PUERTO RICO INTEGRATED TRANSIT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements, Required Supplementary Information and Independent Auditors' Report

For the Year Ended June 30, 2023

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Basic Financial Statements and Independent Auditors' Report
June 30, 2023

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VALDES, GARCIA, MARIN & MARTINEZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Hon. Eileen Vélez Vega, Secretary
Department of Transportation and Public Works

Opinion

We have audited the accompanying financial statements of Puerto Rico Integrated Transit Authority (the Authority), (a component unit of the Commonwealth of Puerto Rico), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority'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 financial position of the Authority as of June 30, 2023, and the changes in financial position 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Transfer of maritime transportation operations

As discussed in Note 2 to the basic financial statements, Puerto Rico and Municipal Islands Maritime Transport Authority's (PRMIMTA) operations have been converted into a program under the Authority's umbrella. On July 1, 2022 PRMIMTA transferred its assets, deferred outflows of resources, liabilities, deferred inflows or resources, and net position to the Authority. Our opinion is not modified with respect to this matter.

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 the Authority'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

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auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the Schedule of the Authority's Proportionate Share of the Total Pension Liability and Related Ratios on page 39, and the Schedule of the Authority's Proportionate Share of the Total OPEB Liability on page 40 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Juan, Puerto Rico
June 7, 2024

Valdés, García, Marín & Martínez, LLP

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The following Management's Discussion and Analysis (the MD&A) provide a narrative overview and analysis of the financial activities of the Puerto Rico Integrated Transit Authority ("the Authority") for the fiscal year ended June 30, 2023. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights for 2023

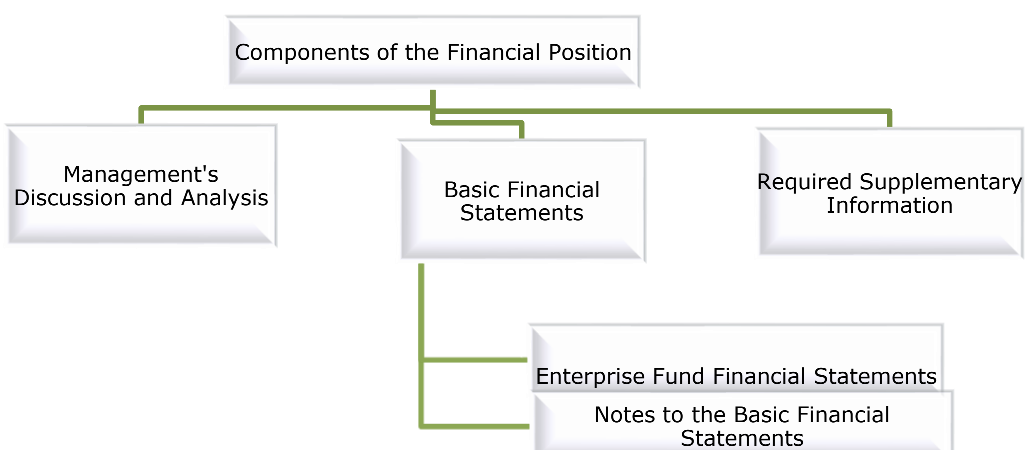
- Net position deficiency totalized approximately $28.5 million at June 30, 2023.
- Net position deficiency decreased by approximately $3.7 million in 2023.
- Total assets increased approximately $24.2 million or 33% in comparison with year 2022.
- Current assets, totalized approximately $47.3 million and increased 73% in comparison with year 2022.
- Capital assets, net totalized approximately $50.7 million at June 30, 2023.
- Total liabilities increased approximately $24 million or 22% in comparison with year 2022.
- Current liabilities, totalized approximately $36.2 million and increased 93% in comparison with year 2022.
- Total operating income increased approximately $825 thousand or 16% in comparison with year 2022.
- Total operating expenses increased approximately $11.9 million or 16% in comparison with year 2022.

Overview of the Basic Financial Statements

The basic financial statements provide information about the Authority's business-type activities. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

Overview of the Financial Statements for Business-Type Activities

The MD&A are intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements consist of the (1) statement of net position, (2) statement of revenue, expenses, and changes in net position, (3) statement of cash flows, (4) notes to the financial statements, and (5) required supplementary information. The financial statements are prepared on the accrual basis of accounting meaning that all expenses are recorded when incurred and all revenues are recognized when earned, in accordance with accounting principles generally accepted in the United States of America.



Statement of Net Position

The statement of net position reports all financial and capital resources of the Authority. The statement is presented in a format where assets and deferred outflows of resources equal liabilities, deferred inflows of resources, plus net position. Assets and liabilities are presented in order of liquidity and classified as current (convertible into cash within one year) and non-current. The focus of the statement of net position is to show a picture of the liquidity and health of the Authority's net position as of the end of the year.

The Authority's net position is reported in the following categories:

- Net Investment in Capital Assets – this component of net position consists of all capital assets, reduced by the outstanding balance of any bonds, notes, or borrowings that are attributable to the acquisition, construction, or improvement of those assets. The resources required to repay this debt must be provided annually from operations and from operating grants allocated annually by the Commonwealth of Puerto Rico (the Commonwealth), since the capital assets themselves cannot be used to liquidate liabilities.

- Unrestricted – this component includes all net position that do not meet the definition of net position invested in capital assets.

Statement of Revenue, Expenses and Changes in Net Position

The statement of revenue, expenses, and changes in net position includes operating revenue, which consists of passenger and cargo revenues and equipment and property rentals, and operating expenses, such as salaries and employees' benefits, depreciation of capital assets, repairs and maintenance, vessels rent and other general administrative expenses, and non-operating revenue and expenses, such as the operating grants from the Commonwealth, interest income, and interest expense. The focus of the statement of revenue, expenses, and changes in net position is the change in net position. This is similar to net income or loss and portrays the results of operations of the Authority for the entire operating period.

Statement of Cash flows

The statement of cash flows discloses net cash provided by or used in operating activities, investing activities, noncapital financing activities, and from capital and related financial activities. This statement also portrays the health of the Authority in that current cash flows are sufficient to pay current liabilities.

Notes to Financial Statements

The notes to financial statements are an integral part of the basic financial statements and provide detailed information about significant accounting policies, related-party transactions, deposits and investments, capital assets, long-term liabilities, pension plan, and commitments and contingencies. The reader is encouraged to review the notes in conjunction with the management's discussion and analysis and the financial statements.

Required Supplementary Information

The basic financial statements and notes are followed by the required supplementary information that includes the schedules related to pension and OPEB liabilities as required by GASB No. 73 and GASB No. 75, respectively.

Financial Analysis of the Authority's Business-Type Activities

Statement of Net Position

The following table reflects a condensed summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Authority as of June 30, 2023, and 2022:

	June 30,		Change	
	2023	**2022, As restated**	**In Dollars**	**Percent**
Current assets	$ 47,259,849	$ 27,256,415	$ 20,003,434	73%
Capital assets, net	50,715,446	46,473,263	4,242,183	9%
Other assets	53,400	57,341	(3,941)	-7%
Total assets	98,028,695	73,787,019	24,241,676	33%
Deferred outflows	11,266,289	6,189,926	5,076,363	82%
Total assets and deferred outflows of resources	$ 109,294,984	$ 79,976,945	$ 29,318,039	37%
Current liabilities	$ 36,211,643	$ 18,796,748	$ 17,414,895	93%
Non-current liabilities	98,873,350	92,243,741	6,629,609	7%
Total liabilities	135,084,993	111,040,489	24,044,504	22%
Deferred inflows of resources related to pension and leases	2,662,721	1,057,879	1,604,842	152%
Total liabilities and deferred inflows of resources	$ 137,747,714	$ 112,098,368	$ 25,649,346	23%
Net position				
Net investment in capital assets	46,862,160	42,753,279	4,108,881	10%
Deficit	(75,314,890)	(74,874,702)	(440,188)	1%
Total net position (deficit)	(28,452,730)	(32,121,423)	3,668,693	-11%
Total liabilities, deferred inflows of resources and net poisiton (deficit)	$ 109,294,984	$ 79,976,945	$ 29,318,039	37%

Total assets increased by 33% or approximately $24.2 million mainly due to an increase in cash of approximately $17.1 million and construction in progress of approximately $7.3 million. The increase in cash primarily resulted from funds received from the Commonwealth of Puerto Rico before year-end for subsequent commitments. The increase in construction in progress is due to the acquisition of four new vessels and the construction of a new Terminal in Ceiba.

