PUERTO RICO AND MUNICIPAL ISLANDS MARITIME TRANSPORT 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, 2019

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(A Component Unit of the Commonwealth of Puerto Rico)
Basic Financial Statements and Independent Auditors' Report
June 30, 2019

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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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Puerto Rico and Municipal Islands Maritime Transport Authority (the Authority) (a component unit of the Commonwealth of Puerto Rico), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Puerto Rico and Municipal Islands Maritime Transport Authority as of June 30, 2019, and the respective changes in net position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Uncertainty about Ability to continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 2 to the financial statements, the Authority has suffered recurring losses, has a net capital deficiency, and is highly dependent on the Commonwealth of Puerto Rico (the Commonwealth) appropriations to finance its operations. The financial difficulties experienced by the Commonwealth, including the uncertainty as to its ability to fully satisfy its obligations, raises substantial doubt about the Authority's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8, the Schedule of the Authority's Proportionate Share of the Total Pension Liability and Related Ratios on page 46, the Schedule of the Authority's Proportionate Share of Total OPEB Liability on page 47, be presented to supplement the basic financial statements. Such information, 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.

Valdés, García, Marín & Martínez, LLP

San Juan, Puerto Rico
November 30, 2021

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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 and Municipal Islands Maritime Transport Authority ("the Authority") for the fiscal year ended June 30, 2019. 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 2019

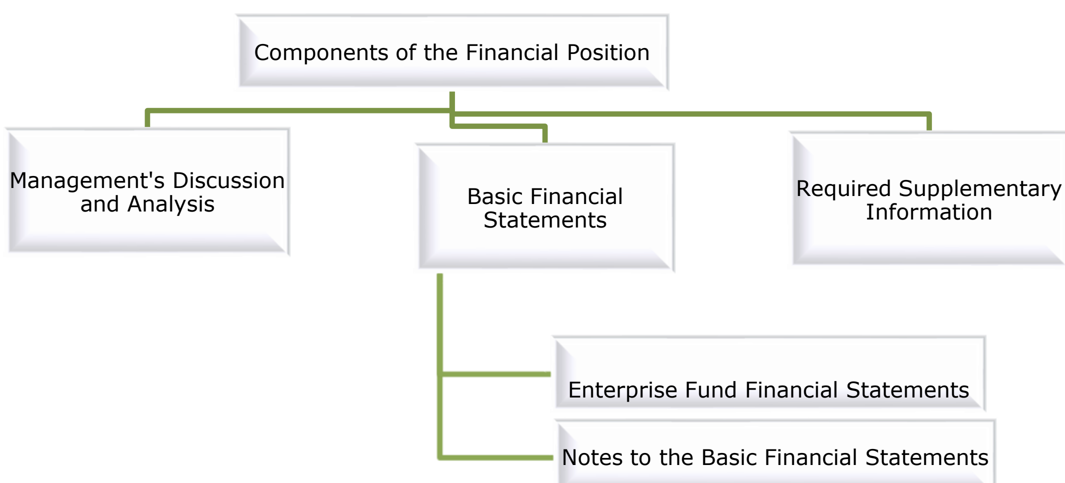
- Net position deficiency totalized approximately $37.6 million at June 30, 2019.
- Net position deficiency decreased by approximately $51.8 million in 2019, as compared to a decrease of approximately $7.2 million in 2018.
- Total assets increased approximately $8.2 or 15% in comparison with year 2018.
- Capital assets, net totalized approximately $51.6 million at June 30, 2019.
- Total liabilities decreased approximately $50.2 million or 33% in comparison with year 2018.
- Total non-operating income increased approximately $25.6 million or 100% in comparison with year 2018.
- Total operating expenses decreased approximately $18.2 million or 80% in comparison with year 2018.

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 the 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 the 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, 2019, and 2018:

	June 30,		Change	
	2019	2018, as restated	In Dollars	Percent
Current assets	$ 12,178,890	$ 4,118,707	$ 8,060,183	196%
Capital assets, net	51,637,085	51,482,015	155,070	0%
Total assets	63,815,975	55,600,722	8,215,253	15%
Deferred outflow of resources related to pension and total OPEB	716,486	13,546,882	(12,830,396)	-95%
Total assets and deferred outflows of resources	$ 64,532,461	$ 69,147,604	$ (4,615,143)	-7%
Current liabilities	$ 19,587,113	$ 17,637,042	$ 1,950,071	11%
Non-current liabilities	81,169,186	133,342,377	(52,173,191)	-39%
Total liabilities	100,756,299	150,979,419	(50,223,120)	-33%
Deferred inflows of resources related to pension	1,387,072	7,747,452	(6,360,380)	-82%
Total liabilities and deferred inflows of resources	$ 102,143,371	$ 158,726,871	$ (56,583,500)	-36%
Net position				
Net investment in capital assets	51,637,085	51,482,034	155,051	0%
Deficit	(89,247,995)	(141,061,301)	51,813,306	-37%
Total net position (deficit)	(37,610,910)	(89,579,267)	51,968,357	-58%
Total liabilities, deferred inflows of resources and net position (deficit)	$ 64,532,461	$ 69,147,604	$ (4,615,143)	-7%

Total assets increased by 15% or $8,215,523 due to an increase in current assets of 196% or $8,060,202. The increase in current assets was due mainly to an increase in cash of approximately $6 million and an increase in prepaid insurance of approximately $1.4 million.

Deferred outflows decreased significantly by approximately $13 million or 95% as of June 30, 2019, when compared with the fiscal year 2018, mainly due to the recognition of the Authority's portion related to pension following the provisions of GASB Statement No. 73.

Net capital assets balance did not have significant fluctuation during fiscal year 2019, when compared with the fiscal year 2018. During the year 2019 capital additions were approximately $2.3 million and the depreciation and amortization expense for the year amounted to approximately $2.1 million. Capital assets are funded with the proceeds from operations and operating and capital grants from the Commonwealth of Puerto Rico. In addition, the Authority is a recipient of certain federal funds granted by the U.S. Federal Transit Administration, which are used to finance the acquisition and maintenance of capital assets.

Current liabilities increased by 11% to an amount of approximately $19.6 million as of June 30, 2019, due to an increase in accounts payable and accrued expenses. Non-current liabilities had a decrease of approximately $52.2 million. The decrease was due mainly to the change in the total pension liability recorded in accordance with the provisions of the GASB Statement No. 73.

Total net position (deficit) decreased by 58% to a net deficiency amount of approximately $37.6 million as of June 30, 2019. The decrease 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 net of related debt outstanding used to acquire those capital assets.

