PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

Financial Statements with Independent Auditor’s Report
Required Supplementary Information
and Audit of Federal Awards

Fiscal Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Puerto Rico Highways and Transportation Authority
(a Component Unit of the Commonwealth of Puerto Rico)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the **Puerto Rico Highways and Transportation Authority (the "Authority") (a Component Unit of the Commonwealth of Puerto Rico)**, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, the *Schedule of Changes in Commonwealth Total Pension Liability and Related Ratios for Multiple-Employer Pension Plans*, and the *Schedule of Changes in the Authority's Total Postemployment Benefits other than Pensions (ERS MIPC OPEB Plan) Liability and Related Ratios* be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements.

Supplementary Information (Continued)

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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Puerto Rico Highways and Transportation Authority

The following discussion and analysis of the financial performance and activity of the Puerto Rico Highways and Transportation Authority (the Authority) provides an introduction and understanding of the basic financial statements of the Authority for the fiscal years ended June 30, 2024, and 2023. This discussion was prepared by management and should be read in conjunction with the basic financial statements and the notes thereto, which follow this section.

Financial Statements

The basic financial statements provide information about the Authority's financial activities. The financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as promulgated by GASB, except as follows:

The Authority restated the beginning balance of the net position because some contractors' invoices were being mistakenly recorded based on the invoice date rather than the work performed date. Refer to Note 19 for details.

Financial Highlights

The Authority's net position as of June 30, 2024, totaled $5,410.7 million as compared to net position of $5,383.5 million as of June 30, 2023 (as restated). Net Position increased by $27.2 million during the fiscal year ended June 30, 2024, as compared to an increase in net position of $6,620 million during the fiscal year ended June 30, 2023, as restated. This change is mainly attributable to a decrease of operating revenues of $86.2 million, a decrease of $100.3 million in operating expenses, a decrease of interest on bonds and GDB Debt Recovery Authority (GDB DRA) (formerly known as GDB) obligations of $204 million, a decrease of $39.2 million of operating transfers from the Commonwealth of Puerto Rico (Commonwealth). Furthermore, during the fiscal year ended June 30, 2023, an extraordinary gain of approximately $6,820.7 million was recorded as a result of the debt restructuring under the framework of the Authority's Plan of Adjustment (POA).

The Authority's net capital assets, including assets under the Service Concession Agreements (as defined below), totaled $8,443.7 million on June 30, 2024, as compared to $8,428.9 million on June 30, 2023. Net capital assets, including assets under the Service Concession Agreements, increased by 0.2% on June 30, 2024, when compared with the balance on June 30, 2023.

The total aggregate amount of the Authority's non-current liabilities was $604.1 million as of June 30, 2024, as compared to $2,324.9 million on June 30, 2023, which consisted principally of bonds payable, accrued legal claims, voluntary termination incentive plans, the Authority's net pension liability and general unsecured claims.

On May 5, 2021, the Authority executed the Highways and Transportation Authority / Convention Center District Authority Plan Support Agreement (HTA/CCDA PSA) to exchange the outstanding bonds, together with the GDB Debt Recovery Authority Obligation (including accrued interest), for a combination of bonds to be issued by the Authority's contingent value instruments to be issued by the Commonwealth, and certain cash consideration to be paid at the time of the exchange. On October 12, 2022, the court confirmed the Authority's POA to restructure said liabilities under certain conditions. See Note 10 for more details. The HTA/CCDA PSA, as confirmed on October 12, 2022, by the United States District Court for the District of Puerto Rico (the Title III Court), reduced the Authority's bond payable obligations to $1,245 million, were payable in forty years, at 5%. This represents an estimated discharge of debt of approximately $6,600 million. On December 6, 2022, the Authority's POA was substantially consummated. Therefore, the federal court established that date as the effective date of the POA.

On October 16, 2023 (the "Agreement Date"), the Authority executed a Toll Road Service Concession Agreement (the "Agreement") with Puerto Rico TollRoads LLC (the Concessionaire) under the Public Private Partnership Act (Act 29-2009) in exchange for a concession fee in the amount of $2.85 billion ("the Concession Fee"). The Concession Fee was used to pay all the Authority's bonds and loan outstanding balance.

Overview of the Basic Financial Statements

The basic financial statements consist of the: (1) Statement of Net Position, (2) Statement of Revenues, Expenses, and Changes in Net Position, (3) Statement of Cash Flows, and (4) Notes to the Financial Statements. The basic 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 GAAP.

Statement of Net Position

The Statement of Net Position reports on all financial and capital resources of the Authority. The statement is formatted to show that assets combined with deferred outflows of resources are equal to liabilities plus deferred inflows of resources and Net Position. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash or due and payable within one year) and non-current. The focus of the statement of Net Position is to show a picture of the liquidity and financial health of the Authority 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, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of Net Position is used to account for restricted assets for the principal and interest payments of the bonds payable. This restriction is imposed by the bondholders through debt covenants.

Restricted for Construction - This component of Net Position consists of restricted assets for the specific purpose of paying for construction projects. This restriction is imposed by the grantors and contributors, as well as the bondholders through debt covenants.

Unrestricted Deficit - This component consists of Net Position that does not meet the definition of net investment in capital assets or restricted for debt service or for construction.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position includes: (i) Operating revenues, including toll fares, other operating income, concession agreements, and operating expenses like the operation of toll roads, transportation systems, administrative costs, road and bridge maintenance, and capital asset depreciation; and (ii) non-operating revenues and expenses, such as transfers from the Commonwealth, income from interest and investments, interest expenses, and others. The statement also includes capital contributions and payments received from the Commonwealth and federal government grants. The focus of the Statement of Revenues, Expenses, and Changes in Net Position is the change in net position (economic resources measurement focus). 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 by operating activities, noncapital financing activities, capital and related financing activities, and from investing activities. This statement also portrays the financial health of the Authority in that current cash flows are sufficient to pay for current liabilities.

Notes to the Financial Statements

The notes to financial statements are an integral part of the basic financial statements and describe the significant accounting policies, related-party transactions, deposits and investments, capital assets, bonds payable, long-term liabilities, retirement plans, commitments, contingencies, PROMESA, and the restatement of the 2023 financial statements. The reader is encouraged to read the notes in conjunction with the management's discussion and analysis and the financial statements.

Financial Analysis of the Authority

Condensed Statements of Net Position

The following table reflects the condensed Net Position of the Authority as of June 30, 2024 and 2023 (Restated):

	2024	2023 (Restated)
Assets		
Current assets	$ 19,619,372	$ 54,464,414
Restricted assets	1,547,368,452	423,571,525
Capital assets, net	7,887,896,944	8,228,366,564
Highways and bridge under concession agreements, net	555,806,749	200,509,215
Lease receivable	2,698,588	3,110,238
Total assets	10,013,390,105	8,910,021,956
Deferred outflows of resources	54,576,414	90,697,477
Total assets and deferred outflows of resources	$10,067,966,519	$ 9,000,719,433
Liabilities		
Current liabilities	$ 266,444,004	$ 229,777,374
Non-current liabilities	604,060,588	2,324,892,573
Total liabilities	870,504,592	2,554,669,947
Deferred inflows of resources	3,786,787,101	1,062,547,008
Total liabilities and deferred inflows of resources	4,657,291,693	3,617,216,955
Net position		
Net investment in capital assets	8,400,487,263	8,414,790,778
Restricted for debt service	-	290,983,389
Restricted for construction	1,498,088,487	40,994,376
Unrestricted	(4,487,900,924)	(3,363,266,065)
Total net position	5,410,674,826	5,383,502,478
Total liabilities, deferred inflows of resources and net position	$10,067,966,519	$ 9,000,719,433

Current assets decreased by approximately 64% to $19.6 million during the fiscal year ended June 30, 2024. The net decrease in current assets of $35 million was principally due to a decrease in accounts receivable by approximately $6.9 million and a decrease in accounts receivable from the Commonwealth by approximately $26.9 million. The accounts receivable decrease by $6.9 million is due to a decrease in amounts due from the tolls operator. The accounts receivable from the Commonwealth decreased by approximately $26.9 million, primarily because the Commonwealth fulfilled all budgeted remittances during fiscal year 2024, resulting in no outstanding receivables.

Restricted assets increased by approximately 265.3% to $1,547.4 million during the fiscal year ended June 30, 2024. This increase is primarily attributable to the surplus of approximately $1 billion from the Concession Fee, as per the service concession agreement executed on December 14, 2023 (see Note 7). After settling all outstanding debt, the remaining funds were allocated to the creation of a capital improvement fund, as well as escrow and reserve accounts. In addition, accounts receivable from U.S. Federal government related to Federal Highway Administration (FHWA) funding decreased by 54.7% to approximately $54.9 million. All other restricted assets remained in line with the prior fiscal year.