Current liabilities increased by 93% to an amount of approximately $36.2 million as of June 30, 2023, due to an increase in accounts payable. Non-current liabilities had an increase of approximately $6.7 million due mainly to an increase of $6.9 million in pension liability. Nearly 97% of the total liabilities, amounting to approximately $131 million, are associated with Puerto Rico and the Municipal Island Maritime Transport Authority (PRMIMTA) operations. These liabilities primarily stem from other governmental agencies and pension and other employee benefits. Effective July 1, 2022, PRMIMTA operations were converted into a program under the Authority'sumbrella.

Total net position (deficit) decreased by 11% to a net deficiency amount of approximately $28.5 million as of June 30, 2023. The increase was the net result of an excess of income (operating and non-operating) over expenses (operating and non-operating). The largest portion of the Authority's net position represents its investment in capital assets.

The following table reflects a condensed summary of the revenue, expenses, and changes in net position for the years ended June 30, 2023, and 2022:

	June 30,		Change	
	2023	**2022, As restated**	**In Dollars**	**Percent**
Operating revenue	$ 5,991,314	$ 5,166,437	$ 824,877	16%
Operating expenses	(84,896,076)	(73,002,410)	(11,893,666)	16%
Operating income (loss)	(78,904,762)	(67,835,973)	(11,068,789)	16%
Non-operating revenue (expenses)				
Operating grants, contributions and other revenue	82,166,406	74,688,507	7,477,899	10%
Interest and other financing expenses	407,049	(397,165)	804,214	-202%
Total non-operating revenue, net	82,573,455	74,291,342	8,282,113	11%
Change in net position	3,668,693	6,455,369	(2,786,676)	-43%
Net position (deficit), at beginning of year, as restated	(32,121,423)	(38,576,792)	6,455,369	-17%
Net position (deficit), at end for year	$ (28,452,730)	$ (32,121,423)	$ 3,668,693	-11%

Operating revenue, which consisted principally of fares for maritime transportation and cargo services, increased by 16% to an amount of approximately $6 million for the year ended June 30, 2023.

Operating expenses, which consisted principally of salaries and employee benefits, vessels rent, depreciation and amortization, repairs and maintenance, diesel, insurance, professional services and general and administrative, increased by 16% to an amount of approximately $84.9 million for the year ended June 30, 2023. The change was mainly due to the increase in the costs of the maritime transport operations and maintenance agreement.

Non-operating revenue consisted principally of operating grants from the Commonwealth and the Federal Government. The non-operating revenue increased by 11% or $8.3 million due mainly to an increase in Commonwealth grants of approximately $7.5 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the Authority had invested approximately $50.7 million in capital assets (net of related depreciation and amortization) including buildings on piers, maritime and other transportation equipment, motor vehicles, furniture and fixtures and right-to-use leased assets used in the Authority's operations. During the year ended June 30, 2023, the Authority invested approximately $7.3 million in capital assets, mainly in the construction of a new Ceiba terminal and four new maritime vessels.

The following table presents the components of the capital assets during fiscal years 2023 and 2022:

	June 30,		Change	
	2023	**2022**	**In Dollars**	**Percent**
Assets not being depreciated:				
Land and improvements	$ 93,323	$ 93,323	$ -	0%
Construction in progress	7,277,111	-	7,277,111	100%
	7,370,434	93,323	7,277,111	7798%
Assets being depreciated and amortized:				
Buildings on piers	33,380,386	33,380,386	-	0%
Leasehold improvements	2,528,834	2,528,834	-	0%
Maritime and other transportation equipment	54,657,745	54,657,745	-	0%
Furniture and fixtures	3,994,949	4,003,972	(9,023)	0%
Computer and software	307,651	272,591	35,060	13%
Motor vehicles	443,683	443,683	-	0%
Right-to-use leased assets	4,052,668	3,922,134	130,534	3%
Totals	99,365,916	99,209,345	156,571	0%
Accumulated depreciation and amortization	56,020,904	52,829,404	3,191,500	6%
Capital assets being depreciated and amortized, net	43,345,012	46,379,941	(3,034,929)	-7%
Total capital assets, net	$ 50,715,446	$ 46,473,264	$ 4,242,182	9%

Debt Administration

Long-term debt of the Authority consists of due to other governmental entities, compensated absences, voluntary termination benefits, total pension and OPEB liabilities, and lease and legal liabilities. The increase of 7% was mainly due to a pension liability of approximately $6.9 million.

Following is a summary of the Authority's long-term debt as of June 30, 2023 and 2022:

	June 30,		Change	
	2023	**2022**	**In Dollars**	**Percent**
Due to other governmental entities	$ 67,961,569	$ 68,086,878	$ (125,309)	0%
Compensated absences	553,945	334,191	219,754	66%
Voluntary termination benefits	1,897,677	2,398,228	(500,551)	-21%
Total pension liability	25,212,678	18,286,472	6,926,206	38%
Total OPEB liability	415,873	163,812	252,061	154%
Lease liabilities	3,853,286	3,852,939	347	0%
Legal liability	920,670	645,756	274,914	43%
Other long-term liabilities	320,059	320,059	-	0%
Totals	$ 101,135,757	$ 94,088,335	$ 7,047,422	7%

Current Known Facts

The following is a summary description of currently known facts, decisions and conditions that have had, or are expected to have, an impact on the Authority's financial position and results of operations.

The Authority serves the San Juan Urbanized Area through heavy rail and bus public transportation. The Authority was created on August 3, 2014, by the Department of Public Works and Transportation (DTOP for its Spanish acronym) to serve as an entity to manage and integrate the different transit modes on the Island. Under the umbrella of DTOP, the Authority receives federal and state funding for its operation and capital needs.

Much of DTOP's transportation operations management was channeled through the Puerto Rico Highways and Transportation Authority (PRHTA), and DTOP sought to create a separate entity to specifically handle public transportation. The Authority assumed responsibility over the Urban Train (UT) upon its creation in 2014 and the transfer of UT's operations to the Authority has been approved by the board of directors. In addition, effective July 1, 2022, Puerto Rico and Municipal Islands Maritime Transport Authority's (PRMIMTA) operations were converted into a program under the Authority's umbrella. The Authority was intended to merge the Puerto Rico Metropolitan Bus Authority (PRMBA) under its authority. As of today, full transfer of responsibility from PRHTA and the transit agencies to the Authority has not been fully completed, but there has been some progress in the integration as several bus routes previously managed by PRMBA were handed over the Authority for management in 2015.

The Authority's services include the UT heavy rail service, and the *Metrobus*, *Metro Urbano* and *UT Connection* bus lines. The Authority does not directly operate these services, but rather contracts third-party operators.

The *Metrobus*, *Metro Urbano* and *UT Connection* bus lines operations have been contracted with a private operator, First Transit, since 2008 while the management of those lines was still under PRMBA's responsibility. Since then, the contract has been extended and amended several times to continue providing good service.

During 2020, PRMIMTA entered into a maritime transport operations and maintenance agreement with *HMS Ferries-Puerto Rico, LLC* and *HMS Ferries, Inc.*, for the exclusive operation and maintenance of the Authority's ferry system, including the vessels owned or chartered by the Authority, the ferry terminals, parking facilities, mooring facilities and other facilities, and related infrastructure used in connection with the ferry services which are under the control of the PRMIMTA.

Opportunities For Improvement

The Authority was able to uncover several opportunities for improvement within its current operations and planning processes. The following is a summary of currently ongoing or planned initiatives, as well the commitment to continue improving the service offered to its riders, to remain safe and reliable, provide a good customer service and experience, while keeping its assets in an SGR (State of Good Repair).

The Authority, as an agency, understands that it continues to develop, plan, and implement technical and structural improvements for its assets and the agency overall.

- The Authority is committed to make the following investments in its assets
    - The Authority acquired four modern vessels for its maritime operations, aiming to enhance efficiency, safety, and comfort. These vessels, representing an investment of approximately $70 million, are scheduled to begin operating in the fiscal year 2025.