The following table reflects a condensed summary of the revenue, expenses, and changes in net position for the years ended June 30, 2019, and 2018:

	June 30,		Change	
	2019	**2018, as restated**	**In Dollars**	**Percent**
Operating revenue	$ 4,939,459	$ 4,100,408	$ 839,051	20%
Operating expenses	(4,460,480)	(22,737,228)	18,276,748	-80%
Operating revenue, net	478,979	(18,636,820)	19,115,799	
Non-operating revenue				
Operating grants, contributions and other revenue	51,500,470	25,847,688	25,652,782	99%
Interest and other financing expenses	(11,092)	(41,624)	30,532	-73%
Total non-operating revenue, net	51,489,378	25,806,064	25,683,314	100%
Change in net position	51,968,357	7,169,244	44,799,113	625%
Net position (deficit), at beginning of year, as restated	(89,579,267)	(96,748,511)	7,169,244	-7%
Net position (deficit), at end for year	$ (37,610,910)	$ (89,579,267)	$ 51,968,357	-58%

Operating revenue, which consisted principally of fares for maritime transportation and cargo services, increased by 20% to an amount of approximately $839 thousand for the year ended June 30, 2019.

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, decreased by 80% to an amount of approximately $4.5 million for the year ended June 30, 2019. The decrease was mainly due to net effect of increases in salary and employee benefits of $4.0 million, repairs and maintenance of $5.8 million, vessels rent of $12.1 million, diesel of $1.6 million, professional services of $1.1 million and general and administrative of $1.5 expenses offset by a decrease in net pension expense of $45.2 million. The decrease in the net pension expense results from the change in the actuarial valuation of the total pension liability due to the implementation of the GASB No. 73 during fiscal year 2019.

Non-operating revenue consisted principally of operating grants from the Commonwealth and the Federal Government. The non-operating revenue increased by 99% or $25.7 million. The change is due to increases in operating grants from the Commonwealth of approximately $15 million of a special assignment to cover vessels rent charges, federal grant of $1.6, special contributions collected from the Puerto Rico Integrated Transport Authority for the payment of Christmas bonus and improvements to terminals, and the collection of insurance claims amounting to approximately $4.9 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the Authority had invested approximately $51.6 million in capital assets (net of related depreciation and amortization) including buildings and piers, maritime and other transportation equipment, motor vehicles and furniture and fixtures used in the Authority's operations. During the year ended on June 30, 2019, the Authority invested approximately $2.3 million in capital assets.

The following table presents the components of the capital assets during fiscal years 2019 and 2018:

	June 30,		Change	
	2019	2018	In Dollars	Percent
Assets not being depreciated:				
Land and improvements	$ 93,323	$ 93,323	$ -	0%
Assets being depreciated:				
Buildings and piers	33,379,876	33,379,876	-	0%
Leasehold improvements	2,129,892	-	2,129,892	100%
Maritime and other transportation equipment	53,138,181	53,138,181	-	0%
Furniture and fixtures	3,511,345	3,357,325	154,020	5%
Motor vehicles	342,331	342,331	-	0%
Totals	92,501,625	90,217,713	2,283,912	3%
Accumulated depreciation and amortization	40,957,863	38,829,021	2,128,842	5%
Capital assets being depreciated, net	51,543,762	51,388,692	155,070	0%
Total capital assets, net	$ 51,637,085	$ 51,482,015	$ 155,070	0%

Debt Administration

Long-term debt of the Authority consists of compensated absences, voluntary termination benefits, total pension and OPEB liabilities, and legal liability. The decrease of 39% was mainly due to a decrease of the total pension liability of approximately $51 million.

Following is a summary of the Authority's long-term debt as of June 30, 2019 and 2018:

	June 30,		Change	
	2019	2018, as restated	In Dollars	Percent
Due to other governmental entities	$ 68,086,878	$ 68,086,878	$ -	0%
Compensated absences	911,792	960,123	(48,331)	-5%
Voluntary termination benefits	1,887,000	3,071,438	(1,184,438)	-39%
Total pension liability	10,833,904	61,823,772	(50,989,868)	-82%
Total OPEB liability	176,311	155,435	20,876	13%
Legal liability	433,484	12,000	421,484	3512%
Other long-term liabilities	320,059	320,059	-	0%
Totals	$ 82,649,428	$ 134,429,705	$ (51,780,277)	-39%

Current Known Facts

The Authority, in collaboration with the Puerto Rico Public-Private Partnership Authority, desires to establish a public private partnership (PPP) in order to have a private sector entity participate in the operation and maintenance of the Authority's ferry system, including the operation and maintenance of its vessels and facilities, and engage in other ancillary commercial activities (the Project). The Authority's objectives with respect to the Project include the improvement of the ferry system's operational safety and quality of service provided to customers, the introduction of efficiencies into the operation of the ferry system, the increase in resources available for vessel maintenance and service improvement, and a reduction in the public sector subsidy of the Authority's operations.

On October 27, 2020, the Authority entered into a maritime transport operations and maintenance agreement (the Agreement) with HMSS Ferries-Puerto Rico, LLC and HMS Ferries, Inc, the operator selected in the procurement process of the PPP, 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 utilized in the Project, 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.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers, and the general public with a general overview of the Puerto Rico and Municipal Islands Maritime Transport Authority's finances and how it uses the economic resources that it receives. If you have questions about this report or need additional financial information, contact the Administration Office at P.O. Box 41118, San Juan, Puerto Rico, 00940.

PUERTO RICO AND MUNICIPAL ISLANDS MARITIME TRANSPORT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Net Position
June 30, 2019

Assets	
Current assets:	
Cash	$ 8,511,693
Receivables, net	
Trade	305,045
Other	626,896
Due from other governmental entities	1,108,853
Inventory	66,318
Prepaid expense	1,560,085
Total current assets	12,178,890
Non-current assets:	
Capital assets, net of accumulated depreciation and amortization	51,637,085
Total assets	63,815,975
Deferred outflows of resources:	
Pension related	699,906
Other post-employment benefits related	16,580
Total deferred outflows of resources	716,486
Total assets and deferred outflows of resources	$ 64,532,461
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	$ 8,330,244
Due to:	
Commonwealth	315,713
Other governmental entities	9,460,914
Compensated absences	352,268
Voluntary termination benefits payable	245,304
Total pension liability	699,906
Total other post-employment benefits liability	16,580
Legal liability	166,184
Total current liabilities	19,587,113
Non-current liabilities:	
Due to other governmental entities	68,086,878
Compensated absences	559,524
Voluntary termination benefits payable	1,641,696
Total pension liability	10,133,998
Total other post-employment benefits liability	159,731
Legal liability	267,300
Other long- term liabilities	320,059
Total non-current liabilities	81,169,186
Total liabilities	100,756,299
Deferred inflows of resources:	
Pension related	1,387,072
Total liabilities and deferred inflows of resources	102,143,371
Net Position	
Net investment in capital assets	51,637,085
Deficit	(89,247,995)
Total net position (deficit)	$ (37,610,910)