During the fiscal year ended June 30, 2024, capital assets decreased by 4.1% to approximately $7,887.9 million as compared to fiscal year 2023. The decrease was mainly due to the net result of an aggregated decrease in construction in process, roads, bridges and equipment, and vehicles of approximately $643.8 million, offset by depreciation expense of approximately $280 million, for the fiscal year ended June 30, 2024.

During the fiscal year ended June 30, 2024, highways and bridges under the Service Concession Agreements (as defined below) increased by 177.20% to approximately $555.8 million as compared to fiscal year 2023. This increase was due to the Authority entering into the service concession agreement with the Concessionaire for the operation and administration of toll roads designated as PR-52, PR-53, PR-20, and PR-66 for a concession period of 40 years, with an aggregate amount of approximately $353.7 million net of accumulated depreciation. Note that assets under service concession agreements, except for the Teodoro Moscoso Bridge, are not depreciated since the service concession agreements require the Concessionaire to return the assets to the Authority in their original or enhanced condition.

Deferred outflows of resources decreased by approximately $36.1 million during the current fiscal year. This represents a decrease of 39.8%, which is mainly due to a decrease in deferred outflows related to the Authority's share of the Puerto Rico Government Employees Retirement System (PRGERS) by $36.1 million for the fiscal year ended June 30, 2024.

During the fiscal year ended June 30, 2024, current liabilities increased by 16% to approximately $266.4 million as compared to fiscal year 2023. Major changes in current liabilities are the following:

Accounts payable and accrued liabilities, including vacations, increased 23% by approximately $45.4 million during the fiscal year ended June 30, 2024.

The current portion of bonds payable decreased by 34.4% to approximately $16.3 million during the fiscal year ended June 30, 2024, as compared to prior fiscal year. The current portion of the Teodoro Moscoso Bridge bonds payable decreased mainly due to the payment of the current portion of the bonds payable of the Teodoro Moscoso Bridge and Subordinated Indebtedness.

During the fiscal year ended June 30, 2024, non-current liabilities decreased by 74% to approximately $604.1 million as compared to fiscal year 2023. The decrease in non-current liabilities of approximately $1,720.8 million during the fiscal year was primarily driven by the net effect of a reduction in bonds payable, excluding the Teodoro Moscoso bonds, of approximately $1,651.2 million. This decrease resulted from the full payment of all outstanding bonds and subordinated debt of the Authority using the Concession Fee received on December 14, 2023 (the "Closing Date") from the Concessionaire under Act 29-2009, in exchange for the operation and administration of toll roads PR-52, PR-53, PR-20, and PR-66; a decrease of $49.4 million in total pension liability; a decrease of $20.1 million in interest on bonds payable and a decrease of $3.5 million in obligations under vacations and voluntary termination incentive plan liability,

Legal claims not related to expropriation and related costs, decreased by 2.7% to approximately $18.9 million during the fiscal year ended June 30, 2024, as compared to the prior year period. Legal claims related to property expropriations decreased by 0.6% to approximately $43.9 million. The value of the legal claims was recorded based on advice from internal and external legal counsel.

Deferred inflows of resources during the fiscal year ended June 30, 2024, increased by 256.4% to $3,786.8 million as compared to fiscal year 2023. The increase was mainly due to the net effect of an increase of $2,787.5 million by the recognition of amortization of deferred inflows of resources related to the service concession agreements and a decrease of deferred inflows related to the GASB 73 Pension Expense Report of the Pension Plan by 94.8% to approximately $3.5 million.

During the fiscal year ended June 30, 2024, the Authority's Net Position increased by 0.5% to $5,410.7 million as compared to fiscal year 2023. The increase in Net Position was due to a decrease of operating revenues of $86.2 million, a decrease of $100.3 million in operating expenses, a decrease of interest on bonds and GDB Debt Recovery Authority (GDB DRA) (formerly known as GDB) obligations of $204 million, and a decrease of $39.2 million of operating transfers from the Commonwealth. The largest portion of the Authority's Net Position was its investments in capital assets net of related debt outstanding used to acquire such capital assets.

Condensed Statements of Revenues, Expenses, and Changes in Net Position (Deficit)

The following table reflects a condensed summary of the Statements of Revenues, Expenses, and Changes in Net Position for fiscal years ended June 30, 2024 and 2023 (Restated):

	2024	**2023 (Restated)**
Operating revenues:		
Toll fares	$ 109,486,317	$ 219,175,679
Other operating income	15,910,352	32,107,025
Concession agreements	81,242,137	41,582,130
Total operating revenues	206,638,806	292,864,834
Total operating expenses	381,826,573	482,107,251
Depreciation and amortization	279,670,764	277,036,708
Operating loss	(454,858,531)	(466,279,125)
Non-operating revenues (expenses):		
Operating transfers from the Commonwealth of Puerto Rico	139,564,000	178,777,000
Operating grants from U.S. Federal Government	42,978,217	43,857,282
Interest on bonds and GDB Debt Recovery Authority Obligations	(38,509,452)	(242,523,890)
Investment income	44,149,284	3,654,679
Other non-operating revenues	293,003	4,381
Total non-operating (revenues / (expenses)),net	188,475,052	(16,230,548)
Loss Before Capital Grants	(266,383,479)	(482,509,673)
Capital grants (U.S. Federal and Commonwealth)	293,555,827	281,917,510
Extraordinary gain	-	6,820,650,413
Change in net position (deficit)	27,172,348	6,620,058,250
Net position/(deficit) at beginning of year, including ($5,898,431), restatement in 2023	5,383,502,478	(1,236,555,772)
Net position at end of year	$5,410,674,826	$5,383,502,478

Operating revenues, which consisted of toll fares, concession agreements and other operating revenues decreased by 29.4% to $206.6 million during the fiscal year ended June 30, 2024, as compared to fiscal year 2023. This decrease is the net effect of the following:

a. A decrease in toll fares of $109.7 million which is mainly attributable to the service concession agreement for the operation for the operation and administration of toll roads designated as PR-52, PR-53, PR-20, and PR-66.

b. A decrease in other operating income of approximately $16.2 million during the current fiscal year was primarily due to the combined effect of: (1) a decrease in gains from the sale of properties by approximately $1.4 million, (2) an increase in insurance reimbursements of $3.6 million, and (3) a decrease in cash recovery of approximately $15.5 million, as the cash recovery recorded in the prior fiscal year (2023) did not recur in fiscal year 2024.

c. An increase in concession agreement revenue of approximately $39.7 million related with the service concession agreement for the operation and administration of toll roads designated as PR-52, PR-53, PR-20, and PR-66.

Operating expenses decreased by 20.8% to approximately $381.8 million during the fiscal year ended June 30, 2024, as compared to fiscal year 2023. The decrease in operating expenses of approximately $100.3 million during the current fiscal year was the aggregate effect of: 1) a PRGERS Pay-Go recovery of $11.5 million, 2) a decrease in toll highways administration of approximately $128.2 million, 3) an increase in the train operating and maintenance expenses of approximately $1.3 million; 4) an increase in the integrated and transportation system expense of approximately $1.5 million, 5) an increase in repairs and maintenance expense by approximately $7.1 million and 6) an increase in legal and professional services of approximately $8.3 million including Title III legal services.

Capital and operating grants from the Commonwealth decreased by approximately $67.7 million when compared to the fiscal year ended June 30, 2023, as a result of a decrease in amounts granted by the Commonwealth.

Investment and interest income increased by approximately $40.5 million during the fiscal year ended June 30, 2024, as a result of an increase in interest income from cash balances. In addition, interest expense on bonds and GDB Debt Recovery Authority obligations decreased by approximately $204 million during fiscal year ended June 30, 2024, principally due to the payment of all Authority's bonds and loan outstanding balance with the Concession Fee in the amount of $2.85 billion received on the Closing Date from the Concessionaire under the Act 29-2009 in exchange for the operation and administration of toll roads designated as PR-52, PR-53, PR-20, and PR-66.

Other non-operating expenses remained in line with the prior fiscal year.

The Authority also received capital and operating grants from the U.S. federal government. Capital grants may only be used for construction, major improvements, and preservation of highways and bridges while operating grants are used to finance repair and maintenance for roads and bridges, and other operating expenses of other mass transportation systems. Such capital and operating grants amounted to approximately $245.2 and $206 million during the fiscal year ended June 30, 2024, and 2023, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2024, the Authority had approximately $7,887.9 million in capital assets, net of accumulated depreciation, which represents a decrease of $340.5 million, when compared with the prior year. Capital assets consist of roads, bridges, mass transportation system, transportation equipment, buildings, lands, and construction in progress.