  - The construction of a new terminal in Ceiba commenced during the fiscal year 2023 with an investment of approximately $42 million with a smart and integrated system that facilitates seamless check-in, security, boarding, baggage handling, and information services creating more convenient transportation services to travelers. The terminal is expected to start operating in November 2025.

  - The acquisition of a maintenance facility located in Isla Grande, San Juan with an investment of approximately $25 million, to serve for the repair and maintenance of the Authority's maritime vessels. Construction is scheduled to start during the fiscal year 2025.

  - A new administrative office building for the Authority, with an investment of around $20 million, is set to begin construction during fiscal year 2025.

  - The Authority has recently finalized the design process for a project aimed at renovating and enhancing the Mosquito Terminal in Vieques. With an investment of approximately $25 million, the goal is to upgrade the terminal facilities to modern standards, accommodating passenger volume and needs.

- During fiscal year 2023, the Authority became a member of the Maritime Administration (MARAD), an agency of the United States Department of Transportation which supports the U.S. maritime transportation system and other elements of the U.S. maritime industry. Becoming a member of MARAD makes the Authority eligible to subventions for the continuous development and improvement of the agency.

Contacting the Authority's Financial Management:

This financial report is designed to provide our customers and other interested parties with a general overview of the Authority's finances and to demonstrate The Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Puerto Rico Integrated Transit Authority, Finance Department, P.O. Box 195349, San Juan, Puerto Rico, 00919.

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Net Position
June 30, 2023

Assets

Current assets:	
Cash	$ 32,262,884
Receivables, net	
Trade	3,412,318
Other	1,286,925
Due from Commonwealth	5,415,000
Due from other governmental entities	174,675
Lease receivable	3,880
Prepaid expenses	4,704,167
Total current assets	47,259,849
Non-current assets:	
Capital assets, net of accumulated depreciation and amortization	50,715,446
Other assets	53,400
	50,768,846
Total assets	98,028,695
Deferred outflows of resources:	
Pension related	11,252,689
Other post-employment benefits related	13,600
Total deferred outflows of resources	11,266,289
Total assets and deferred outflows of resources	$ 109,294,984

(Continues)

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

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Net Position
June 30, 2023

Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	$ 21,843,738
Due to:	
Commonwealth	192,409
Other governmental entities	11,679,291
Unearned revenue	233,798
Compensated absences	247,688
Voluntary termination benefits payable	473,380
Total pension liability	1,111,880
Total other post-employment benefits liability	13,600
Lease liabilities	157,139
Legal liability	258,720
Total current liabilities	36,211,643
Non-current liabilities:	
Due to other governmental entities	67,961,569
Compensated absences	306,257
Voluntary termination benefits payable	1,424,297
Total pension liability	24,100,798
Total other post-employment benefits liability	402,273
Leases payable	3,696,147
Legal liabilities	661,950
Other long-term liabilities	320,059
Total non-current liabilities	98,873,350
Total liabilities	135,084,993
Deferred inflows of resources:	
Pension related	2,658,885
Lease revenue	3,836
Total deferred inflows of resources	2,662,721
Total liabilities and deferred inflows of resources	137,747,714
Net Position	
Net investment in capital assets	46,862,160
Deficit	(75,314,890)
Total net position (deficit)	$ (28,452,730)

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

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

Operating revenue:	
Passenger fares and cargo revenue	$ 5,867,815
Equipment and property rentals	123,499
Total operating revenue	5,991,314
Operating expenses:	
Salaries and employees benefits, including voluntary termination benefits	3,403,085
Pension	4,594,234
Other post-employment benefits	250,861
Maritime transport operations and maintenance agreement costs	50,677,135
Vessels rent	4,856,871
Repairs and maintenance	7,956,190
Diesel	2,015,492
Professional services	3,796,552
Insurance	2,586,714
Depreciation and amortization	3,200,523
General and administrative	1,558,419
Total operating expenses	84,896,076
Operating loss	(78,904,762)
Non-operating revenue:	
Operating grants:	
Commonwealth of Puerto Rico	72,907,623
Federal Grants	9,258,783
Interest and other financing expenses, net	407,049
Total non-operating revenue, net	82,573,455
Net change in net position	3,668,693
Net position (deficit), at beginning of year as restated	(32,121,423)
Net position (deficit), at end of year	$ (28,452,730)

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

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flows from operating activities:	
Cash collected from customers and passengers	$ 3,283,849
Cash payments to suppliers for goods and services	(52,188,949)
Cash payments to employees for services	(4,696,857)
Net cash used in operating activities	(53,601,957)
Cash flows from non-capital and related financing activities:	
Operating grants received from:	
Commonwealth of Puerto Rico	68,632,623
Federal grant	9,258,783
Payment of interest	(158,390)
Net cash provided by non-capital and related financing activities	77,733,016
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(7,312,171)
Receipts of interest from leasing transactions	181
Payments for leasing transactions	(130,187)
Payment of interest-leases	(408,849)
Net cash used by capital and related financing activities	(7,851,026)
Cash flows investing activities:	
Interest collected in deposits and net cash provided by investing activities	867,544
Net increase in cash	17,147,577
Cash at beginning of the year	15,115,307
Cash at end of the year	$ 32,262,884

(Continues)

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

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Cash Flows
For the Year Ended June 30, 2023

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (78,904,762)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	3,200,523
Bad debt expense	46,640
Changes in operating assets and liabilities:	
Increase in accounts receivable	(2,883,268)
Decrease in inventories	124,017
Decrease in prepaid expenses	4,135,630
Increase in deferred outflows of resources	(5,076,363)
Increase in accounts payable, accrued expenses and other liabilities	24,097,978
Increase in unearned revenue	41,294
Increase in deferred inflows of resources	1,616,354
Net cash used in operating activities	$ (53,601,957)

<u>Non-cash capital and financing activities:</u>

During the year ended June 30, 2023 the Authority recorded leases obligations incurred for new right-to-use leased assets in the aggregare amount of $130,534. Also, the Authority disposed of fully depreciated capital assets with cost of $9,053. No gain or loss resulted from the diposal.

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

Note 1. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

Puerto Rico Integrated Transit Authority (the Authority) is a corporation created in 2014 by Act No. 123, as amended, for the purpose of implementing a uniform public policy on collective, road and maritime transportation, and the integration of the operations, assets, rights, obligations, and funds of the Puerto Rico Highways and Transportation Authority's (PRHTA), Urban Train, Puerto Rico Metropolitan Bus Authority (PRMBA) and Puerto Rico and Municipal Islands Maritime Transport Authority (PRMIMTA). The Authority is a component unit of the Commonwealth of Puerto Rico (the Commonwealth), and accordingly is included in the basic financial statements of the Commonwealth.

The Authority commenced operations in February 2015 and is in the process of obtaining the required approvals from local and federal agencies to integrate and perform the merger of the Urban Train and PRMBA into PRITA.

On July 1, 2022, the Authority integrated PRMIMTA's operations under its umbrella. PRMIMTA is a public corporation created by Act No. 1 of January 1, 2000, as amended, to administer and operate the maritime transportation services among Cataño, San Juan, Ceiba, Vieques, and Culebra. In addition, the transfer of Urban Train's operations to the Authority has been approved by the board of directors. Refer to Note 2 for more information.

The Authority is governed by a nine-member board comprising the Secretary of the Department of Transportation and Public Works of the Commonwealth, who serves as a Chairman, the Executive Director of PRHTA, the President of the Puerto Rico Planning Board, the Director of the Puerto Rico Office of Management and Budget, the Executive Director of Puerto Rico Fiscal Agency and Financial Advisory Authority, two additional members from the private sector appointed by the Governor of Puerto Rico with the advice and consent of the Senate and two other members representing entities within the Metropolitan Planning Organization, who are selected through the vote from its own Board of Directors. The Board delegates to an Executive Director certain powers and duties as it may deem appropriate. The Executive Director is responsible for the enforcement of the Board policies and for the general supervision of the operational and administrative activities of the Authority.

The Commonwealth generally provides financial support to the Authority through legislative appropriations and the Authority will transfer the necessary funds to PRTHA and PRMBA, when they engage in the construction, operations and maintenances of the Mass Rail and Maritime Transportation Facilities described in Act 123-2014, as amended.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standard Board (GASB).