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

PUERTO RICO AND MUNICIPAL ISLANDS MARITIME TRANSPORT 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, 2019

Operating revenue:	
Passenger fares and cargo revenues	$ 4,675,931
Equipment and property rentals	263,528
Total operating revenue	4,939,459
Operating expenses:	
Salaries and employees benefits, including voluntary termination benefits	13,520,901
Pension benefit	(44,521,872)
Other post-employment benefits	22,896
Vessels rent	12,085,417
Repairs and maintenance	8,316,815
Diesel	5,734,553
Professional services	3,398,533
Insurance	2,006,963
Depreciation and amortization	2,128,842
General and administrative	1,767,432
Total operating expenses	4,460,480
Operating revenue	478,979
Non-operating revenue (expenses):	
Operating grants:	
Commonwealth of Puerto Rico	41,388,975
U.S. Federal Transit Administration	1,602,954
Contributions from PRITA	3,623,000
Insurance recovery	4,885,541
Interest and other financing expenses,net	(11,092)
Total non-operating revenue, net	51,489,378
Net change in net position	51,968,357
Net position (deficit), at beginning of year, as restated	(89,579,267)
Net position (deficit), at end of year	$ (37,610,910)

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

PUERTO RICO AND MUNICIPAL ISLANDS MARITIME TRANSPORT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities:	
Cash collected from customers and passengers	$ 4,938,701
Cash payments to suppliers for goods and services	(32,732,460)
Cash payments to employees for services	(14,753,671)
Net cash used in operating activities	(42,547,430)
Cash flows from non-capital and related financing activities:	
Operating grants received from:	
Commonwealth of Puerto Rico	41,505,508
Federal grant	1,602,954
Contributions from PRITA	3,623,000
Interest paid	(48,482)
Net cash provided by non-capital and related financing activities	46,682,980
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,283,912)
Proceeds from insurance recovery	4,285,541
Net cash provided by capital ad related financing activities	2,001,629
Cash flows investing activities:	
Interest collected in deposits and net cash provided by investing activities	37,390
Net increase in cash	6,174,569
Cash at beginning of the year	2,337,124
Cash at end of the year	$ 8,511,693

(Continues)

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

PUERTO RICO AND MUNICIPAL ISLANDS MARITIME TRANSPORT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Cash Flows
For the Year Ended June 30, 2019

Reconciliation of operating income to net cash used in operating activities:	
Operating income	$ 478,979
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation and amortization	2,128,842
Bad debt expense	46,457
Changes in operating assets and liabilities:	
Increase in accounts receivable	(758)
Increase in inventories	(66,318)
Increase in prepaid expense	(1,381,547)
Decrease in deferred outflows of resources	12,830,396
Decrease in accounts payable, accrued expenses and other liabilities	(50,223,101)
Decrease in deferred inflows of resources	(6,360,380)
Net cash used in operating activities	$ (42,547,430)

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

Note 1. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The Puerto Rico and Municipal Islands Maritime Transport Authority (the Authority) is a public corporation created by Act No. 1 of January 1, 2000, as amended, to administer and operate the maritime transportation services between San Juan, Fajardo, Vieques, and Culebra. The Authority is governed by a five-member board comprising the Secretary of the Department of Transportation and Public Works of the Commonwealth of Puerto Rico (the Commonwealth), who serves as president, the Executive Director of the Puerto Rico Ports Authority, the Mayors of Vieques and Culebra, and one additional member appointed by the Governor. The Authority is a component unit of the Commonwealth, and accordingly is included in its general-purpose financial statements.

The Authority's operations are financed by operating grants from the Commonwealth and Federal Government, and passenger and cargo revenues. Act No. 123-2014 created the Puerto Rico Integrated Transit Authority (PRITA) with the purpose of implementing a uniform policy on collective, road and maritime transportation and provided for the integration of the Authority's operations into PRITA. However, as of June 30, 2019 and for the year the ended, the Authority's operations, assets, rights, obligations and funds had not been transferred to PRITA.

The basic financial statements include the Authority as well as all the operations of the component units, if any. A component unit is a legally separate entity for which the Authority is financially accountable, or the nature or significance of their relationship with the Authority is such, that their exclusion would cause the Authority's basic financial statements to be misleading or incomplete. Financial accountability exists if the primary government appoints a voting majority of the entity's governing body, and if either one of the following conditions exist: the primary government can impose its will on the other entity, or the potential exists for the other entity to (1) provide specific financial benefit to or (2) impose specific financial burdens on the primary government. A second criterion used in evaluating potential component units is if the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the financial statements to be misleading or incomplete. U.S. GAAP details two methods of presentation: blending the financial data of the component unit's balances and transactions in a manner similar to the presentation of the Authority's balances and transactions or discrete presentation of the component unit's financial data in columns separate from the Authority's balances and transactions.

Based on the above criteria there are no potential component units which should be included as part of the basic financial statements of the Authority.

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 applicable to government entities.

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 from 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.

Inventories

Inventory, consisting of fuel, is valued at cost (using the first-in, first-out method).

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 and piers	5-50 years
Leasehold improvements	5 years
Maritime and other transportation equipment	7-20 years
Motor vehicles	5 years
Furniture and fixtures	3-10 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. No impairment of capital assets was identified during the year ended June 30, 2019.

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.*

Compensated Absences

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. After the enactment of Act No. 26-2019, only compensation of accrued vacation leave, up to 60 days, is paid upon employment termination. In order to be eligible to receive compensation, an employee must have been employed for at least three months. Accumulated unpaid sickness days are not liquidated upon employment termination.

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 a 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,* that 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 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 the Plan and as reported by the Employee's Retirement System (ERS). 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:

Net Investment in Capital Assets

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.

Unrestricted

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 for 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. 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 Pronouncements

The provisions of the following Governmental Accounting Standards Board (GASB) Statement have been implemented for the year ended June 30, 2019:

- 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.* The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2016. Under the guidance of GASB No. 73, the Commonwealth and its component units (including the Authority) are considered to be one employer and are classified for financial reporting purpose as a single employer defined benefit plan. GASB Statement No. 73 requires that a government recognize a deferred outflow of resources for its pension contributions (or pension benefit payments effective July 1, 2017) made subsequent to the measurement date.

Accounting Pronouncements Issued but Not Yet Effective

- GASB Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, but its implementation was postponed for one year by GASB No. 95. Earlier application is encouraged.