Since the end of fiscal year 2005, the Authority operates the mass rail transportation system for the San Juan metropolitan area known as "Urban Train". The Authority originally incurred approximately $2.42 billion in costs in connection with the Urban Train, of which $685.7 million was paid with federal funds. The Urban Train in San Juan consists of approximately seventeen kms of track running from San Juan to Bayamón. Maintenance services are partially funded with operating grants from the Federal Transit Administration (FTA). Total operating grants received from FTA used for maintenance services and other programs amounted to approximately $31.4 million during the fiscal year ended June 30, 2024. Effective on July 1, 2017, the Authority entered into a new contract with ACI-Herzog for the purpose of operating and maintaining the Urban Train. This contract expires on June 30, 2032, with an option to extend the term for an additional two periods of not less than 5 years, as long as the entire term does not exceed 25 years. The total annual operation and maintenance cost, for the fiscal year ended June 30, 2024, was approximately $57.1 million. The Authority is required to implement the comprehensive reorganization outlined in the certified December 2023 Authority's fiscal Plan, including among others, the transfer of the Urban Train to Puerto Rico Integrated Transit Authority (PRITA).

On September 22, 2011, the Authority entered into a toll road service concession agreement (the Toll Road Service Concession Agreement) with Autopistas Metropolitanas de Puerto Rico LLC (Metropistas), in which the Authority granted Metropistas the right to finance, operate and maintain the PR-22 and PR-5 highways for a period of 40 years. During the 40-year term, Metropistas will have the right to charge and collect the tolls imposed on these highways as more fully described in Note 7 to the basic financial statements. On April 19, 2016, the Authority entered into an amendment of the Toll Road Service Concession Agreement to extend the original term for ten additional years and to create five bi-directional tolling points on the PR-5 and PR-22 highways.

On December 14, 2023, the Authority executed a service concession agreement for the operation and administration of toll roads designated as PR-52, PR-53, PR-20, and PR-66. This agreement involves a concession fee payment of $2.85 billion. For additional information, refer to Note 7 for more details.

On December 20, 1992, the Authority and Autopistas de Puerto Rico entered into a service concession agreement (as amended in 1992, 2004, and 2009, the Bridge Service Concession Agreement, and together with the Toll Road Service Concession Agreement, (the Service Concession Agreements) for the design, construction, operation and maintenance of the Teodoro Moscoso Bridge, a toll bridge that crosses the San Jose Lagoon between the municipalities of San Juan and Carolina. Autopistas designed and constructed the Teodoro Moscoso Bridge, which began operating on February 23, 1994, as more fully described in Note 7 to the basic financial statements. On September 9, 2009, the agreement was amended to extend its term to 50 years (2044).

Debt Administration

From May 2017 to December 6, 2022, all debt obligations of the Authority had been stayed under PROMESA Title III, and only the Teodoro Moscoso Bridge bonds which were the only debt not in default at the date of the Stay, were kept current until approval of the POA. See the Authority's Fiscal Plan as Plan of Adjustment, within this Management Discussion and Analysis, for the approval of the POA and the negotiations of the Authority's Bonds and other obligations. On the Closing Date, the Authority executed a service concession agreement under the Act 29-2009 in exchange for a concession fee in the amount of $2.85 billion. The Concession Fee was used to pay all the Authority's bonds and loan outstanding balance.

CURRENTLY KNOWN FACTS

Authority's Fiscal Plan and Plan of Adjustment

On December 8, 2023, the Financial Oversight and Management Board (the Oversight Board) certified a modified version of the FY 2023 fiscal plan for the Authority that was initially approved on June 30, 2022. The modified FY 2023 fiscal plan incorporates elements of the Commonwealth Plan of Adjustment, which was confirmed on January 18, 2022, and became effective on March 15, 2022. The fiscal plan also incorporates elements of the Authority's POA, confirmed on October 12, 2022, and subsequently effective on December 6, 2022. As of June 30, 2024, the fiscal plan remains in effect.

The Authority's POA restructured approximately $6.6 billion of debt and other claims against the Authority. The POA saved the Authority more than $3 billion in debt service payments, before interest, through its effective term to the holders of about $4.2 billion in Authority bonds. The Authority issued $1.2 billion in new bonds and $389 million in cash. The Authority's POA also established a cap for the payment of all General Unsecured Claims at $48 million, to be paid in cash. Under the POA, the Commonwealth of Puerto Rico issued to the Authority a $360 million loan, that together with the $92 million held by the Fiscal Agent, used to pay the bondholders and other debtors. Effective December 6, 2022, the $360 million loan was converted into subordinated indebtedness and is payable over 30 years at 2.50% interest. In addition, the Authority's POA settled about $2.2 billion in outstanding loans held by the GDB DRA, which receives no consideration from the Authority, but instead receives CVIs that were issued under the Commonwealth Plan of Adjustment as confirmed by the U.S. District Court on January 18, 2022, but which the Authority's portion was withheld issuance until the Authority's POA was declared effective on December 6, 2022. Refer to Note 1 for additional information on the Authority's POA. Notwithstanding the POA's plan to settle the newly issued bonds long-term, on the Closing Date, all bonds were settled with the proceeds of the service concession agreement for the operation and administration of toll roads designated as PR-52, PR-53, PR-20, and PR-66. Refer to Notes 7 and 10.

Notwithstanding the circumstances existing on June 30, 2024, due to the effectiveness of the Authority's Plan of Adjustment (POA), which remediated the Authority's financial condition and reorganized its liabilities, management does not believe there is substantial doubt about the Authority's ability to continue as a going concern as of the date of these basic financial statements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, and other parties in interest, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions or need additional financial information, contact the Puerto Rico Highways and Transportation Authority, Finance Area, P.O. Box 42007, San Juan, Puerto Rico 00940-2007.

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position

June 30, 2024

Assets	
Current assets:	
Cash	$ 9,975,870
Accounts receivable, net	3,491,371
Prepaid expenses and other assets	6,152,131
Total current assets	19,619,372
Restricted assets:	
Cash and cash equivalents	1,443,020,428
Due from trustee, net	48,000,000
Due from U.S. federal government	56,348,024
Total restricted assets	1,547,368,452
Other non-current assets:	
Capital assets, net	7,887,896,944
Highways and bridge under concession agreements, net	555,806,749
Lease receivable	2,698,588
Total other non-current assets	8,446,402,281
Total assets	10,013,390,105
Deferred outflows of resources:	
Pension related	53,436,820
Other postemployment benefits related	1,139,594
Total deferred outflows of resources	54,576,414
Total assets and deferred outflows of resources	$ 10,067,966,519

Continued.

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position (Continued)

June 30, 2024

Liabilities	
Current liabilities:	
Accounts payable	$ 84,919,604
Accrued and other liabilities	41,395,342
Accounts payable subcontractors	116,621,599
Unearned revenue	3,123,459
Accrued legal claims	4,074,000
Bonds payable	16,310,000
Total current liabilities	266,444,004
Non-current liabilities:	
Bonds payable	37,669,565
Compensated absences	4,678,875
Termination benefits	14,145,014
Pension liability	447,901,132
Other postemployment benefits	12,511,606
Lease liability	358,229
Subscription liabilities	1,042,722
General unsecured claims reserve	48,000,000
Accrued legal claims	37,753,445
Total non-current liabilities	604,060,588
Total liabilities	870,504,592
Deferred inflows of resources:	
Service concession agreement	3,780,095,450
Pension related	3,453,335
Lease related	3,238,316
Total deferred inflows of resources	3,786,787,101
Net position	
Net investment in capital assets	8,400,487,263
Restricted for debt service	-
Restricted for construction	1,498,088,487
Unrestricted deficit	(4,487,900,924)
Total net position	5,410,674,826
Total liabilities, deferred inflows of resources and net position	$10,067,966,519

The Notes to Financial Statements are an integral part of the Financial Statements.

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Revenues, Expenses, and Changes in Net Position

for the Fiscal Year Ended June 30, 2024

Operating revenues:	
Toll fares, substantially discontinued after December 14, 2023	$ 109,486,317
Other operating income	15,910,352
Concession agreements, amortization of deferred inflows of resources	81,242,137
Total operating revenues	206,638,806
Operating expenses (recoveries):	
Salaries and related benefits	17,031,961
PayGo recoveries [1]	(41,155,881)
Other postemployment recoveries [1]	(936,691)
Toll highways administration and maintenance	91,473,877
Train operating and maintenance costs	57,097,856
Integrated transportation system	12,256,931
Repairs and maintenance of roads and bridges	153,213,016
Utilities	11,932,157
Insurance	14,467,832
Other	66,445,515
Total operating expenses, net	381,826,573
Operating loss before depreciation and amortization	(175,187,767)
Depreciation and amortization	279,670,764
Operating loss	(454,858,531)
Non-operating revenues (expenses):	
Operating grants from the Commonwealth of Puerto Rico	139,564,000
Operating grants from U.S. federal government	42,978,217
Interest on bonds	(38,509,452)
Investment income	44,149,284
Other	293,003
Total non-operating revenues, net	188,475,052
Loss before capital grants	(266,383,479)
Capital Grants:	
U.S. federal government	202,218,248
Commonwealth of Puerto Rico	91,337,579
Total capital grants	293,555,827
Change in net position	27,172,348
Net position at beginning of the year, as restated	5,383,502,478
Net position at end of the year	$ 5,410,674,826

[1]Recovery results from actuarial changes in assumptions in the PRGERS and the ERS MIPC Plan. Refer to Notes 11 and 12.