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

Measurement Focus and Basis of Accounting

The operations of the Authority are accounted for as an enterprise fund. Enterprise funds are accounted for using the flow of economic resources measurement focus and follow the accrual basis of accounting. Under this basis, revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred. Enterprise funds are used to account for those operations for which the pricing policies of the entity establish fees and charges designed to recover its costs, including capital costs such as depreciation and debt service.

Cash

The Authority maintains cash on deposits with a high-rated financial institution. The laws of the Commonwealth require commercial banks to fully collateralize all public funds deposited with them in excess of the amount insured by the Federal Deposit Insurance Corporation. The securities pledged by the banks as collateral for those deposits are under the custody of the Secretary of the Treasury in the name of the Commonwealth.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable include amounts due from tenants for the use of facilities under rental and concessions agreements. Receivables are stated net of the estimated allowance for doubtful accounts. The allowance for doubtful accounts is the amount that management believes will be adequate to absorb possible losses on existing accounts receivable that may become uncollectible based on evaluations of collectability of accounts receivable, past collection experience, and current economic conditions. Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the existing accounts receivable and related allowance may change in the future.

Leases

<u>Lessee</u>

The authority is a lessee for various noncancellable leases for the use of equipment and terminal facilities on piers. For leases with a maximum possible term of 12 months or less at commencement (short-term), the Authority recognizes lease expense based on the provision of the lease agreement. For all other leases, the Authority recognizes a lease liability and an intangible right-to-use leased asset.

At the commencement of the lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

The lease asset is initially measured at the amount of the lease liability, and as applicable, less lease payments made on or before the lease commencement date, plus any initial direct costs ancillary to place the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. A full month amortization is calculated in the month the leased asset is placed in service.

The following key estimates and judgments are used by the Authority to determine the following:

- Discount rate: The Authority generally uses an incremental borrowing rate as the discount rate to calculate the present value of the expected lease payments unless the rate that the lessor charges is known.

- Lease term: The lease term includes the noncancellable period of the lease, plus periods covered by either the Authority or lessor unilateral option to 1) extend when it is reasonably certain to be exercised, or 2) terminate when it is reasonably certain not to be exercised. Periods in which the Authority and the lessor have an option to terminate or those that are covered by a bilateral option, where both parties must agree, are excluded from the lease term.

- Lease payments: Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase options prices that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that may require a remeasurement of a lease arrangement. When certain changes occur that are expected to significantly affect the amount of the lease liability, the liability is remeasured, and a corresponding adjustment is made to the lease asset.

<u>Lessor</u>

The Authority is a lessor for various noncancellable leases for rental and concessions agreements. For short-term leases, the Authority recognizes rental income based on the provision of the lease agreement. For all other leases, the Authority recognizes a lease receivable and a deferred inflow of resources.

At the commencement of the lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term, reduced by any provision for uncollectible amounts, if applicable. Any initial indirect costs required to be paid by the Authority are expensed in the period incurred. Subsequently, payments received are allocated first to any accrued interest receivable and then to the lease receivable.

The deferred inflow of leased revenue is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date that relate to future periods, less any lease incentive paid to, or on behalf of, the lessee at or before the commencement date of the lease term, if applicable. Subsequently, the deferred inflow of resources is recognized on a straight-line basis as revenue over the life of the lease term.

The following key estimates and judgments are used by the Authority to determine the following:

- Discount rate: The Authority uses either the explicit rate stated in the lease agreement or its incremental borrowing rate to discount the expected lease receipts to present value.

- Lease term: The lease term includes the noncancelable lease period of the lease, plus 1) periods for which the Authority has a unilateral option to extend and is reasonably certain to exercise such option, 2) periods after an optional termination date if the Authority is reasonably certain not to exercise the termination option.

- Lease receipts: Measurement of the lease receivable includes fixed payments, and as applicable, variable fixed in substance payments, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

The Authority monitors changes in circumstances that may require a remeasurement of a lease arrangement. When certain changes occur that are expected to significantly affect the amount of the lease receivable, the receivable is remeasured, and a corresponding adjustment is made to the deferred inflows of resources for leasing transactions.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, net of accumulated depreciation and amortization. Capital assets are defined by the Authority as assets with an initial cost of more than $500 and an estimated useful life of more than one year. Depreciation and amortization are computed on a straight-line method over the estimated useful life of the respective asset. Maintenance and repairs are charged to operations, while renewals and betterments are capitalized. When property and equipment are disposed of, the cost and applicable accumulated depreciation and amortization are removed from the respective accounts and the resulting gain or loss is charged to operations.

The estimated useful lives of the capital assets follow:

Buildings on piers	5-50 years
Leasehold improvements	5 years
Maritime and other transportation equipment	20-25 years
Computers and software	2-5 years
Motor vehicles	5 years
Furniture and fixtures	2-10 years

The Authority periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered impaired when its service utility has declined significantly and unexpectedly, and the event or change in circumstances is outside the normal life cycle of the asset. Impaired capital assets that will no longer be used by the Authority should be reported at the lower of their carrying value or fair value. Impairment losses on capital assets that will continue to be used by the Authority should be measured using the method that best reflects the diminished service utility of the capital asset.

Deferred Outflows/Inflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. In the statement of net position deferred outflows/inflows of resources arise as result of the transactions recorded as part of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements 67 and 68,* and GASB No. 75*, Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* and GASB No. 87-*Leases.*

Compensated Absences

Compensated absences are accounted for under the provisions of GASB Accounting Standards Codification Section C60, *Compensated Absences.* Compensated absences include paid time off made available to employees in connection with vacation. The liability for compensated absences recorded in the accompanying statement of net position is limited to a leave of absence that: (i) is attributable to services already rendered on or before June 30, 2023; and (ii) is not contingent on a specific event (such as illness) that is outside the control of the Authority and the employee. Employees accumulate vacation at a rate of 1.25 days per month up to an annual amount of 15 days. Vacation time is fully vested by the employee from the first day of work up to a maximum of 60 days. Employees accumulate sick leave at a rate of 1 day per month up to an annual maximum of 12 days and a maximum accumulation of 90 days. Upon retirement, an employee receives compensation for all accumulated unpaid vacation leave at the current rates regardless of years of service. Accumulated unpaid sickness days are not liquidated upon employment termination. The liability for compensated absences has been calculated based on the employee's current salary and includes payroll related costs such as Social Security and Medicare tax.

Voluntary Termination Benefits

The Authority accounts for termination benefits in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. Pursuant to the provisions of GASB Statement No. 47, the Authority recognizes the liability and expense for voluntary termination benefits (for example, early retirement incentives) when the offer is accepted, and the amount can be estimated.

Accrual for Legal Claims

The estimated amount of the liability for legal claims is recorded on the accompanying statement of net position based on the Authority’s evaluation of the probability of an unfavorable outcome in the litigation of such legal claims. The Authority consults with its legal counsel upon determining whether an unfavorable outcome is expected. Because of uncertainties inherent in the estimation process, management’s estimate of the liability for legal claims may change in the near term.

Accounting for Pension Costs

The Authority accounts for pension costs under the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements 67 and 68,* which requires that employers report a net pension liability and related pension accounts. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pension and pension expense, the balances have been determined on the same basis as reported by the Plan.

Other Post-Employment Benefits

The Authority accounts for other post-employment benefit obligation under the provisions of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. As required by the accounting pronouncement, OPEB transactions should be accounted for based on its proportional share of the collective OPEB liability, OPEB expense and deferred outflows/inflows of resources reported by the Plan. For purposes of measuring the OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, the balances have been determined on the same basis as reported by the Plan. The Authority's contribution for the OPEB is included in the PayGo charges billed on a monthly basis by the ERS.

Net Position

Net position is classified in the following two components in the accompanying statement of net position:

<u>Net Investment in Capital Assets</u>

This component of net position consists of capital assets net of accumulated depreciation and amortization and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds, at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of this component.

<u>Unrestricted</u>

An unrestricted net position consists of net position that does not meet the definition of net investment in capital assets.