- GASB Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

- GASB Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, the lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

- GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities the government should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, but its implementation was postponed for one year by GASB No. 95. Earlier application is encouraged.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

- GASB Statement No. 90*, Majority Equity Interests.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statements information for certain components units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

- GASB Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (i) commitments extended by issuers, (ii) arrangements associated with conduit debt obligations, and (iii) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

  This Statement also addresses arrangements - often characterized as leases - that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

  This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

- *GASB Statement No. 92, Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This

Statement addresses a variety of topics and includes specific provisions about the following: The effective date of *Statement No. 87, Leases, and Implementation Guide No. 2019-3*, Leases, for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of *Statements 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*, as amended, and *No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

- *GASB Statement No. 93, Replacement of Interbank Offered Rates (IBOR).* The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR most notably the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

  This statement achieves its objective by:

  - Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
  - Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
  - Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
  - Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
  - Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
  - Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
  - Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

  The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR.

- *GASB Statement No. 94, Public Private and Public-Public Partnership and Availability Payment Arrangement.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

  The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

- *GASB Statement No. 95, Postponement of the effective dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2019, and later.

  The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

  - *Statement No. 83, Certain Asset Retirement Obligations*
  - *Statement No. 84, Fiduciary Activities*
  - *Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
  - *Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*
  - *Statement No. 90, Majority Equity Interests*
  - *Statement No. 91, Conduit Debt Obligations*
  - *Statement No. 92, Omnibus 2020*
  - *Statement No. 93, Replacement of Interbank Offered Rates*
  - *Implementation Guide No. 2019-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
  - *Implementation Guide No. 2019-1, Implementation Guidance Update—2019*
  - *Implementation Guide No. 2019-2, Fiduciary Activities.*

The effective dates of the following pronouncements are postponed by 18 months:

- *Statement No. 87, Leases*
- *Implementation Guide No. 2019-3, Leases.*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

The requirements of this Statement are effective immediately.

- *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 Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended*.*

  The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

- *GASB Statement No. 97, Certain Component Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans- An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

  The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

  The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performed the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.*

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

Note 2. Going Concern, Uncertainties, and Liquidity Risk

Management believes that there is a substantial doubt about the Authority's ability to continue as a going concern. As shown in the accompanying financial statements, the Authority has a total net deficit of $37.6 million. In addition, as of June 30, 2019, the Authority has a working capital deficiency of approximately $7.4 million making difficult to the Authority to pay its liabilities in the normal course of business. These facts indicate that the Authority needs the continued support from the Commonwealth in the form of operating grants to continue operating at its present level and to continue as a going concern.

The Commonwealth of Puerto Rico is currently experiencing a severe fiscal and liquidity crisis. The Commonwealth and its instrumentalities face a number of fiscal and economic challenges that, either individually or in the aggregate, could adversely affect their ability to pay debt service and other obligations when due. The Commonwealth is currently considering a number of emergency measures that could affect the rights of creditors. Recipients of this financial statements should be advised that to the extent that the Commonwealth or any entities related to the Commonwealth such as the Authority are unable to materially improve their financial position in the immediate future, such entities and/or the Commonwealth may need to seek relief under existing or potential future laws regarding receivership, insolvency, reorganization, moratorium and/or similar laws affecting creditors' rights, to the extent available.

Remediation Plan

The Commonwealth has adopted various measures to turn the Commonwealth's component units into self-sufficient enterprises and address structural problems that threaten the Commonwealth's long-term fiscal stability. In addition to the specific measures that may have been adopted by the individual component units to reduce their reliance on operating and financial subsidies, the Commonwealth's enactment of the Fiscal Operation and Sustainability Act (Act No. 66) sought to grant component units with tools to reduce their operating expenditures.

In August of 2014, Act No. 123 was adopted, and it created the Puerto Rico Integrated Transit Authority (PRITA). Under this legislation, the operations of the Urban Train, the Puerto Rico Metropolitan Bus Authority (PMBA), and the Authority would be consolidated under the newly created PRITA. The consolidation of such operations requires federal approval.

PRITA commenced operations during February 2015 by performing initial organization processes in order to achieve the purposes of Act No. 123-2014. PRITA is in the process of obtaining the required approvals from local and federal authorities to integrate and officialize the merger of the Urban Train, PRMBA, and the Authority into its operations. Once the requirements of the Act are in effect, the Authority will no longer exist as a separate legal entity.

In addition, during 2020 the Authority entered into a maritime transport operations and maintenance agreement with an external entity to establish a public private partnership (PPP) for the operation and maintenance of the Authority's ferry system, including the operation and maintenance of its vessels and facilities. The Authority's objectives with respect to the PPP include the improvement of the ferry system's operational safety and quality of service provided to customers, the introduction of efficiencies into the operation of the ferry system, the increase in resources available for vessel maintenance and service improvement, and a reduction in the public sector subsidy of the Authority's operations. Refer to Note 14 for more details.

Note 3. Cash

The Authority's cash as of June 30, 2019, consist of the following:

	Book Balance	Accumulated Custodial Credit Risk Loss	Depository Bank Balance	Amount Uninsured and Uncollateralized
Cash deposited in commercial bank	$ 8,511,693	$ -	$ 8,621,933	$ -

Note 4. Accounts Receivable

Accounts receivable as of June 30, 2019, consist of:

Trade	$ 364,004
Other	626,896
Due from other governmental entities	1,335,797
	2,326,697
Less: Allowance for doubtul accounts	(285,903)
Accounts receivable, net	$ 2,040,794

Changes in the allowance for doubtul accounts for the year ended June 30, 2019 are as follow:

Allowance for doubtful accounts, beginning of year	$ 251,447
Plus: Provision for doubftul accounts	46,457
Less: Accounts written-off	(12,001)
Allowance for doubtful accounts, end of year	$ 285,903

Accounts receivable trade balance includes amounts due from tenants for the use of facilities under rental and concessions agreements.

Amounts due from other governmental agencies, mainly from transportation charges, include the amount of $991,800 due from Puerto Rico Integrated Transit Authority of operating grants pending to be received at June 30, 2019.

In addition, the Authority recorded an insurance claim in the amount of $600,000 in accounts receivable – other related with damages to one of the vessels caused by the effects of Hurricanes Irma and María. The claim was subsequently collected.