The Notes to Financial Statements are an integral part of the Financial Statements.

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Cash Flows

for the Fiscal Year Ended June 30, 2024

OPERATING ACTIVITIES:	
Receipt from tolls and train fares	$ 113,307,394
Receipt from other sources	45,892,712
Payments to employees, PayGo and related benefits	(54,562,845)
Payments to suppliers for goods and services	(389,302,320)
Net cash used in operating activities	(284,665,059)
NONCAPITAL FINANCING ACTIVITIES:	
Operating grants received from U.S. federal government	65,157,282
Operating grants from the Commonwealth of Puerto Rico	139,564,000
Net cash provided by noncapital financing activities	204,721,282
CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants received received from U.S. federal government	185,362,512
Capital grants received from the Commonwealth of Puerto Rico	91,337,579
Acquisition and construction of capital assets	(269,135,596)
Payment of bonds	(1,636,836,162)
Interest paid on bonds	(55,475,761)
Advance from concession agreement	2,849,600,420
Net cash provided by capital and related financing activities	1,164,852,992
INVESTING ACTIVITIES:	
Interest receipts from lease receivable	286,736
Interest receipts from savings and other instruments	42,373,284
Net cash provided by investing activities	42,660,020
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,127,569,235
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	325,427,063
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$1,452,996,298

Continued.

Statement of Cash Flows (Continued)

for the Fiscal Year Ended June 30, 2024

RECONCILIATION TO CASH AND CASH EQUIVALENTS PRESENTED IN THE STATEMENT OF NET POSITION:	
Cash	$ 9,975,870
Cash and cash equivalents - restricted	1,443,020,428
Total	$1,452,996,298
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW USED IN OPERATING ACTIVITIES:	
Operating loss	$ (454,858,531)
Adjustments to reconcile operating loss to net cash flows used in operating activities:	
Depreciation and amortization	279,670,764
Revenues from concession agreements	(81,242,137)
Net change in operating assets and liabilities:	
Accounts receivable	33,797,170
Prepaid expenses and other assets	(1,162,593)
Other post employment benefits	(963,097)
Deferred outflows of resources OPEB related	26,406
Pension liability	(49,384,980)
Accounts payable	17,702,845
Accrued liabilities	(2,798,183)
Accrued legal claims	1,509,123
Compensated absences	1,165,610
Voluntary termination benefits	(4,136,470)
Deferred outflows of resources pension related	36,094,657
Subscription liabilities	2,768,757
Deferred inflows pension related	(62,854,400)
Net cash used in operating activities	$ (284,665,059)
SUPPLEMENTAL CASH FLOWS INFORMATION:	
Non-cash transaction:	
Improvement to roads under concession arrangements	$ 3,316,455

The Notes to Financial Statements are an integral part of the Financial Statements.

1. ORGANIZATION

The Authority is a public corporation and component unit of the Commonwealth of Puerto Rico (the Commonwealth) created by Act No. 74 of June 23, 1965, as amended ("Act No. 74-1965"), to design, construct and administer toll roads, highways, and other facilities for the mobility of individuals, vehicles, and vessels, and for the planning, promotion, and feasibility of mass transportation systems. As a component unit, the Authority is included in the basic financial statements of the Commonwealth.

On May 21, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for the Authority by filing a petition for relief under PROMESA Title III in the United States District Court for the District of Puerto Rico. On October 12, 2022, the Authority's POA was confirmed by the Title III Court, and became effective on December 6, 2022, under which the Authority restructured its outstanding debt.

The reorganization also involves the transfer of the Urban Train and its feeder buses to PRITA. As of June 30, 2024, the net book value of the transportation assets amounted to approximately $1,597.5 million, plus the costs of land where the train stations and the train tracks are located. In addition, these operations report annual net losses amounting to approximately $70 million, which are partially defrayed by federal funding of approximately $16 million annually. Furthermore, due to the installation of a new fare collection system since March 2024, the Authority is providing the service for free, which could further increase the loss from operations. As of the date these financial statements were issued, the transfer of the Urban Train to PRITA did not occur.

Certain corporate actions may also require approval by the Financial Oversight and Management Board for Puerto Rico (the Oversight Board). In addition, Act No. 2-2017, the *Puerto Rico Fiscal Agency and Financial Advisory Authority Ac*t, created to negotiate the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF), to negotiate, restructure, and to negotiate, restructure, and reach agreements with creditors on all or part of the public debt or any other debt issued by any Commonwealth entity, including the Authority.

Furthermore, on December 14, 2023, the Authority entered into a service concession agreement. The Concession Agreement includes all existing toll roads not previously ceded under the existing concession agreements (refer to Note 7). This agreement grants the Concessionaire control and operation of the toll roads PR-52, PR-53, PR-20, and PR-66, in exchange for the Concession Fee. The Concession Fee was used for (i) the redemption of all remaining Authority bonds, other than those from the Teodoro Moscoso Bridge, (ii) repayment of a subordinated Commonwealth loan, (iii) settlement of certain closing and transaction costs, (iv) segregation of funds for the creation of escrow and reserve accounts that may be required for potential Concession Compensation Events (as defined in the Concession Agreement), and (v) with the remaining balance, the creation of a capital improvement fund at the Authority.

To fulfill its responsibilities as a highway authority, the Authority works closely with the Commonwealth and the Federal Highway Administration (FHWA). The following is the support that the Commonwealth and the FHWA will provide to the Authority upon its reorganization:

- The Authority receives an annual allocation of approximately $180 million from FHWA for capital projects. This allocation is included in the Infrastructure Investment and Jobs Act Funding also known as the Bipartisan Infrastructure Law (BIL) and increases by $3 million per year until Fiscal Year 2026. BIL also assigned $45 million annually for the Bridge Formula Program (BFP) until 2026. Additionally, new funding is at times made available to the Authority, including National Electric Vehicle Infrastructure Program (NEVIP), Discretionary Grants, Emergency Repair (ER) funds, among others.

- To cover the Authority’s projected cash shortfalls, the Commonwealth has budgeted to provide annual operational financial support to the Authority as reported in the Authority’s Certified Fiscal Plan. The average budgeted annual amount is $110 million, plus $68.8 million in operating and CapEx funds, respectively, through fiscal year 2052. The Federal-Aid Highway Program (FAHP) is currently the primary source of

1. ORGANIZATION (Continued)

funding for the construction of Puerto Rico's highways, roads, bridges, and streets. The FAHP is funded from the transportation user-related revenues deposited in the Federal Highway Trust Fund, primarily federal excise taxes on motor fuels along with excise taxes on tires, trucks, trailers, and truck-use taxes. Furthermore, on March 31, 2014, FHWA approved $756.4 million in toll credits that may be applied toward the non-federal matching share of transit projects.

- Under the December 2023 Concession Agreement, the Authority extinguished substantially all bond obligations, and the Authority retained a cash surplus of approximately $1 billion. This amount is restricted for use in roadway system improvement projects and other activities established in the Concession Agreement. For more information, refer to Notes 3 and 7.

The basic financial statements presented herein relate solely to the Authority's financial position and results of operations and are not intended to present the financial position of the Commonwealth, or the results of its operations or cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The accounting policies of the Authority conform to generally accepted accounting principles in the United States of America (GAAP), as promulgated in Governmental Accounting Standards Board (GASB) pronouncements.

The Authority's operations are accounted for as a proprietary fund (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the Authority's operations are included in the statement of Net Position. Revenue is recognized in the period in which it was earned, and expenses are recognized in the period in which they were incurred.

The Authority accounts for its operations and financing in a manner similar to private business enterprises. The intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Such accounts and these basic financial statements have been prepared on the basis that the Authority will continue as a going concern, as a legally separate governmental entity and component unit of the Commonwealth.

Cash, Cash Equivalents, and Cash Restricted for Capital Improvements

The Authority considers cash and cash equivalents all highly liquid investments with original maturities within three months or less from the date of purchase.

As of June 30, 2024, the surplus receipt was deposited in a savings account, earning a maximum interest rate of 5.15% based on the average monthly balance of the account. These funds will be maintained in this account until the selection of a trust fund. This capital improvement fund would be dedicated to establishing a long-term source of funding for capital projects for the construction, maintenance, and improvement of the road network in Puerto Rico. If the Authority is unable to achieve the projected annual returns, additional reductions in the Authority's capital and operating expenditures will be required to align with available revenue sources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Accounts receivable consists of amounts due from the Commonwealth, which include unremitted Commonwealth operating transfers, amounts due from Federal programs, government agencies, public corporations, municipalities of the Commonwealth, and others. Amounts that are significantly overdue are included in the allowance for credit losses. Receivables are stated net of estimated allowances for credit losses, which are determined based upon past collection experience and current economic conditions, among other factors.