Operating Revenue and Expenses

The Authority distinguishes between operating and non-operating revenue and expenses in its Statement of Revenue, Expenses, and Changes in Net Position. The principal revenue of the Authority is received from patrons of the maritime transportation and cargo services provided. The Authority also recognizes as operating revenue the rental fees received from concessionaries from operating leases on concession property. Unearned revenue primarily consists of unredeemed passenger fares. Operating expenses for the Authority include the costs of operating the maritime facilities and related rental spaces, administrative expenses, and depreciation and amortization of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Operating Grants

The Authority receives operating and capital grants from the Commonwealth. These grants, which are subject to annual appropriations, are used to finance the Authority's operations and the acquisition of capital assets. Amounts received under these grants are recorded as revenue in the period stated in the grant.

In addition, the Authority receives federal funds under grants from the U.S. Federal Transit Administration (FTA) exclusively for the acquisition and repairs of certain capital assets. Capital grants of the Authority are reported as non-operating revenue rather than contributed capital as required by GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Capital funding provided under these grants is considered earned as the related allowable expenditure is incurred in the period in which all eligibility requirements and/or time and purposes restrictions are met.

Risk Financing

The Authority carries commercial insurance to cover casualty, theft, claims and other losses. The current insurance policies have not been cancelled or terminated. The Authority has not settled any claims in excess of its insurance coverage during the last three years. The Authority also pays premiums for workers compensation insurance to another component unit of the Commonwealth.

Use of Estimates

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

Adoption of New Accounting Pronouncement

The provisions of the following accounting pronouncements were implemented during the year ended June 30, 2023:

- *GASB Statement No. 94, Public-Private and Public-Public Partnership and Availability Payment Arrangement.* This statement establishes standards of accounting and financial reporting for public-private and public-public partnership arrangements (PPPs). This pronouncement does not have any impact on the Authority's financial statements.

- *GASB Statement No. 96, Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This pronouncement does not have any impact on the Authority's financial statements.

Accounting Pronouncements Issued but Not Yet Effective

- GASB Statement No. 99, *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

- GASB Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

- 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 issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years ending after June 15, 2024.

- 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 establishes or modifies existing requirements related to Management's discussion and analysis and also addresses certain application issues for unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

Management is evaluating the impact that these statements will have, if any, on the Authority's basic financial statements.

Note 2. Transfer of PRMIMTA's Operations to the Authority

PRMIMTA's operations have been converted into a program under the Authority's umbrella as allowed by Act No. 123 of 2014, Authority's organic law. On July 1, 2022 PRMIMTA transferred its assets, deferred outflows of resources, liabilities, deferred inflows or resources, and net position to the Authority. These balances were determined on the basis of the carrying values reported in the separate financial statements of PRMIMTA as of June 30, 2022. As a result of the transfer, the Authority recognized the following balances:

	Carrying Values
Transferred Assets and Deferred Outflows of Resources:	
Current assets	$ 16,398,508
Capital assets, net	46,328,073
Other assets	57,341
Total assets	$ 62,783,922
Deferred outflows of resources	$ 6,189,926
Transferred Liabilities and Deferred Inflows of Resources:	
Current liabilities	$ 17,427,300
Non-current liabilities	92,144,587
Total liabilities	$ 109,571,887
Deferred inflows of resources	$ 1,057,879
Net Position of Transferred Operations	
Net position	$ (41,655,918)

Note 3. Maritime Transport Operations and Maintenance Agreement

On October 27, 2020, the Authority entered into a maritime transport operations and maintenance agreement (the Agreement) with HMS Ferries-Puerto Rico, LLC and HMS Ferries, Inc. (the Operator), for the exclusive operation and maintenance of the Authority's ferry system, including the vessels owned or chartered by the Authority, the ferry terminals, parking facilities, mooring facilities and other facilities, and related infrastructure used in connection with the ferry services which are under the control of the Authority. The Agreement will be executed in two phases for a total period of twenty-three (23) years. All rights, title, and interest in and to all assets used in providing the services under the Agreement, including among others, ferry terminals, mooring facilities and vessels shall be owned by the Authority throughout the contract term and following the expiration or termination of the Agreement. The Agreement commencement date was January 26, 2021.

The compensation for Phase 1, that is expected to last three years, will include service payments and management fees to the Operator for a total amount of approximately $99.9 million. During Phase 1 the Authority is responsible for collecting farebox revenue and internet ticket sales. The compensation for Phase 2 will include a yearly fixed fee ranging from $30.0 million to $33.3 million for an aggregate amount of approximately $651 million during a period of twenty (20) years. The compensation payable to the Operator during Phase 2 shall be adjusted upward or downward, as applicable to account for any increase or decrease in the insurance premium or price of fuel. In addition, during Phase 2 the Operator shall have the exclusive right to collect all service and ancillary activities revenues. For any contract year during Phase 2 period that the cumulative service or ancillary activities revenues collected by the Operator exceed by 30% or more the cumulative projected service or ancillary activities revenues established in the contract for such period, it shall be shared equally between the Authority and the Operator.

For the year ended June 30, 2023, the Authority recorded charges in the amount of $50,677,135 related with the Agreement and $3,159,939, as prepaid expense.

Note 4. Cash

The Authority's cash as of June 30, 2023, consist of the following:

	Book Balance	Depository Bank Balance	Amount Uninsured and Uncollateralized
Cash deposited in commercial bank	$ 32,262,884	$ 34,171,174	$ -

Note 5. Deposits Claim Receivable

On November 29, 2018, the Government Development Bank (the GDB) completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA (the GDB Qualifying Modification). In addition, pursuant to Act No. 109-2017, also known as the *Governmental Development Bank for Puerto Rico Debt Restructuring Act* (the GDB Restructuring Act), claims on account of deposits held by the Commonwealth and other public entities, including the Authority, were exchanged for interest in a newly formed trust created pursuant to the GDB Restructuring Act, titled the Public Entity Trust (the PET).

Under the GDB Restructuring Act, the balance of liabilities owed among the Commonwealth and its agents, instrumentalities, and affiliates, (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, including the Authority, 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 Entity may have had against GDB. The assets of the PET consist of, among other items, a claim filed in the amount of $580 million against the Commonwealth, which is the subject of a proof of claim filed in the Commonwealth's Title III case.

The Authority held deposits at GDB of $9,505,694. A custodial credit risk loss on these deposits was recorded in prior years for the full balance. As of June 30, 2023, the deposits balance and the custodial credit risk allowance were reclassified to deposits claim receivable from the PET and into an allowance for doubtful accounts, respectively, with a carrying amount of zero. As a result of the GDB Qualifying Modification, the Authority's recovery on this claim will depend upon the recovery ultimately received by the PET on account of its assets.

Note 6. Accounts Receivable

Accounts receivable as of June 30, 2023, consist of:

Trade	$ 3,770,044
Other	1,286,925
Due from Commonwealth	5,415,000
Due from other governmental entities	621,146
	11,093,115
Less: Allowance for doubtul accounts	(804,197)
Accounts receivable, net	$ 10,288,918

Changes in the allowance for doubtful accounts for the year ended June 30, 2023 are as follow:

Allowance for doubtful accounts, beginning of year	$ 757,557
Plus: Provision for doubftul accounts	46,640
Allowance for doubtful accounts, end of year	$ 804,197

The accounts receivable trade balance includes amounts due from tenant for the use of facilities under short-term rental and concession agreements and amount due from the Operator related with passenger fares and cargo revenue pending to transfer to the Authority at year-end. Amounts due from other governmental entities include amounts related mainly with transportation charges.

The amount due from Commonwealth of $5,415,000 consists of operating grants pending to be collected at June 30, 2023.

In addition, the balance of accounts receivable-other includes an amount of $1,282,795 due from the Operator related with the refund of certain deposits paid by the Authority under agreements for rent of vessels and other charges.

Note 7. Lease Receivable

The Authority is a lessor in a non–cancellable agreement with a concessionary of one of the terminal facilities. Revenue recognized from this lease agreement is $11,632 for the year ended June 30, 2023 ($11,512 of principal and $120 of interest).

Future minimum payments to be received by the Authority during the year ending June 30, 2024 are $3,880 (including $3 of interest).