Note 5. Capital Assets

The following schedule summarizes the capital assets held by the Authority as of June 30, 2019:

	Balance at June 30, 2018	Additions	Retirements	Reclass	Balance at June 30, 2019
Assets not being depreciated:					
Land and improvements	$ 93,323	$ -	$ -	$ -	$ 93,323
Construction in progress	-	2,194,792	-	(2,194,792)	-
Total assets not being depreciated	93,323	2,194,792	-	(2,194,792)	93,323
Assets being depreciated:					
Buildings and piers	33,379,876	-			33,379,876
Leasehold improvements	-	-	-	2,129,892	2,129,892
Maritime and other transportation equipm	53,138,181	-			53,138,181
Furniture and fixtures	3,357,325	89,120		64,900	3,511,345
Motor vehicles	342,331				342,331
	90,217,713	89,120	-	2,194,792	92,501,625
Accumulated depreciation and amortizatio	38,829,021	2,128,842	-	-	40,957,863
Capital assets being depreciated, net	51,388,692	(2,039,722)	-	2,194,792	51,543,762
Total capital assets, net	$ 51,482,015	$ 155,070	$ -	$ -	$ 51,637,085

Note 6. Due to Commonwealth

Amount due to Commonwealth as of June 30, 2019, consists of the following:

PayGo charges	$ 117,188
Other	198,525
	$ 315,713

Note 7. Due to Other Governmental Entities

Amount due to governmental entities as of June 30, 2019, consists of the following:

State Insurance Fund Corporation	$ 4,955,384
PR Ports Authority	1,010,043
PR Aqueduct and Sewer Authority	868,844
PR Electric Power Authority	671,575
Employees'Retirement System Administration	1,394,713
Others	560,355
	$ 9,460,914

Note 8. Non-Current Liabilities :

Changes in non-current liabilities as of June 30, 2019, are summarized as follows:

	Balance at June 30, 3018	Net Change	Balance at June 30, 3019	Current Portion
Due to other governmental entities	$ 68,086,878	$ -	$ 68,086,878	$ -
Compensated absences	960,123	(48,331)	911,792	352,268
Voluntary termination benefits	3,071,438	(1,184,438)	1,887,000	245,304
Total pension liability	61,823,772	(50,989,868)	10,833,904	699,906
Total OPEB liability	155,435	20,876	176,311	16,580
Legal liability	12,000	421,484	433,484	166,184
Other long-term liabilities	320,059	-	320,059	-
Totals	$ 134,429,705	$ (51,780,277)	$ 82,649,428	$ 1,480,242

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

	Balance at June 30, 2019
Puerto Rico Ports Authority	$ 37,466,269
Puerto Rico Highways and Transportation Authority	30,620,609
	$ 68,086,878

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 have 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 Act No. 70-2010. Refer to Note 12 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 10 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 11 for more details.

(e) 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 9. Restatement of Net Position

During 2019 the Authority identified various errors related to prior year basic financial statements, which resulted in the restatement of the beginning net position. The impact of the related adjustments to the beginning net position are as follows:

Net position (deficit) at July 1, 2018, as previously reported	$ (97,162,490)
Understatement of accounts receivable	1,059,146
Overstatement of compensated absences	1,345,526
Overstatement of accounts payable	1,401,299
Overstatement of other post-retirement benefits liability	3,777,252
Net position (deficit) at July 1, 2018, as restated	$ (89,579,267)

Note 10. Retirement Plan

Plan Description

Before July 1, 2017, the Authority was a participating employer in the retirement plans administered by the Employees' 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 No. 106-217, 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. 447-1951 Members:* Act No. 447-1951 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. 447-1951 members who would attain 30 years of credited service by December 31, 2013, would be eligible to retire at any time.

Act No. 447-1951 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. 447-1951 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 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.

(a) *Accrued Benefit as of June 30, 2013, for Act No. 447-1951 Members:* The accrued benefit as of June 30, 2013, was determined based on the average compensation, as defined, for Act No. 447- 1951 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Mayors, the highest compensation, as defined, for Act No. 447-1951 members, determined as of June 30, 2013.

If the Act No. 447-1951 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013, or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600.

If the Act No. 447-1951 member had less than 30 years of credited service as of June 30, 2013, and attained 30 years of credited service by December 31, 2013, the accrued benefit equaled 55% of average compensation if the member was under age 55 as of June 30, 2013, or 60% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at SSRA as 1.5% of average compensation up to $6,600 multiplied by years of credited service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of $6,600. Member contributions received from Act No. 447-1951 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of credited service, were considered pre- July 1, 2013 contributions; the contributions to the hybrid contribution account begin after the member attains 30 years of credited service.

If the Act No. 447-1951 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. Maximum benefit is 75% of average compensation. Except for the policemen and firefighters, the benefit was actuarially reduced for each year payment commences prior to age 58. For participants selecting the Coordination Plan, the basic benefit is recalculated at SSRA as 1% of average compensation up to $6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to $6,600 multiplied by years of credited service in excess of 20 years, plus 2.0% of average compensation in excess of $6,600 multiplied by years of credited service in excess of 20 years. Except for police and firefighters, the benefit was actuarially reduced for each year payment commences prior to age 58.

For Act No. 447-1951 Mayors with at least 8 years of credited service as a Mayor, the accrued benefit was not to be less than 5% of highest compensation, as defined, as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as a Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service included service earned as a Mayor in excess of 10 years. Maximum benefit was 90% of highest compensation as a Mayor.

(b) *Accrued Benefit* as *of June 30, 2013, for* Act *No. 1-1990 Members:* The accrued benefit as of June 30,2013 is determined based on the average compensation for Act No. 1-1990 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Act No. 1-1990 Mayors, the highest compensation as a Mayor was determined as of June 30, 2013.

If the Act No. 1-1990 member is a police officer or firefighter member that had at least 30 years of credited service as June 30, 2013, the accrued benefit equaled 65% of average compensation if the member was under age 55 as of June 30, 2013, or 75% of average compensation if the member was at least age 55 as of June 30, 2013.

For all other Act No. 1-1990 members, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service. The benefit was actuarially reduced for each year payment commences prior to age 65.

For Act No. 1-1990 Mayors with at least 8 years of credited service as a Mayor, the accrued benefit was not to be less than 5% of highest compensation as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as a Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as a Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service included service earned as a Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

(iii) Compulsory Retirement

All Act No. 447-1951 and Act No. 1-1990 Public Officers in High-Risk Positions were required to retire upon attainment of age 58 and 30 years of credited service. A two-year extension may be requested by the member from the Superintendent of the PRPOB, the Chief of the Firefighter Corps, or supervising authority as applicable.

(iv) Termination Benefits

(a) Lump Sum Withdrawal

Eligibility: A Member was eligible upon termination of service prior to 5 years of service or if the balance in the hybrid contribution account is $10,000 or less.

Benefit: The benefit equaled a lump sum payment of the balance in the hybrid contribution account as of the date of the permanent separation of service.

(b) Deferred Retirement

Eligibility: A Member was eligible upon termination of service with 5 or more years of service (10 years of credited service for Act No. 447-1951 and Act No. 1-1990 members) prior to the applicable retirement eligibility, provided the member had not taken a lump sum withdrawal of the accumulated contributions from the hybrid contribution account.

Benefit: An annuity payable for the lifetime of the member commencing at the applicable retirement eligibility age 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.

(v) Death Benefits

(a) Pre-retirement- Death Benefit

Eligibility: Any current nonretired member was eligible.

Benefit: A refund of the hybrid contribution account, plus the accumulated contributions for Act No. 447-1951 and Act No. 1-1990 members.