Allowance for Credit Losses

The allowance for credit losses is an 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 and prior credit loss experience. 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.

Right of Use Lease Assets

As per GASB Statement No. 87, *Leases* (GASB 87), a lessee is required to recognize a lease liability and an intangible right of use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources. Right of use lease asset represents the Authority's right to an asset over the life of a lease in which it is the lessee. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received. Right of use assets are amortized over the shorter of the asset useful life or the term of the lease.

Right of Use Subscription Asset

The Authority recognizes a Right of Use Subscription Asset for subscription-based information technology arrangements (SBITA) over a year. The subscription asset is initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less incentives received from the SBITA vendor at or before the commencement of the subscription term, if any. Right of use assets are amortized over the term of the subscription agreement.

Capital Assets Including Those Under Service Concession Agreements

Cost Basis - Capital assets are recorded at historical cost or acquisition value for donated assets. The cost of property and equipment includes costs for infrastructure assets (rights of way, bridge substructures, highways, and bridges), toll facilities, equipment, buildings, furniture, and other related costs (including software). Highways and bridge substructures include road subbases, grading, land clearing, embankments, and other related costs. Costs for infrastructure assets include construction costs, design and engineering fees, and administrative and general expenses associated with the projects.

Construction in progress - Capitalization of construction costs normally begins when the Authority has obtained approval for the project, and it is more probable than not that the project will be realized. Any changes in plans are evaluated and if the realization probability threshold is not reached at a point in time, the related costs are charged to operations. This, however, requires significant judgment.

Capitalization Policy - Infrastructure capital assets (road, bridges, highways, transportation equipment, etc.) are defined by the Authority as assets with an initial, individual cost of more than $500,000 and an estimated useful

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

life of more than one year. Other capital assets, such as equipment, vehicles, etc. are defined by the Authority as assets with an initial individual cost of more than $1,000 and an estimated life of more than two years. Costs to acquire additional capital assets, which replace existing assets, extend their useful lives, and/or enhance the capital asset's capacity are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are expended as incurred.

Depreciation of Capital Assets - Depreciation is provided using the straight-line method over an estimated useful life of 40 years for new roads, highways, and road widenings, 50-59 years for new bridges and transportation systems (including transportation equipment and facilities), 20 years for bridge improvements, 15 years for road resurfacing of freeways, and 10 years for equipment, vehicles, and road resurfacing of non-freeways. Depreciation of assets under concession agreements except for the Teodoro Moscoso Bridge has been suspended, given that the agreements require the concessionaires to return the toll roads in their original or improved condition upon expiration of the concession period.

Impairment of Capital Assets - The Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage, among others. The Authority evaluated its capital assets and determined that there was no significant impairment as of June 30, 2024.

Lease Receivables

Lease receivables are recorded by the Authority at the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on prevailing market rates as of June 30, 2024, for discounting cash flows based on a 100% cash allocation.

Service Concession Agreements

The Authority has entered into service concession agreements under which it has transferred the administration and operation of certain infrastructure assets to private organizations in exchange for concession fees. Amounts collected in advance are reported as deferred inflows of resources and are amortized into concession revenue in a systematic and rational manner over the term of the agreements. Improvements performed by the concessionaires to the assets under concession (but excluding land) are capitalized by the Authority, as highways and the bridge under concession agreements. The assets are still owned by the Authority and, therefore, are reported in the Authority's basic financial statements. Refer to Note 7 to the basic financial statements, for additional information regarding the service concession agreements in effect as of June 30, 2024.

Depreciation of assets under concession agreements, except for the Teodoro Moscoso Bridge, has been suspended, given that the agreements require the concessionaires to return the toll roads in their original or improved condition upon expiration of the concession period.

Claims and Judgments

The estimated amount of liability for claims and judgments 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 claims and judgments. The Authority consults with legal counsel upon determining whether an unfavorable

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

outcome is expected. Because of uncertainties inherent in the estimation process, management's estimate of the liability for claims and judgments may change in the future. However, accruals from dates prior to the Authority's filing for relief under PROMESA, on May 21, 2017, have been adjusted by the maximum amount allowed by the Authority's POA, under PROMESA. Refer to Note 16 for additional information regarding the status of the Authority's pending legal claims as of the date of these basic financial statements.

Compensated Absences

Compensated absences include paid time off made available to employees in connection with vacation, and sick leave. The liability for compensated absences is reported in the statement of Net Position. A liability for compensated absences is reported in the financial statements only when payment is due. The liability for compensated absences recorded in the accompanying statement of Net Position is limited to leave that is attributable to services already rendered and is not contingent on a specific event.

On April 29, 2017, the Governor signed into law Act No. 26 of 2017 "Law for the Compliance with the Fiscal Plan", which, among other things, changed the vacation and sick leave accrual formula for all government employees. Through the Act, it was established that as of May 1, 2017, all public employees will have the right to accumulate vacation leave at the rate of one and one-fourth days for each month of service. In addition, the payment of sick leave was eliminated when the employee resigns or at the time of separation. New employees accumulate vacation leave retroactively after the first 3 months of employment.

In addition, as of the effective date of this Act, no public employee, whether a union member or not, who works for the Commonwealth in any of its agencies, instrumentalities, or public corporations will have the right to receive pay for the liquidation of days in excess of the maximum allowable leave.

Lease Liability

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

Subscription-Based Information Technology Arrangements (SBITA)

On July 1, 2022, the Authority adopted the provisions of Statement No. 96 of the Governmental Accounting Standards Board, *Subscription-Based Information Technology Arrangements* (GASB No. 96, SBITA). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for Subscription-Based Information Technology Arrangements by governments. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use (RTU) 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. Refer to Note 13.

Pension

Since July 1, 2017, the pension obligation of the PRGERS was transformed into an unfunded pension trust, where pension obligations are funded on a pay-as-you-go basis. On that date, active employees stopped contributing to the PRGERS and the new employees will not become members either. The funding change resulted in the change in accounting principle from GASB 68 – *Accounting and Financial Reporting for Pensions* to GASB 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 Commonwealth

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plan of Adjustment and Commonwealth Confirmation Order (each as defined and discussed below), a Pension Reserve Trust was created to fund future PRGERS' pension liabilities with an initial funding contribution from the Commonwealth of $5 million on the Commonwealth Effective Date to fund the initial administrative costs and expenses of the Pension Reserve Board. Additional annual Commonwealth contributions will also be made to the Pension Reserve Trust in amounts to be determined each fiscal year in accordance with the terms of the Commonwealth Plan of Adjustment. The Commonwealth Plan of Adjustment and Commonwealth Confirmation Order also prevents the Commonwealth from implementing existing legislation or enacting new legislation within 10 years of the Effective Date of the POA, that would create or increase any defined benefit pension payment or obligation to current or future retirees without the Title III Court's prior approval.

For purposes of measuring the total pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the total pension liability of the PRGERS, and changes in total pension liability have been determined on the same basis as they are reported by the PRGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when they are due and payable in accordance with the benefit terms. Refer to Note 11.

Postemployment Benefits Other Than Pensions

The Authority accounts for postemployment benefits other than pensions in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Other postemployment benefits other than pensions (OPEB) expense is recognized and disclosed using the accrual basis of accounting. Changes in the total OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change; recognition occurs in the period the OPEB expense, deferred inflows, or deferred outflows, as applicable, are incurred. Those changes in total OPEB liability that are recorded as deferred inflows or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the average of the remaining service life of all participants including retirees and recorded as a component of OPEB expense, beginning with the period in which they occurred.

Voluntary Termination Benefits

The Authority accounts for voluntary termination benefits in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. Pursuant to the provisions of GASB Statement No. 47, in financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (for example, early retirement incentives) when the offer is accepted, and the amount can be estimated.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses) until then. The Authority has two items that qualify for reporting in this category: (i) the difference between expected and actual experience, due to changes in assumptions and employer's contribution to the pension plan subsequent to the measurement date of the net pension liability, and (ii) the difference between actual and expected experience related to the OPEB obligation.

In addition to liabilities, the statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of Net Position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Authority has three items that qualify for reporting in this category: (i) the deferred amounts of service concession agreements, (ii) the difference

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

between expected and actual experience, changes in assumptions and employer's contribution to the pension plan after the measurement date of the total pension liability, and (iii) the deferred amount of lease receivable.

A deferred outflow/inflow of resources related to pension results from differences between expected and actual experience, or changes in assumptions or other inputs. These amounts are deferred and included in pension expenses in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Deferred inflows of resources related to the service concession agreement amounted to $3,780.1 million. These amounts are being amortized over their respective concession agreement terms. Deferred inflows of resources also include $3.5 million and $3.2 million related to deferred amounts of pension related amounts and lease related, respectively. Additionally, deferred outflows of resources include $53.4 million and $1.1 million related to pension and OPEB, respectively.