Note 8. Capital Assets

The following schedule summarizes the capital assets held by the Authority as of June 30, 2023:

	Balance at June 30, 2022	Additions	Retirements	Balance at June 30, 2023
Assets not being depreciated:				
Land and improvements	$ 93,323	$ -	$ -	$ 93,323
Construction in progress	-	7,277,111	-	7,277,111
	93,323	7,277,111	-	7,370,434
Assets being depreciated and amortized:				
Buildings on piers	33,380,386	-	-	33,380,386
Leasehold improvements	2,528,834	-	-	2,528,834
Maritime and other transportation equipment	54,657,745	-	-	54,657,745
Furniture and fixtures	4,003,972	-	(9,023)	3,994,949
Computers and software	272,591	35,060	-	307,651
Motor vehicles	443,683	-	-	443,683
Right-to-use leased assets				
Terminal facilities on piers	3,800,894	98,272	-	3,899,166
Equipment	121,240	32,262	-	153,502
Total	99,209,345	165,594	(9,023)	99,365,916
Less: accumulated depreciation and amortization				
Buildings on piers	8,137,222	674,990	-	8,812,212
Leasehold improvements	1,565,825	505,702	-	2,071,527
Maritime and other transportation equipment	38,699,709	1,663,080	-	40,362,789
Furniture and fixtures	3,601,427	103,850	(9,023)	3,696,254
Computer and software	227,826	16,769	-	244,595
Motor vehicles	395,245	20,270	-	415,515
Right-to-use leases asset				
Terminal facilities on piers	161,737	166,650	-	328,387
Equipment	40,413	49,212	-	89,625
Total	52,829,404	3,200,523	(9,023)	56,020,904
Capital assets being depreciated and amortized , net	46,379,941	(3,034,929)	-	43,345,012
Total capital assets, net	$ 46,473,264	$ 4,242,182	$ -	$ 50,715,446

Right-to-use leased assets

The Authority is a lessee for various non-cancellable leases for the use of equipment and terminal facilities in piers and on July 1, 2021 implemented the provisions of GASB No. 87, *Leases.* Refer to Note 11 for information on the liabilities relating to the right-to-use leased assets.

Note 9. Due to Commonwealth

Amount due to Commonwealth as of June 30, 2023, consists of the following:

PayGo charges	$ 59,075
Other	133,334
	$ 192,409

Note 10. Due to Other Governmental Entities

Amount due to other governmental entities as of June 30, 2023, consists of the following:

State Insurance Fund Corporation	$ 5,465,975
PRMBA	5,106,558
PR Ports Authority	598,110
Others	508,648
	$ 11,679,291

Note 11. Non-Current Liabilities:

Changes in non-current liabilities as of June 30, 2023, are summarized as follows:

	Balance at June 30, 2022	Increase	Decrease	Net change	Balance at June 30, 2023	Current Portion
Due to other governmental entities	$ 68,086,878	$ -	$ (125,309)	$ -	$ 67,961,569	$ -
Compensated absences	334,191	-	-	219,754	553,945	247,688
Voluntary termination benefits	2,398,228	-	(500,551)	-	1,897,677	473,380
Total pension liability	18,286,472	7,979,528	(1,053,322)	-	25,212,678	1,111,880
Total OPEB liability	163,812	264,461	(12,400)	-	415,873	13,600
Lease liabilities	3,852,939	130,534	(130,187)	-	3,853,286	157,139
Legal liability	645,756	294,771	(19,857)	-	920,670	258,720
Other long-term liabilities	320,059	-	-	-	320,059	-
Totals	$ 94,088,335	$ 8,637,032	$ (1,809,364)	$ 219,754	$ 101,135,757	$ 2,262,407

(a) Amount due to other governmental entities consists of the following:

	Balance at June 30, 2023
Puerto Rico Ports Authority	$ 37,469,596
Puerto Rico Highways and Transportation Authority	30,491,973
	$ 67,961,569

The amount due to Puerto Rico Ports Authority consists of advances for the payment of operating expenses. This amount bears no interest and has no formal repayment terms. The outstanding amount will be paid as cash becomes available, principally from operating grants from the Commonwealth.

During the year ended June 30, 2012, the Authority made an agreement with the Puerto Rico Highways and Transportation Authority (PRHTA), in which PRHTA would advance funds to the Authority for different purposes. The agreement required that the use of money be approved and supervised by PRHTA. The advances would be used principally for operational purposes including, among others, repairs of vessels, payment of insurance policies, and professional services. The amount due bears no interest and has no formal repayment plan. The outstanding amount will be paid as cash becomes available, principally from operating grants from the Commonwealth.

(b) Voluntary termination benefits - include early retirement benefits and economic incentives for voluntary employment termination to eligible employees under Acts No. 70 - 2010 and No. 211 - 2015. Refer to Note 15 for more details.

(c) Total pension liability - represents the Authority's proportionate share of the ERS calculation of the total pension liability of the Retirement Plan. Refer to Note 13 for more details.

(d) Total OPEB liability - represents the Authority's proportionate share of the ERS calculation of the total OPEB liability for unfunded contributions. Refer to Note 14 for more details.

(e) Lease liabilities - represent amounts due under noncancellable lease agreements for the use of equipment and terminal facilities on piers.

The net present value of the Authority's minimum future lease payments for non-cancelable leases, as of June 30, 2023 is as follows:

Year ending June 30,	Principal	Interest	Totals
2024	$ 157,139	$ 284,678	$ 441,817
2025	91,003	273,742	364,745
2026	85,872	267,313	353,185
2027	85,821	261,035	346,856
2028	92,488	254,372	346,860
2029-2033	581,931	1,152,349	1,734,280
2034-2038	845,717	888,563	1,734,280
2039-2043	953,093	524,174	1,477,267
2044-2048	855,719	212,281	1,068,000
2048-2053	104,503	2,297	106,800
Total lease payments	$ 3,853,286	$ 4,120,804	$ 7,974,090

(f) Other liabilities consist mainly of a reserve established by management for possible claims of a federal agency related with certain costs of capital assets disposed of before they were fully depreciated and for a remaining balance of federal funds that were not used for payments of the intended purpose of the grant.

Note 12. Restatement of Net Position

Prior period adjustments were made to the beginning balance of the net position to correct an understatement of an account receivable and an overstatement of accounts payable. The impact of the related adjustments to the beginning net position are as follows:

Net position(deficit) at July 1, 2022, as previously reported	$ (33,970,149)
Understatement of accounts receivable	1,140,000
Overstatement of accounts payable	708,726
Net position (deficit) at July 1, 2022, as restated	$ (32,121,423)

Note 13. Employees' Retirement Plan

Plan Description

Before July 1, 2017, the Authority was a participating employer in the retirement plans administered by the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). The ERS covered employees of certain public corporations not having their own retirement systems (including the Authority), employees of the Fire and Police Departments of Puerto Rico, all regular full-time public employees working for the executive and legislative branches of the Commonwealth, and the municipalities of Puerto Rico.

On August 23, 2017, the Governor signed into law Act No. 106-2017, known as the "Act to Guarantee the Payments to our Pensioners and Establish a New Plan of Defined Contributions for Public Employees", that approved a substantial pension reform for all of the Commonwealth's retirement systems. This reform modified most of the Retirement System's activities, eliminated the employer contribution, created legal framework to implement a pay-as-you-go (PayGo) system, and required the Commonwealth's retirement systems to liquidate substantially all of their assets and to transfer the proceeds from such liquidation to the Commonwealth for the payment of pension benefits. Under the PayGo system, the Commonwealth's General Fund makes direct payments to the pensioners and then gets reimbursed for those payments by the applicable employers.

Act 106-2017 also created a new defined contribution plan (the New Defined Contribution Plan) for existing active members and new employees hired on or after July 1, 2017. This plan is similar to a 401(k) and is managed by a private entity. Future benefits will not be paid by the ERS. Under the New Defined Contribution Plan, members of the prior programs and new government employees hired on and after July 1, 2017 will be enrolled in the New Defined Contributions Program. As of June 22, 2020, the accumulated balance on these accounts of the prior pension programs were transferred to the individual member accounts in the New Defined Contribution Plan.

Prior to July 1, 2013 the System operated under the following benefits structures:

- *Act No. 447 of May 15, 1951* (Act No. 447) effective on January 1, 1952 for members hired up to March 31, 1990,

- *Act No. 1 of February 16, 1990* (Act No. 1) for members hired on or after April 1, 1990 and ending on or before December 31, 1999,

- *Act No. 305 of September 24, 1999*, (Act No. 305), which amended Act No. 447 and Act No. 1, for members hired from January 1, 2000 up to June 3, 2013.