(b) High Risk Death Benefit under Act No. 127-1958

Eligibility: Police, firefighters, and other employees in specified high-risk positions who die in the line of work due to reasons specified in Act No. 127-1958, as amended.

Spouse's Benefit: 50% of the participant's compensation at date of death, payable as an annuity until death or remarriage.

Children's Benefit: 50% of the participant's compensation at date of death, payable as an annuity, and allocated pro rata among eligible children. The annuity was payable for life for a disabled child, until age 18 for a nondisabled child not pursuing studies, and until age 25 for a nondisabled child who is pursuing studies.

Benefit if No Spouse or Children: The parents of the member should each receive 50% of the participant's compensation at date of death, payable as an annuity for life.

Post death Increases: Effective July 1, 1996 and subsequently every three years, the above death benefits are increased by 3% provided that the beneficiary(ies) had been receiving payments for at least three years.

The cost of these benefits was paid by the Commonwealth.

(c) Postretirement Death Benefit for Members Who Retired prior to July 1, 2013

Eligibility: Any retiree or disabled member receiving a monthly benefit who had not elected a reversionary annuity and whose benefits commenced prior to July 1, 2013.

Benefit: The benefit is as follows (Act No. 105, as amended by Act No. 4):

i. For those married or with dependent children at the time of death, the annual income to a widow, or widower or dependent children is equal to 60% (50% if in the Coordination Plan- 30%, prior to January 1, 2004) of the retirement benefit payable for life for a surviving spouse and/or disabled children and payable until age 18 (age 25 if pursuing studies) for nondisabled children. If in the Coordination Plan, the benefit to the surviving spouse does not begin until the spouse's attainment of age 60 and the surviving spouse must have been married to the member for at least 10 years to be eligible for this benefit. The increase in the percentage from 30% to 50% if in the Coordination Plan is paid by the Commonwealth for former government employees or by the public enterprise or municipality for their former employees. See Act No. 105 of 1969, as amended by Act No.158 of 2003.

ii. The benefit, when there is no relation as stated above, is equal to the remaining balance of accumulated contributions at the time of retirement after the deduction of lifetime annual income paid and is payable to a beneficiary or to the Member's estate. In no case may the benefit be less than $1,000. Either the Commonwealth for former government employees or the public enterprise or municipality for their former employees pays the difference, up to $250, between (1) the accumulated contributions less the lifetime annual income paid and (2) $1,000. ERS pays for the rest. See Article 2-113 of Act No. 447 of 1951, as amended by Act No. 524 of 2004.

(d) Postretirement Death Benefit for Members Who Retired after June 30, 2013

Eligibility: Any retiree or disabled member who began receiving a monthly benefit after June 30, 2013.

Benefit: If the member elected at the time of retirement to transfer a portion of the annuity to a beneficiary by selecting an actuarially equivalent optional form of payment, the applicable survivor benefit.

For all members, the excess, if any, of the hybrid contribution account, plus the accumulated contributions for Act No. 447-1951 and Act No. 1-1990 members, at the time of retirement over the total annuity payments paid to the member and any beneficiary per the terms of the optional form of payment must be payable to a beneficiary or the member's estate.

(e) Beneficiaries receiving occupational death benefits as of June 30, 2013, continue to be eligible to receive such benefits.

(vi) Disability Benefits

(a) Disability

Eligibility: All members are eligible upon the occurrence of disability.

Benefit: The balance of the hybrid contribution account payable as lump sum distribution, an immediate annuity, or a deferred annuity at the election of the participant. Act No. 447-1951 and Act No. 1-1990 members remain eligible to receive the accrued benefit as of June 30, 2013, commencing at the applicable retirement eligibility age.

(b) High Risk Disability under Act No. 127-1958

Eligibility: Police, firefighters, and other employees in specified high-risk positions who are disabled in the line of work due to reasons specified in Act No. 127-1958 (as amended).

Benefit: 80% (100% for Act No. 447-1951 members) of compensation as of date of disability, payable as an annuity. If the member died while still disabled, this annuity benefit continued to his beneficiaries. Beneficiaries include the surviving spouse and/or disabled children (for life), nondisabled children until age 18 (age 25 if pursuing studies), and the parents if no other beneficiaries. Effective July 1, 1996, and subsequently every three years, the disability benefit was increased by 3% provided that the member (or beneficiary) had been receiving payments for at least three years (Act No. 127-1958, as amended). The cost of these benefits was paid by the Commonwealth.

(c) *Members who qualified for occupational or nonoccupational disability benefits as of June 30, 2013, continue to be eligible to receive such benefits.*

(vii) Special Benefits

(a) Minimum Benefits

i. *Past Ad hoc Increases:* The Legislature, from time to time, increased pensions for certain retirees as described in Act No. 124-1973 and Act No. 23-1983. The benefits were paid 50% by the Commonwealth and 50% by the ERS.

ii. *Minimum Benefit for Members Who Retired before July 1, 2013 (Act No. 156-2003, Act No. 35-2007, and Act No. 3-2013)*: The minimum monthly lifetime income for members who retired or become disabled before July 1, 2013, is $500 per month effective July 1, 2013 ($400 per month effective July 1, 2007, and $300 per month up to June 30, 2007). The increase in the minimum monthly benefit from $200 per month to $300 per month was paid by the Commonwealth for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees. The increase in the minimum monthly benefit from $300 per month to $400 per month was to be paid by ERS for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees.

iii. *Coordination Plan Minimum Benefit:* A minimum monthly benefit was payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, was not less than the benefit payable prior to SSRA.

(b) Cost *of Living Adjustments (COLA) to Pension Benefits:* The Legislature, from time to time, increased pensions by 3% for retired and disabled members. Beneficiaries were not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10-1992. Subsequent 3% increases have been granted every third year since 1992, with the latest 3% increase established on April 24, 2007, and effective July 1, 2007 (retroactive to January 1, 2007) for retired and disabled members that were receiving a monthly benefit on or before January 1, 2004 (Act No. 35-2007). In addition, effective July 1, 2008, any retired or disabled member that was receiving a monthly annuity on or before January 1, 2004, less than $1,250 per month received an increase of up to 3% without exceeding the limit of $1,250 per month (Act No. 35-2007). The COLAs granted in 1992 to all retirees and in 1998 to retirees who are former government or municipal employees are to be paid by ERS. All other COLAs granted in 1995 and later were required to be paid by the Commonwealth for former government and certain public corporations without their own treasuries or by certain public corporations with their own treasuries or municipalities for their former employees.