The Authority's deferred inflows of resources from lease receivables, as presented in the statement of Net Position, are related to lease agreements where the Authority is the lessor. These deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on the straight-line basis over the term of the lease.

Net Position

Net Position is classified as the following four 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, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of Net Position. If there are significant unspent related debt proceeds or deferred inflows of resources at fiscal year end, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources is included in the same Net Position's component (restricted or unrestricted) as the unspent amount.

Restricted for Debt Service – This component of Net Position consists of restricted assets for payment of principal and interest related to bonds payable. This restriction is imposed by the bondholders through debt covenants.

Restricted for Construction - This component of Net Position consists of restricted assets for the specific purpose of financing construction projects. This restriction is imposed by the grantors and contributors, as well as the bondholders through debt covenants.

Unrestricted Deficit – This component of Net Position consists of a net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of Net Position.

Operating and Non-Operating Revenue and Expense Recognition

The Authority distinguishes operating revenues and expenses from non-operating items. Revenues associated with tolls and train fares are recorded as operating revenues when earned, based on activity reports provided by the toll and train operators, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses related to the administration and maintenance of toll highways and transportation system, repair and maintenance of roads and bridges, and administrative expenses are recorded as operating expenses. All other revenues and expenses are considered non-operating.

Non-operating revenues primarily comprise operating transfers from the Commonwealth and the federal government, which are allocated to the Authority to fund its operational and capital project activities.

Capital and Operating Grants

Capital and operating grants are funds allocated by the Commonwealth and federal government, including the FHWA and the FTA, to the Authority for the construction of specific capital projects or infrastructure repairs and maintenance. These are reported as capital and operating grants as required by GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities; (ii) disclosure of contingent assets and liabilities at the date of the financial statements and (iii) the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

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 did not settle any claims for more than its insurance coverage during the fiscal year ending June 30, 2024, or as of the date the basic financial statements were issued.

New Accounting Pronouncements

The Government Accounting Standards Board (GASB) is a private non-governmental organization that creates accounting reporting standards, or generally accepted accounting principles (GAAP), for state and local governments in the United States. The mission of GASB, among other things, is to establish and improve financial accounting and reporting standards to provide useful information to investors and other users of financial reports and educate stakeholders on how to understand and implement those standards most effectively.

GASB has issued the following Statements:

- GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in the absence of specific transition provisions in the new pronouncement.

The net position, fund balance, or fund net position, as applicable, be displayed by the reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 (FY 2023-2024), and all reporting periods thereafter. Earlier applications are encouraged. The Authority applied this pronouncement on the basic financial statements of the current fiscal year with no significant effect.

- GASB Statement No. 101, *Compensated Absences*: The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

  This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

  This Statement requires that liability for certain types of compensated absences, including parental, military, and jury duty leave—not be recognized until the leave commences. This Statement also requires that liability for specific types of compensated absences not be recognized until the leave is used.

  This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

but not yet paid or settled should be measured at the amount of the cash payment or non-cash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave should also be included in the measurements of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier applications are encouraged. The Authority is currently evaluating the effect this pronouncement could have on the basic financial statements, when adopted in the 2024-2025 fiscal year.

- GASB Statement Number 102, *Certain Risk Disclosures*: This Statement defines concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

  This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

  If a government determines that those criteria for disclosure have been met for concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

  - The concentration or constraint
  - Each event is associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements.
  - Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

  The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier applications are encouraged. The Authority is currently evaluating the effect this pronouncement could have on the basic financial statements, when adopted in the 2024-2025 fiscal year.

- GASB Statement Number 103, *Financial Reporting Model Improvements:* This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements – related to the following:
  - Management discussion and analysis (MD&A).
    - Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
      - Overview of the Financial Statements,
      - Financial Summary,
      - Detailed Analyses,
      - Significant Capital Asset and Long-Term Financing Activity,
      - Currently Known Facts, Decisions, or Conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

    - Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed.
    - Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results.
  - Unusual or infrequent items.
  - Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position.
    - Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses.
    - Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses and defines subsidies.
  - Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements.
  - Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

  The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier applications are encouraged. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

- GASB Statement Number 104, *Disclosure of Certain Capital Assets*: This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* should be disclosed separately by major class of underlying assets in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

3. CASH

Cash on June 30, 2024, consisted of:

Unrestricted cash	$ 9,975,870
Restricted cash:	
Cash CapEx and federal funds	426,581,485
Capital improvement fund	1,016,438,943
Total restricted cash	1,443,020,428
Total cash	$1,452,996,298

3. CASH (Continued)

Under the Concession Agreement, after the repayment of debt and creation of reserves, the Authority must invest the surplus receipt of approximately $1 billion from the Concession Fee into a restricted investment fund to create a capital improvement trust. These investments should generate projected returns of about 4.5% per year, in line with the current US Treasury yield curves for both short-term and long-term fixed-income securities (i.e., 1-year T-Bills and 30-year Treasury Bonds). As of June 30, 2024, the surplus receipt was deposited in a savings account, earning a maximum interest rate of 5.15% based on the average monthly balance of the account. These funds will be maintained in this account until the selection of a trust fund. This capital improvement fund would be dedicated to establishing a long-term source of funding for capital projects for the construction, maintenance, and improvement of the road network in Puerto Rico. If the Authority is unable to achieve the projected annual returns, additional reductions in the Authority's capital and operating expenditures will be required to align with available sources of revenue.

Capital Improvement fund activity for the year ended June 30, 2024, follows:

Remaining proceeds from concession agreement payment	$ 987,123,000
Interest earned	29,315,943
Balance June 30, 2024	$1,016,438,943

4. CUSTODIAL CREDIT RISK

Legally, the Authority is required to place funds solely in financial institutions sanctioned by the Puerto Rico Department of the Treasury (DOT), and it must maintain these deposits in distinct accounts under the Authority's name.

Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be recoverable. Under Commonwealth law, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance.

All monies deposited with depository institutions in excess of the amounts guaranteed by the Federal Deposit Insurance Corporation or other federal agency are continuously secured by lodging with a bank or trust company approved by the Authority, or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposits as collateral security, Government Obligations, or other marketable securities. As of June 30, 2024, the Authority's deposits maintained in commercial banks are as follows:

	Unrestricted		Restricted	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Commercial banks	$ 9,975,870	$ 12,608,662	$ 1,443,020,428	$1,443,065,383

5. ACCOUNTS RECEIVABLE - NET

Accounts receivable as of June 30, 2024, consisted of:

Government, agencies and other, excluding the Commonwealth	$ 58,666,213
Rent receivables	5,692,747
Toll escrow agent	3,211,654
Other	7,185,289
Total	74,755,903
Less allowance for credit losses	(71,264,532)
Accounts receivable, net	$ 3,491,371

6. CAPITAL ASSETS, NET

The following schedule summarizes the capital assets, on a net-basis, held by the Authority as of June 30, 2024:

	Balance at June 30, 2023	Increases	Transfers /Decreases	Balance at June 30, 2024
Assets not being depreciated				
Land	$ 1,963,927,107	$ 442,602	$ (1,331,779)	$ 1,963,037,930
Construction in progress	397,550,271	256,802,758	(84,846,785)	569,506,244
Total assets not being depreciated	2,361,477,378	257,245,360	(86,178,564)	2,532,544,174
Assets being depreciated				
Transportation system	2,418,129,482	-	-	2,418,129,482
Roads	13,851,619,056	86,629,011	(927,736,764)	13,010,511,303
Bridges	3,677,943,805	16,694,515	-	3,694,638,320
Equipment, vehicles, and other	131,296,701	6,916,880	-	138,213,581
Right to use equipment	-	2,591,227	-	2,591,227
SBITA	4,284,068	-	-	4,284,068
Total assets being depreciated	20,083,273,112	112,831,633	(927,736,764)	19,268,367,981
Less accumulated depreciation /amortization	(14,210,485,495)	(279,670,764)	577,141,048	(13,913,015,211)
Total assets being depreciated	5,872,787,617	(166,839,131)	(350,595,716)	5,355,352,770
Total capital assets, net	$ 8,234,264,995	$ 90,406,229	$ (436,774,280)	$ 7,887,896,944

Decreases include transfers to highways and bridges under concession agreements of $927.7 million.