Employees under Act No. 447 and Act No. 1 are participants of a cost-sharing multiple employers defined benefit plan. Act No. 305 members are participants under a pension program known as System 2000, a hybrid defined contribution plan. Under System 2000 there was a pool of pension assets invested by the ERS, together with those of the current defined benefit plan. Benefits at retirement age were not guaranteed by the Commonwealth and were subjected to the total accumulated balance of the savings account. Effective July 1, 2013, Act No. 3 of 2013 (Act No. 3) amends the provisions of the different benefits structures under the ERS. Act No. 3 moves all participants (employees) under the defined benefit pension plans (Act No. 447 and Act No. 1) and the defined contribution plan (System 2000) to a new defined contribution hybrid plan. Contributions are maintained by each participant in individual accounts. Credits to the individual accounts include (1) contributions by all members of ERS Act No. 447 and Act No. 1 defined benefit pension plans after June 30, 2013; (2) the retirement savings account as of June 30, 2013 of System 2000 participants and, (3) the investment yield for each semester of the fiscal year.

Benefits provided before July 1, 2017

The following summary of the ERS plan provisions is intended to describe the essential features of the plan. All eligibility requirements and benefit amounts should be determined in accordance with the applicable laws and regulations.

(i) Service Retirements

(a) *Eligibility for Act No. 447 Members:* Act No. 447 members who were eligible to retire as of June 30, 2013 would continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447-1951 members could retire upon (1) attainment of age 55 with 25 years of credited service; (2) attainment of age 58 with 10 years of credited service; (3) any age with 30 years of credited service; (4) for Public Officers in High Risk Positions, attainment of age 50 with 25 years of credited service; and (5) for Mayors of municipalities, attainment of age 50 with 8 years of credited service as a Mayor. In addition, Act No. 447 members who would attain 30 years of credited service by December 31, 2013 would be eligible to retire at any time.

Act No. 447 members who were not eligible to retire as of June 30, 2013, and did not attain 30 years of credited service by December 31, 2013, are eligible to retire upon attainment of the retirement eligibility age shown in the table below with 10 years of credited service.

Date of birth	Attained age as of June 30, 2013	Retirement eligibility age
July 1, 1957 or later	55 or less	61
July 1,1956 to June 30, 1957	56	60
Before July 1, 1956	57 and up	59

In addition to the requirements in the table above, Act No. 447 Public Officers in High-Risk Positions who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(b) *Eligibility for Act No. 1-1990 Members:* Act No. 1-1990 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1-1990 members could retire upon (1) attainment of age 55 with 25 years of credited service; (2) attainment of age 65 with 10 years of credited service; (3) for Public Officers in High-Risk Positions, any age with 30 years of credited service; and (4) for Mayors, attainment of age 50 with 8 years of credited service as a Mayor.

Act No. 1-1990 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of age 65 with 10 years of credited service. In addition, Act No. 1-1990 Public Officers in High-Risk Positions who were not eligible to retire as of June 30, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(c) *Eligibility for System 2000 Members:* System 2000 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 55 for Public Officers in High-Risk Positions and attainment of age 60.

System 2000 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of age 55 for Public Officers in High-Risk Positions and upon attainment of the retirement eligibility age shown in the table below.

Date of birth	Attained age as of June 30, 2013	Retirement eligibility age
July 1, 1957 or later	55 or less	65
July 1, 1956 to June 30, 1957	56	64
July 1, 1955 to June 30, 1956	57	63
July 1, 1954 to June 30, 1955	58	62
Before July 1, 1954	59 and up	61

(d) *Eligibility for Members Hired after June 30, 2013:* Attainment of age 58 if a Public Officer in a High-Risk Position and attainment of age 67 otherwise.

(ii) Service Retirement Annuity Benefits

An annuity is payable for the lifetime of the member equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the accrued benefit determined as of June 30, 2013. If the balance in the hybrid contribution account was $10,000 or less, it would have been paid as a lump sum instead of as an annuity. For System 2000 participants this service retirement annuity benefit is not available.

Retirement benefits were determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation was computed based on the highest 36 months of compensation recognized by the Plan. The annuity, for which a plan member was eligible, was limited to a minimum of $500 per month and a maximum of 75% of the average compensation.

Refer to the stand-alone financial statements of the Plan for further information on additional benefits.

Total Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

On February 23, 2024, an audited report was issued for the year ended June 30, 2022, in accordance with GASB Statement No. 73, providing information about pension amounts by employer and the corresponding employer allocation percentage. The Authority disclosed the below mentioned information based on this audited data reported and the ERS Actuarial Valuation Report.

As of June 30, 2023, the Authority reported a liability of $25,212,678 for its proportionate share of the total pension liability. The collective total pension liability which amounts to approximately $22.2 billion was determined by an actuarial valuation as of July 1, 2022 that was rolled forward to June 30, 2023 (measurement date as of June 30, 2022). The Authority's proportion of the total pension liability was based on the ratio of the Authority's actual benefit payments for allocation to the aggregate total of benefit payments for allocation paid by all participating entities during the year ending on the measurement date. As of June 30, 2023, the Authority's proportion was 0.11381%.

For the year ended June 30, 2023, the Authority recognized pension expense of $4,594,234. Pension expense represents the change in the total pension liability during the measurement period.

As of June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Amortization Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	2-5 years	$ 316,295	$ 534,598
Changes in assumptions	4-5 years	2,034,947	1,983,459
Changes in proportion	4-6 years	7,789,567	140,828
Audited amount as reported by ERS		10,140,809	2,658,885
Benefits paid subsequent to measurement date		1,111,880	-
Balance as of June 30, 2023		$ 11,252,689	$ 2,658,885

For the fiscal year 2023, there were benefits paid after the measurement date amounting to $1.1 million reported as deferred outflows of resources, since for fiscal year 2023 the retirement systems operate on a pay-as-you-go basis.

Amounts reported as deferred outflows/inflows of resources from pension activities as of June 30, 2023, will be recognized in the pension expense (benefit) as follows:

Year ending June 30,	Amount
2024	$ 1,496,385
2025	1,496,385
2026	1,496,385
2027	1,496,385
2028	1,496,384
	$ 7,481,924

Actuarial methods and assumptions

The actuarial valuation was determined using the following actuarial methods and assumptions:

Discount Rate

The discount rate for the fiscal year ended June 30, 2022, was 3.54%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer General Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

The mortality tables used in the June 30, 2022 for the actuarial valuation were as follows:

a) *Pre-retirement Mortality*

   For general employees not covered under Act No. 127-1958, PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127, PubS-2010 Employee Mortality Rates are assumed males and females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

   100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127-1958.

b) *Post-retirement Retiree Mortality*

   Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan’s experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using

MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.

c) *Post-retirement Disabled Mortality*

The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

d) *Post-retirement Beneficiary Mortality*

Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Other Assumptions as of June 30, 2022

Actuarial cost method	Entry age normal
Inflation rate	Not applicable
Salary increases	3.00% per year. No compensation increases are assumed until July 1, 2021 as a result of Act No. 3-2017, four-year extension of Act No. 66-2014, and the current general economy.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability as of June 30, 2023, calculated using the discount rate of 3.54%, as well as what the net pension liability would be if it was calculated using a discount rate that is 1 percent-point level lower (2.54%) or 1 percent-point level higher (4.54%) than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total net pension liability measured as of June 30, 2023	$ 28,212,701	$ 25,212,678	$22,717,042

Note 14. Other Postemployment Benefits

Plan Description

The Authority participates in the Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Employees' Retirement System (the "OPEB Plan"). The OPEB Plan is an unfunded, defined benefit other postemployment healthcare benefit plan administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75*, Accounting and*

Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB No. 75"). Under the guidance of GASB No. 75, the Commonwealth and its component units are considered to be one employer and are classified for financial reporting purposes as a single employer defined benefit OPEB Plan.

The OPEB Plan covers a payment of up to $100 per month to the eligible medical insurance plan selected by each member provided that the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3). The OPEB Plan is financed by the Commonwealth through legislative appropriations. However, the Commonwealth claims reimbursement from each employer monthly for the corresponding amount of the OPEB payments made by the Commonwealth in relation to the retirees associated with each employer. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. Plan members were eligible for benefits upon reaching the applicable retirement age. Act No. 3 of 2013 eliminated this healthcare benefit to the OPEB plan members that retired after June 30, 2013.