(c) Special "Bonus” Benefits

(i) Christmas Bonus (Act No. 144-2005, as Amended by Act No. 3-2013): An annual bonus of $200 for each retiree, beneficiary, and disabled member has historically been paid in December provided the member retired prior to July 1, 2013. This benefit is paid from the supplemental contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

(ii) Medication Bonus (Act No. 155-2003, as Amended by Act No. 3-2013): An annual bonus of $100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries. This benefit is paid from the Supplemental Contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

Before July 1, 2017, the Commonwealth made contributions to the ERS for the special benefits granted by special laws. The funding of the special benefits was provided to the ERS through legislative appropriations each January 1 and July 1. Special benefits to eligible Act 447-1951 participants are being paid by each employer as they become due since July 1, 2017.

(viii) Contributions

Prior to July 1, 2017, the plan contributions requirements were as follows:

(a) *(Article 5-105 of Law No. 447, as amended by Law No. 3 of 2013, amended by Act No. 106 of 2017 and amended by Act 71 of 2019):* Effective July 1, 2013, through June 30, 2017, contributions by members consisted of 10% of compensation. However, for Act No. 447 members who selected the Coordination Plan, the member contributions were 7% of compensation up to $6,600 plus 10% of compensation in excess of $6,600 during the 2013-2014 fiscal year and 8.5% of compensation up to $6,600 plus 10% of compensation in excess of $6,600 during the 2014-2015 fiscal year. Effective July 1, 2015, for members who selected the Coordination Plan, member contribution increased to 10% of compensation. Members may voluntarily make additional contributions to their Defined Contribution Hybrid Contribution Account.

Prior to July 1, 2013, contributions by Act No. 447 members selecting the Coordination Plan were 5.775% of compensation up to $6,600 plus 8.275% of compensation in excess of $6,600. Contributions by all other members were 8.275% of compensation. System 2000 members may also have made voluntary contributions of up to 1.725% of compensation prior to July 1, 2013.

Effective July 1, 2017, contributions by members consists of 8.5% of compensation and are being directly deposited by the Treasury Department in the individual member accounts under the New Defined Contribution Plan created pursuant to Act 106-2017. Also, as of that date, System's participants shall make no individual contributions or payments to the accumulated pension benefits payment account or additional contributions to the ERS. However, in the case of members of the Puerto Rico Police Bureau, the mandatory contribution is 2.3% of their compensation. In the case of those members of the Puerto Rico Police Bureau, which have less than 10 years to qualify for retirement as established by Act No. 447, the reduction in the percentage of contribution from the 8.5% level will apply voluntarily.

(b) *Employer Contributions (Article* 2 - *116, as Amended by Act No. 116-2010 and Act No. 3-2013):*

Prior to July 1, 2011, employer contributions were 9.275% of compensation. Effective July 1, 2011, employer contributions were 10.275% of compensation. For the next four fiscal years effective July 1, 2012, employer contributions were increased annually by 1% of compensation. For the next five fiscal years, employer contributions will increase annually by 1.25% of compensation, reaching an employer contribution rate of 20.53% of compensation effective July 1, 2020. Under Act 106-2017, all employers' obligations to contribute to the ERS were eliminated.

Act 106-2017 eliminated the employer contributions to the ERS as of July 1, 2017. Instead, participating employers are responsible for the payment of the PayGo fee to the newly created accumulated pension benefits payment account, which is computed based on the amount of actual benefits paid to retirees, disabled and beneficiaries of each participating employer.

(c) *Supplemental Contributions from the Commonwealth, Certain Public Corporations, and Municipalities (Act No. 3-2013):* Effective July 1, 2013, ERS received a supplemental contribution of $2,000 each year for each pensioner (including beneficiaries receiving survivor benefits) that was previously benefitting an Act No. 447-1951 or Act No. 1-1990 member while an active employee. This supplemental contribution was paid by the Commonwealth Fund for former government and certain public corporations without their own treasuries or by certain public corporations with their own treasuries or municipalities for their former employees.

Act No. 106 of 2017 eliminated the special benefits contribution requirement to the ERS; instead, they will be allocated to the new PayGo System through legislative appropriations, as necessary.

(d) *Additional Uniform Contribution (Act No. 32-2013,* as *Amended):* The additional uniform contribution (AUC) was to be certified by the external actuary of ERS each fiscal year from fiscal year 2015 through 2033 as necessary to avoid the projected gross assets of ERS, falling below $1 billion during any subsequent fiscal year. The AUC was to be paid by the Commonwealth, public corporations with their own treasuries, and municipalities. All employers' contributions, including the additional uniform contribution were eliminated effectively on July 1, 2017, by Act No. 106-2017.

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

On August 12, 2021, the ERS issued an audited report for the year ended June 30, 2018, 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 by ERS and the ERS Actuarial Valuation Report.

As of June 30, 2019, the Authority reported a liability of $10,833,904 for its proportionate share of the total pension liability. The collective total pension liability which amounts to approximately $24.5 billion was determined by an actuarial valuation as of July 1, 2017, that was rolled forward to June 30, 2018 (measurement date as of June 30, 2018). 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, 2018, the Authority's proportionate share was 0.04424%.

For the year ended June 30, 2019, the Authority recognized pension benefit of $44,521,872. Pension expense (benefit) represents the change in the total pension liability during the measurement period. As of June 30, 2019, 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	6 years	$ -	$ 327,673
Changes in assumptions	6 years	-	355,267
Changes in proportion	6 years	-	704,132
Audited amount as reported by ERS		-	1,387,072
Benefits paid subsequent to measurement date	5 years	699,906	-
Balance as of June 30, 2019		$ 699,906	$ 1,387,072

For the fiscal year 2019, there were benefits paid after the measurement date amounting to $699,906 reported as deferred outflow of resources, since for fiscal year 2019 the retirement systems operate on a pay-as-you-go basis.

The amounts reported as deferred outflows/inflows of resources from pension activities as of June 30, 2019, will be recognized in the pension expense (benefit) as follows:

Year ending June 30,	Amount
2019	$ (138,591)
2020	(136,591)
2021	(136,591)
2022	(136,591)
2023	(136,591)
Total	$ (684,955)

Actuarial methods and assumptions

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

Discount Rate

The discount rate for June 30, 2018, was 3.87%. 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

The mortality tables used in the June 30, 2018, actuarial valuation were as follows:

a) *Pre-retirement Mortality*

For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on a generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 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.

b) *Post-retirement Healthy Mortality*

Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2018 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

c) *Post-retirement Disabled Mortality*

Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2018 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, 2018

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 Asset to Changes in the Discount Rate

The following presents the net pension liability as of June 30, 2019, calculated using the discount rate of 3.87%, 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 (2.87%) or 1 percent-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current discount rate (3.87%)	1% Increase (4.87%)
Total net pension liability measured as of June 30, 2018	$ 9,674,039	$ 10,833,904	$ 9,621,549

Additional information on the Plan is provided on its standalone financial statements for the year ended June 30, 2018, a copy of which can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42004, San Juan, PR 00940-2004.

