDMU's franchised territory financed the construction of an expansion to its wastewater treatment plant in exchange for future capacity rights in the plant related to land parcels owned by them or their assignees. During the years ended December 31, 2023 and 2022, PDMU reserved approximately 200,000 gallons per day of wastewater treatment plant capacity for these landowners.

PDMU is a defendant in various lawsuits resulting from the normal course of operations. PDMU's management believes, based on legal advice, that the final disposition of these legal cases will not have a material adverse effect on the PDMU's financial position or results of operations. Accordingly, PDMU's management has determined that no reserve for legal contingencies is considered necessary in the accompanying financial statements.

9. Federal Funds

During the year ended December 31, 2023, PDMU received funds from Federal Emergency Management Agency (FEMA) for approximately \$104,000, as reimbursement for debris removal, and protective and restoration measures related to Hurricane Fiona.



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December 31, 2023 and 2022

Also, during the year ended December 31, 2022, PDMU received funds from FEMA for approximately \$115,000, as reimbursement for certain costs incurred after hurricane events (María and Fiona). These funds were presented under other income in the accompanying statements of activities for the years ended December 31, 2023 and 2022, respectively.

10. Finance Lease Liability

During August 2022, PDMU entered into a finance lease agreement covering the use of one vehicle. The agreement provides for monthly rental payments of \$612, including interest at 8.50%, expiring in September 2027. As of December 31, 2023, finance right-of-use asset, which is included as property and equipment, consists of vehicle of \$36,395 and accumulated depreciation of \$9,705.

A maturities schedule of finance lease liability for the years subsequent to December 31, 2023, is as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2024	\$ 7,104
2025	7,104
2026	7,104
2027	<u>16,329</u>
	37,641
Less: Imputed interest	<u>(6,891)</u>
Present value of finance lease liability	30,750
Less: Current portion of finance lease liability	<u>(4,670)</u>
	<u>\$ 26,080</u>

The components of finance lease cost for the years ended December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Amortization of right-of-use asset	\$ 7,279	\$ 5,452
Interest on lease liability	2,813	1,013
Total lease cost	<u>\$ 10,092</u>	<u>\$ 6,465</u>

As of December 31, 2023, the weighted-average remaining lease term and weighted-average discount rate for the finance lease are 3.67 years and 8.50%, respectively.

11. Subsequent Events

PDMU's management has performed an evaluation of subsequent events from January 1, 2024 through June 21, 2024, which is the date the financial statements were available to be issued, and has determined that, except for the matters described below, there are no such events that require recognition or disclosure in the financial statements.

On May 10, 2024, the 50-year franchise agreement granted to PDMU for the operation and maintenance of the water distribution system at Palmas del Mar, Humacao, expired. In December 2019, PDMU's management filed a petition for extension of franchise agreement, however as of today the process continues. During April 2024, PDMU received a letter from the Department of Transportation and Public Works (DTPW) certifying the validity, and the renewal process of its franchise agreement. PDMU's management expects the franchise agreement to be extended in the near future, while in the meantime PDMU continues its normal operations under the validity certification issued by the DTPW.