Total OPEB Liability

As of June 30, 2023, the Authority reported a liability of $415,873 for its proportionate share of total collective OPEB liability. The total OPEB liability as of June 30, 2023, was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022 (measurement date). As of June 30, 2023, the Authority's proportion share was 0.05979%.

OPEB Benefit

For the year ended June 30, 2023, the Authority recognized an OPEB expense of $250,861.

OPEB Deferred Outflows of Resources and Deferred Inflows of Resources

GASB No. 75 requires to determine deferred outflows of resources and deferred inflows of resources in order to be amortized and recognized in the annual OPEB expense. There are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement date. However, as of June 30, 2023, $13,600 reported as deferred outflows of resources related to OPEB, resulting from the benefits paid subsequent to the measurement date, will be recognized as a reduction of total OPEB liability in the year ended June 30, 2023.

Actuarial Methods and Assumptions

The actuarial valuation used the following actuarial assumptions:

Discount Rate

The discount rate for June 30, 2022 (measurement date) was 3.54%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

a) *Post-retirement Mortality* - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

b) *Post-retirement Disabled Mortality* - Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Sensitivity of the Authority's Proportionate Share of Total OPEB Liability to Changes in the Discount Rate

The following table presents the Authority's proportionate share of total OPEB liability calculated using the discount rate of 3.54%, as well as what the Authority's proportionate share of total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.54%) or 1-percentage-point higher (4.54%) than the current discount rate.

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	$452,690	$415,873	$384,275

Note 15. Voluntary Termination Benefits

On July 2, 2010, the Commonwealth enacted Act No. 70, known as "Act of the Incentive Program, Retirement and Retraining" (Act No. 70) to establish a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined, including the employees of the Authority. Act No. 70 established that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of credited service in the Retirement System and will consist of biweekly benefits ranging from 37.5% to 50% of each employee salary. In this early retirement benefit program, the Authority will make the employer contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and the 30 years of credited service in the Retirement System.

Economic incentives are available to eligible employees who have less than 15 years of credited service in the Retirement System or who have at least 30 years of credit service in the Retirement System and the age for retirement or who have the age for retirement. Economic incentives will consist of a lump-sum payment ranging from one-month to six-month salary based on employment years.

Additionally, eligible employees that choose to participate in the early retirement benefit program or that choose the economic incentive and have less than 15 years or credit service in the Retirement System are eligible to receive health plan coverage for up to 12 months in a health plan selected by management of the Commonwealth of Puerto Rico.

On December 8, 2015, the Commonwealth enacted another program based on provisions established on Act No. 211, known as "Voluntary Pre-Retirement Program Act" (Act No. 211). All eligible employees may retire from employment in exchange for an early pension and other benefits. Furthermore, Act No. 211 provides that eligible employees may retire from employment in exchange for an early pension and other benefits. Act No. 211 only applies to employees with twenty years or more participating in the ERS created pursuant to Act No. 447 of 1951 and who have not reached 61 years of age.

Act No. 211 provides that the employee will receive an annuity equivalent to 60% of the average compensation, as defined, as of December 31, 2015, and until the participating member attained 61 years old, which is the age the employee will become part of the ERS. The Authority is responsible for the payment of the employer contribution to the Social Security and Medicare, based on the 60% of the average compensation as of December 31, 2015. Also, the Authority is responsible for the payment of the related employee and employer contributions to the ERS based on 100% of average salary as of December 31, 2015, for amounts which guarantees a 50% minimum compensation to eligible employee of its average compensation as of June 30, 2013. The participating employee will also receive the benefits of health insurance for a period not more than two years or the employee reaches 61 years old, whichever comes first.

Voluntary termination benefits, as detailed below, are discounted at a rate of 3.30%.

	Beginning Balance	Decrease	Ending Balance	Current Portion
Act No.70	$ 1,327,870	$ (163,246)	$ 1,164,624	$ 174,415
Act No. 211	1,070,358	(337,305)	733,053	298,965
	$ 2,398,228	$ (500,551)	$ 1,897,677	$ 473,380

Note 16. Contingent Liabilities

Litigations

The Authority is involved in litigations arising in the normal course of operations. Management believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the Authority's financial condition and results of operations. Due to uncertainties in the settlement process, it is at least reasonably possible that management's view of the outcome of these claims will change in the near term. Based on advice of legal counsel, management has recorded an estimated legal liability of $920,670 as of June 30, 2023.

Federal Assistance Programs

The Authority is a subrecipient of a federal financial assistance program. The program is subject to audits in accordance with provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards or to compliance audits by grantor agencies. The number of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time, although the Authority expects such amounts, if any, not to be significant.

Note 17. Subsequent Events

The Authority has evaluated all transactions occurring subsequent to June 30, 2023, for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through June 7, 2024, the date the accompanying financial statements were available to be issued. The following material event was noted:

a. On February 21, 2024, the Operator, among other subsidiaries, affiliates, and parent companies, commenced a voluntary Chapter 11 proceeding under the United States Bankruptcy Code (the Bankruptcy Proceeding) for the alleged purpose of divesting an underperforming division, American Queen Voyages. The Operator has consistently represented to the Authority that its intention is not to impair or affect the Agreement as part of the Bankruptcy Proceeding. The Operator filed a plan of reorganization (the Plan) that proposes to assume the Agreement on the effective date of the Plan. The Plan was scheduled for a confirmation hearing on June 3, 2024 and on June 7, 2024 the United States Bankruptcy Court for the Southern District of Texas entered an order (the Confirmation Order) confirming the Plan, through which Plan, the Operator assumed the Agreement. Management's counsel believes that the effect of the Confirmation Order is that the Authority's claims are fully preserved and unaffected by the Bankruptcy Proceeding.

REQUIRED SUPPLEMENTARY INFORMATION

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Schedule of the Authority's Proportionate Share of the Total Pension Liability and Related Ratios (Unaudited)
Year Ended June 30, 2023

Description	**2023***	**2022***	**2021***	**2020***	**2019***	**2018***
Proportion of Total Pension Liability	0.11381%	0.06727%	0.06326%	0.05154%	0.04424%	0.04723%
Proportionate Share of Total Pension Liability	$25,212,678	$18,286,472	$17,755,589	$12,807,399	$10,833,904	$13,322,375

*The amounts presented have a measurement date of the previous fiscal year end.

The coverage payroll disclosure is omitted because contributions were eliminated after the enactment of Act No. 106-2017 and are no longer based on payroll.

No assets are accumulated in a trust for the payments of benefits.

Fiscal year 2019 was the first year that the Authority transitioned from GASB Statement No. 68 to GASB Statement No. 73, as a result of the PayGo system implementation. This schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

The accompanying notes are an integral part of this required supplementary information.

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Schedule of the Authority's Proportionate Share of Total OPEB Liability (Unaudited)
Year Ended June 30, 2023

Description	**2023***	**2022***	**2021***	**2020***	**2019***	**2018***
Proportion of Total Other Post Employment Benefit Liability	0.05979%	0.02052%	0.02273%	0.02094%	0.02094%	0.01689%
Proportionate Share of Total Other Post Employment Benefit Liability	$415,873	$163,812	$198,844	$199,969	$176,311	$ 155,435

*The amounts presented have a measurement date of the previous fiscal year end.

No assets are accumulated in a trust for the payments of benefits.

Fiscal year 2018 was the first year that the new requirements of GASB Statement No. 75 were implemented by the Authority. This schedule is required to illustrate 10 years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

The accompanying notes are an integral part of this required supplementary information.

1. As a result of the implementation of the PayGo system, the Pension Plan does not meet the criteria in paragraph 4 of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, to be considered a plan that is administered through a trust or equivalent arrangement and, therefore, is required to apply the guidance in GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Under the guidance of GASB Statement No. 73, the Commonwealth and its component units, including the Authority, are considered to be one employer, and are classified for financial reporting purposes as a single-employer defined benefit pension plan.

2. The information presented in the schedules relates solely to the Authority and not to the Employee's Retirement System of the Government of the Commonwealth of Puerto Rico, as a whole.

3. The data provided in the schedules is based as of the measurement date of the total pension liability and total other post-employment benefits liability, which is as of the prior fiscal year ended June 30th.