Note 11. 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, 2019, the Authority reported a liability of $176,311 for its proportionate share of total collective OPEB liability. The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018 (measurement date). As of June 30, 2019, the Authority's proportionate share was 0.02094%.

OPEB Expense

For the year ended June 30, 2019, the Authority recognized an OPEB expense of $22,896.

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, 2019, $16,580 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, 2019.

Actuarial Methods and Assumptions

The actuarial valuation used the following actuarial assumptions:

Discount Rate

The discount rate for June 30, 2018 (measurement date) was 3.87%. 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

Pre-retirement Mortality — For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on a generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 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. 27.

a) *Post-retirement Healthy Mortality* — Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2018 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 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2018 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 presents the Authority's proportionate share of total OPEB liability calculated using the discount rate of 3.87%, 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 (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate.

	1% Decrease (2.87%)	**Discount Rate (3.87%)**	**1% Increase (4.87%)**
Total OPEB liability	$193,416	$176,311	$161,853

Note 12. Voluntary Termination Benefits

On July 2, 2010, the Commonwealth enacted 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.

Voluntary termination benefits, as detailed below, are discounted at a rate of 2.50%.

	Beginning balance	Net change	Ending balance	Current portion
Act No. 70	$ 3,071,438	$ (1,184,438)	$ 1,887,000	$ 245,304

Note 13. Commitments and 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 $433,484 as of June 30, 2019.

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.

Operating Leases

The Authority has long-term operating lease agreements for certain facilities and use of piers for indefinite periods. The monthly lease payments range from $700 to $2,200. In addition, on January 24, 2019, the Authority signed a lease agreement with other governmental entity for the use of certain facility to establish a new terminal. The monthly payment under this contract is $18,300 for a period of thirty years.

Future minimum lease payments on existing operating leases as of June 30, 2019, are as follows:

Year ending June 30,	Amount
2020	$222,000
2021	222,000
2022	222,000
2023	222,000
2024	222,000
Therafter	5,295,000
	$6,405,000

Note 14. Subsequent Events

The Authority has evaluated all transactions occurring subsequent to June 30, 2019, for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through November 30, 2021, the date the accompanying financial statements were available to be issued. The following material events were noted:

a. During fiscal year 2020, the Authority received the approval for the implementation of a program that provides early retirement benefits for voluntary employment termination to eligible employees under Act No. 211 of December 8, 2015 (the Act No. 211). The 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 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 the Authority 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 when the employee reaches 61 years old, whichever comes first. A total of 14 employees were accepted in the program.

b. On January 7, 2020, Puerto Rico was struck by a 6.4 magnitude earthquake causing devastating damages to the infrastructure, an island-wide power outage, water shortages and threatening the lives of its people. In order to safeguard the health and public safety of its citizens, the Governor issued Executive Orders (EO) 2020-01 and (EO) 2020-02 declaring a state of emergency to activate the emergency purchasing protocol allowing emergency management agencies to acquire the necessary supplies and essential services to provide a timely and effective response and activating the National Guard to provide support during the emergency management. Puerto Rico continues to experience aftershocks that are not expected to stop any time soon.

c. On March 11, 2020, the World Health Organization declared the Coronavirus disease caused by a novel coronavirus (COVID-19) as a global pandemic. As a result of the health threat and to contain the virus spread across the island, Governor Váquez-Garced issued Executive Order (EO) 2020-020, on March 12, 2020, declaring a state of emergency in Puerto Rico to concentrate all efforts and implement necessary measures to safeguard the health, well-being and public safety of the citizens of Puerto Rico. The EO authorizes the Secretary of the Department of Treasury and the Executive Director of the Office of Management and Budget to set up a special budget, from any available funds, including the Emergency Fund, to cover all necessary costs for the containment of the virus throughout the island and sharing information with the municipalities. Most of the Authority activities, such as the administrative and services provided to customers, have been affected by the lockdown.

   As a result of the COVID-19 pandemic, and the state of emergency decreed by the government of Puerto Rico in March 2020 on the island, the Authority faced a series of situations that essentially affected the administrative operations and the transportation services for several months.

d. The Authority, in collaboration with the Puerto Rico Public-Private Partnership Authority, desires to establish a public private partnership (PPP) in order to have a private sector entity participate in the operation and maintenance of the Authority's ferry system, including the operation and maintenance of its vessels and facilities, and engage in other ancillary commercial activities (the Project). The Authority's objectives with respect to the Project include the improvement of the ferry system's operational safety and quality of service provided to customers, the introduction of efficiencies into the operation of the ferry system, the increase in resources available for vessel maintenance and service improvement, and a reduction in the public sector subsidy of the Authority's operations.

   On October 27, 2020, the Authority entered into a maritime transport operations and maintenance agreement (the Agreement) with HMSS Ferries-Puerto Rico, LLC and HMS Ferries, Inc. (the Operator), operator selected in the procurement process of the PPP, 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 utilized in the Project, 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 compensation for the Phase 1, that is expected to last three years, will include service payments and management fee for a total amount of $99,861,588. The compensation for the Phase 2 will include a yearly fixed fee ranging from $30.0 million to $33.3 million for an aggregate amount of $651,005,800 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. The portion of the excess revenue payable to the Authority with respect to each contract year shall be equal to fifty percent (50%) of the cumulative excess for such contract year less the sum of all prior payments of the excess made to the Authority.

e. On October 25, 2021, the Puerto Rico Fiscal Agency and Financial Advisory Authority issued Administrative Order 2021-0006 to create the Voluntary *Transition Program for Employees of the Puerto Rico and Municipal Islands Maritime Transport Authority* (the Program). The Program provides, among other benefits, an economic incentive of six months' salary to eligible participants who voluntarily resign from the Authority and the payment of the accrued vacation and overtime balances at the date of the approval of the benefits. The Program accepted applications from November 1 to November 30, 2021. A total of 57 employees qualified under the Program and the Authority's management estimates that the benefits granted under the Program are approximately $1,350,000.

REQUIRED SUPPLEMENTARY INFORMATION

PUERTO RICO AND MUNICIPAL ISLANDS MARITIME TRANSPORT 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, 2019

Description	**2019***	**2018***
Proportion of Total Pension Liability	0.04424%	0.04723%
Proportionate Share of Total Pension Liability	$ 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 AND MUNICIPAL ISLANDS MARITIME TRANSPORT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Schedule of the Authority's Proportionate Share of Total OPEB Liability (Unaudited)
Ended June 30, 2019

Description	**2019***	**2018***
Proportion of Total Other Post Employment Benefit Liability	0.02094%	0.01689%
Proportionate Share of Total Other Post Employment Benefit Liability	$ 176,311	$ 155,435

*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 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.