7. HIGHWAYS AND BRIDGE UNDER SERVICE CONCESSION AGREEMENTS

Highways and bridge under Service Concession Agreements as of June 30, 2024, are summarized as follows:

	Balance on June 30, 2023	Transfers from Capital Assets	Transfers from Concessionaire	Balance on June 30, 2024
Toll roads (PR-5 and PR-22)	$ 310,362,533	$ -	$ -	$ 310,362,533
Toll roads (PR-20, PR-52, PR-53, PR-66)	-	927,736,764	-	927,736,764
Toll roads concession improvements	58,878,172	-	3,316,455	62,194,627
Teodoro Moscoso bridge	109,500,000	-	-	109,500,000
Total	478,740,705	927,736,764	3,316,455	1,409,793,924
Less accumulated depreciation	(278,231,490)	(575,755,685)	-	(853,987,175)
Total	$ 200,509,215	$ 351,981,079	$ 3,316,455	$ 555,806,749

Toll Road Service Concession Agreement (PR-5 and PR-22)

On September 22, 2011, the Authority entered into the Toll Road Service Concession Agreement with Metropistas, in which the Authority granted the right to operate PR-5 and PR-22 highways (the Toll Roads) for a period of 40 years. During the 40-year term, Metropistas will have the right to charge and collect the tolls imposed on the Toll Roads.

The Authority received an upfront concession fee payment of $1,136 million, of which approximately $873.1 million was used to redeem or defease bonds issued and outstanding associated with the Toll Roads.

The Authority recorded a deferred inflow of resources from the Toll Road Service Concession Agreement of $1,136 million that is being amortized and recognized as revenue over the 40-year term of the agreement. Amortization for the year ended June 30, 2024, amounted to $24.7 million. The Toll Roads (capital assets) will continue to be reported in the statement of Net Position as a separate item as highways and bridge under service concession agreements. As of June 30, 2024, the total aggregate amount of the Toll Roads capital assets was approximately $152.9 million, net of accumulated depreciation. Toll Roads depreciation was suspended on September 22, 2011, until the expiration of the Toll Road Service Concession Agreement because the agreement requires Metropistas to return the Toll Roads to the Authority in their original or enhanced condition.

On April 19, 2016, the Authority entered into an amendment of the Toll Road Service Concession Agreement to extend the original term for ten additional years and to create five bidirectional tolling points on the Toll Roads. The Authority received an upfront concession fee payment of $100 million, which was used to pay $18.2 million of the Authority's current debt and $79.8 million was transferred to the Commonwealth in fiscal year 2016. Also, in June 2017, the Authority received an additional $15 million payment concurrently with the commencement of the bidirectional system described above.

In addition, the Authority capitalized and considered as deferred inflows of resources $3.3 million during the fiscal year ended June 30, 2024, for improvements made by Metropistas to the Toll Roads.

Toll Road Service Concession Agreement (PR-52, PR-53, PR-20, and PR-66)

On the Agreement Date, the Authority entered into the Agreement with the Concessionaire, pursuant to which the Authority granted to the Concessionaire a concession for the operation and administration of the toll roads designated as PR-52, PR-53, PR-20, and PR-66, for a concession period of 40 years. The closing of this transaction

7. HIGHWAYS AND BRIDGE UNDER SERVICE CONCESSION AGREEMENTS (Continued)

occurred December 14, 2023. The toll roads transferred under this arrangement remain recorded in the Authority's financial statements as capital assets.

Under the Agreement, the Authority granted to the Concessionaire the exclusive right to operate, maintain, and collect toll revenues on the concessioned toll roads. In return, the Authority received a concession fee of $2.85 billion. This amount was recorded as deferred inflows of resources and is being amortized and recognized as revenue over the term of the Agreement. The concession fee was used for (i) the redemption of the New Authority Bonds, (ii) repayment of the Subordinated Indebtedness, (iii) certain closing and transaction costs, (iv) funds for escrow and reserve accounts for potential Concession Compensation Events (as defined in the Agreement), and (v) the creation of a capital improvement fund. For the fiscal year ended June 30, 2024, amortization revenue recognized was approximately $39.3 million.

The Authority retains certain rights under the Agreement, including oversight of operational performance, access for public safety purposes, and the ability to reassume control in the event of termination (including for default by the Concessionaire).

Furthermore, the Authority may be required to compensate the Concessionaire for specific events defined under the Agreement as “Adverse Actions”, which generally include government actions, the effects of which would be principally borne by the Concessionaire, private operators of toll roads in the Commonwealth or contractors under public-private partnership agreements and which would have a material adverse effect on the fair market value of the Concessionaire’s interest. Under certain circumstances, the Concessionaire has the right to terminate the Agreement if an Adverse Action occurs and is not remedied by the Authority. In such cases, the Authority may be required to compensate the Concessionaire for termination damages, which could include the toll road concession value and related expenses. As of June 30, 2024, management considers the likelihood of such events occurring to be remote.

Bridge Service Concession Agreement

On December 20, 1992, the Authority and Autopistas entered into the Bridge Service Concession Agreement for the design, construction, operation and maintenance of the Teodoro Moscoso Bridge (TMB), a toll bridge, which crosses the San Jose Lagoon between the municipalities of San Juan and Carolina. Autopistas designed and constructed the Bridge and commenced operating the Teodoro Moscoso Bridge on February 23, 1994 (valuation date). The initial term of this agreement was 35 years, expiring on April 3, 2027. On September 9, 2009, the agreement was amended to extend its term to 50 years (2044).

Upon the implementation of GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, on June 30, 2013, the Authority recognized the Teodoro Moscoso Bridge at fair value, equivalent to what the Authority might have paid to have the Teodoro Moscoso Bridge constructed (replacement cost) at valuation date. The replacement cost was determined to be $109.5 million depreciated over an estimated useful life of 59 years. The asset balance related to the Teodoro Moscoso Bridge was adjusted to recognize the first 17 years of operations and the remaining amortization balance would be amortized over 42 years. The Teodoro Moscoso Bridge is being depreciated because, in the opinion of management, the Bridge Service Concession Agreement does not require Autopistas to return the Teodoro Moscoso Bridge to its original condition. As of June 30, 2024, the net book value of the Teodoro Moscoso Bridge was $49.2 million.

The Bridge Service Concession Agreement, as amended, requires Autopistas to pay 5% of the annual toll revenues to the Authority until February 22, 2027, then 61.5% of such revenues from February 23, 2027, through the end of the agreement. During the fiscal year ended June 30, 2024, Autopistas paid the Authority approximately $3.4 million related to the toll revenues.

7. HIGHWAYS AND BRIDGE UNDER SERVICE CONCESSION AGREEMENTS (Continued)

On October 22, 2003, the Authority issued term and capital appreciation bonds in the total aggregate amount of approximately $153.2 million (the 2003 Bonds). The proceeds of these bonds were used to refund, in advance, the bonds previously issued in 1992 to finance the construction of the Teodoro Moscoso Bridge.

The activity of the TMB bonds during the fiscal year ended June 30, 2024, as recorded in the accompanying financial statements is as follows:

	Balance on June 30, 2023	Increases / Accretions	Payments / Amortization	Balance on June 30, 2024
Term bonds	$ 37,105,000	$ -	$ (6,730,000)	$ 30,375,000
Capital appreciation bonds	29,582,997	1,376,568	(7,355,000)	23,604,565
Total	$ 66,687,997	$ 1,376,568	$ (14,085,000)	53,979,565
Less: Current portion				(16,310,000)
Long term portion				$ 37,669,565

Under the terms of the Bridge Service Concession Agreement, Autopistas is responsible for the debt service payment on the bonds unless the agreement is terminated as specified in the Bridge Service Concession Agreement. Because the bonds are being paid by Autopistas, the Authority records concession revenue for principal and interest paid by Autopistas annually until settlement. Therefore, the Authority recorded concession revenue in the total aggregate amount of $15.9 million during the fiscal year ended June 30, 2024, which represents the principal and interest payments on bonds made by Autopistas.

Under certain circumstances, including if minimum toll revenues are not achieved, the Bridge Service Concession Agreement may be terminated, and the Authority would then be obligated to assume all of Autopistas' obligations to pay the principal of, and interest on the bonds outstanding, which pursuant to the Loan Agreement will be paid from the net revenues of the use and operation of the Teodoro Moscoso Bridge. Although Autopistas currently has the ability to terminate the Bridge Service Concession Agreement and have the Authority assume its obligations, the Authority has not received such notice and does not currently expect the Bridge Service Concession Agreement to terminate.

Summary

As of June 30, 2024, the total deferred inflows of resources, amounting to approximately $3,780.1 million were associated with the Toll Roads Concession Agreement. The deferred inflows related to the Toll Roads Concession Agreements significantly reduce the unrestricted net position by $3,780.1 million, as of June 30, 2024.

8. ACCOUNTS PAYABLE, CURRENT

Accounts payable as of June 30, 2024, consisted of:

Due to Government and other agencies	$ 14,465,353
Other suppliers	70,454,251
Total accounts payable	$ 84,919,604

9. ACCRUED AND OTHER LIABILITIES, CURRENT

Accrued and other liabilities as of June 30, 2024, consisted of:

Compensated absences	$ 1,783,621
Voluntary termination benefits	3,370,893
Pension liability	32,000,000
Other postemployment benefits	1,200,000
Others	3,040,828
Total accrued and other liabilities	$ 41,395,342

10. BONDS PAYABLE AND OTHER INDEBTEDNESS

On December 6, 2022, the Authority issued the New Authority Bonds, which were payable in forty years, at 5% according to the Authority's POA, as previously disclosed. The bonds were fully settled upon the signing of the toll concession agreement, on December 14, 2023. Interest expense related to these bonds amounted to $14.8 million.

On December 6, 2022, a loan from the Commonwealth, originally issued on July 8, 2022, underwent conversion into a subordinated indebtedness of the Authority. The subordinated indebtedness was fully settled upon the signing of the toll concession agreement, on December 14, 2023. Interest expense related to these bonds amounted to $3.9 million.

Long-term debt activity for the fiscal year ended June 30, 2024, was as follows:

	Balance at June 30, 2023	Increases / Accretions	Payments / Amortization	Balance at June 30, 2024	Due within One Year
Serial bonds					
Series 2022-A	$ 600,000,000	$ -	$ (600,000,000)	$ -	$ -
Total	600,000,000	-	(600,000,000)	-	-
Term bonds					
Teodoro Moscoso	37,105,000	-	(6,730,000)	30,375,000	8,245,000
Total	37,105,000	-	(6,730,000)	30,375,000	8,245,000
Capital appreciation bonds					
Teodoro Moscoso	29,582,997	1,376,568	(7,355,000)	23,604,565	8,065,000
Series 2022-B	250,000,466	5,120,936	(255,121,402)	-	-
Series 2022-C	427,647,950	8,759,815	(436,407,765)	-	-
Total	707,231,413	15,257,319	(698,884,167)	23,604,565	8,065,000
Subordinated Indebtedness					
Series 2022-1	359,635,807	-	(359,635,807)	-	-
Total bonds outstanding	$1,703,972,220	$ 15,257,319	$ (1,665,249,974)	$ 53,979,565	$ 16,310,000

10. BONDS PAYABLE AND OTHER INDEBTEDNESS (Continued)

As of June 30, 2024, bonds outstanding, all related to the Teodoro Moscoso Bridge, were as follows:

Term bonds, maturing through 2027 with interest ranging from 5.55% to 5.85%	$ 30,375,000
Capital appreciation bonds, maturing through 2026 with interest ranging from 5.90% to 6.15%	23,604,565
Total Teodoro Moscoso bonds	$ 53,979,565

Teodoro Moscoso Debt Maturities

The following schedule has been presented in accordance with the original terms of the bonds payable. The outstanding bonds as of June 30, 2024, require future payments of principal and interest as follows:

Fiscal years ending June 30,	Principal	Interest	Total
2025	$ 16,310,000	$ 1,294,606	$ 17,604,606
2026	18,052,067	690,008	18,742,075
2027	12,592,498	410,962	13,003,460
2028	7,025,000	-	7,025,000
Total	$ 53,979,565	$ 2,395,576	$ 56,375,141

Autopistas is currently paying the scheduled interest and principal payments for these bonds in accordance with the service concession agreement. Refer to Note 7.

11. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

Before July 1, 2017, the Authority was a participating employer in the retirement plans administered by the Employees' Retirement System of the Commonwealth of Puerto Rico (ERS). However, on September 30, 2016, ERS was designated by the Oversight Board as a Covered Territorial Instrumentality under PROMESA. On May 21, 2017, the Oversight Board filed a petition for relief under PROMESA Title III for ERS in the United States District Court for the District of Puerto Rico, commencing a Title III case for ERS. On June 15, 2017, the United States Trustee appointed an Official Committee of Retired Employees in the Commonwealth's Title III cases. On January 18, 2022, the Title III Court confirmed the Commonwealth Plan of Adjustment, which includes the restructuring of ERS's outstanding debts and other financial obligations. The Commonwealth Plan of Adjustment became effective on March 15, 2022.

Under the Commonwealth Plan of Adjustment and Commonwealth Confirmation Order, a Pension Reserve Trust was created to fund future ERS pension liabilities with an initial funding contribution from the Commonwealth of $5 million on the Commonwealth Effective Date to fund the initial administrative costs and expenses of the Pension Reserve Board. Additional annual Commonwealth contributions will also be made to the Pension Reserve Trust in amounts to be determined each fiscal year in accordance with the terms of the Commonwealth Plan of Adjustment. The Commonwealth Plan of Adjustment and Commonwealth Confirmation Order also prevents the Commonwealth from implementing existing legislation or enacting new legislation within 10 years of the Commonwealth Effective Date that would create or increase any defined benefit pension payment or obligation to current or future retirees without the Title III Court's prior approval.

11. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (Continued)

PayGo Pension Reform

On June 27, 2017, the DOT issued Circular Letter No. 1300-46-17 to convey to the central government agencies, public corporations, and municipalities the new implementation procedures to adopt, effective July 1, 2017, a new "pay-as-you-go" (PayGo) system, in which ERS and the Commonwealth's other retirement systems stopped receiving contributions from employers or plan participants and are no longer managing contributions on behalf of participants. Since fiscal year 2018, employers' contributions, contributions ordered by special laws, and the additional uniform contribution were all eliminated.

On August 23, 2017, the Governor signed into law the Act No. 106 of 2017, known as the *Act to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants* (Act 106-2017), which provides the legal framework for the Commonwealth to implement the PayGo system effective as of July 1, 2017. Under the PayGo system, the Commonwealth's General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payments by the applicable participating employers, including the Authority. The Commonwealth allocation percentages are based on the ratio of each participating entity's actual benefit payments relative to the total aggregate benefit payments made by all participating entities for the year ending on the measurement date. Approximately $2 billion was allocated for these purposes in each of the Commonwealth's budgets starting in fiscal year 2022. The Commonwealth Plan of Adjustment preserves all accrued pension benefits for current retirees and employees at the ERS.

Act 106-2017, among other things, amended Act No. 447 with respect to the ERS' governance, funding, and benefits for active members of the actual program and newly hired members. Under Act 106-2017, the ERS' Board of Trustees was eliminated, and a new retirement board was created (the Retirement Board), which is currently responsible for governing all Commonwealth Retirement Systems.

Act 106-2017 terminated the previously existing pension programs for ERS participants as of June 30, 2017, and created a new defined contribution plan (PRGERS) for existing active members and new employees hired on or after July 1, 2017. This plan, similar to a 401(k) plan, is managed by a private entity, but where no contributions are received from the employer. 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 the accounts of the prior pension programs were transferred to the individual member accounts in the PRGERS. Act 106-2017 also ordered a suspension of the ERS' loan programs and ordered a merger of the administrative structures of the Commonwealth's retirement systems. At the Retirement Board's discretion, the administration of benefits under the new Defined Contribution Plan may be managed by a third-party service provider. In addition, Act 106-2017 repealed the Voluntary Early Retirement Law, Act No. 211 of 2015, while creating incentives, opportunities, and retraining program for public workers.

Plan Description Prior to July 1, 2017

This summary of ERS' pension plan provisions is intended to describe the essential features of the plan before the enactment of Act 106-2017. It should be noted that all eligibility requirements and benefit amounts shall be determined in strict accordance with the applicable law and regulations, and these benefits were not changed or amended with the enactment of Act 106-2017.

For employees who became ERS members prior to July 1, 2013, ERS operated under the following three benefit structures:

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

11. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (Continued)

- 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 were participants in a cost-sharing multiple employer defined benefit plan (the Defined Benefit Program). Act No. 305 members were participants under a pension program known as the System 2000 Program, a hybrid defined contribution plan. Under the System 2000 Program, benefits at retirement age were not guaranteed by the Commonwealth and were subjected to the total accumulated balance in the participant's account.

Thereafter, under Act No. 3 of 2013 (Act No. 3), effective July 1, 2013, the Commonwealth created a hybrid plan where the employee no longer accrued employee benefits, and upon retirement would receive an annuity from the accumulated defined benefits until that date, plus the employee contributions made thereafter, adjusted by investment yields and market fluctuations. Other changes were also made to the plan. Upon the enactment of the Act. No. 3, the Commonwealth discontinued contributing a proportionate share on behalf of the employee, instead employer contributions were redirected to pay accrued pensions. Act No. 3 amended the provisions of the different benefits structures under the ERS. Act No. 3 moved all participants (employees) under the Defined Benefit Program and System 2000 Program to a new defined contribution hybrid plan (the Contributory Hybrid Program). All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Defined Benefit Program and the System 2000 Program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. Act No. 3 benefits were terminated with the enactment of Act. No. 106-2017.

Service Retirement Eligibility Requirements

Act No. 447 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. 447 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, and (3) any age with 30 years of credited service. In addition, Act No. 447 members who attained 30 years of credited service by December 31, 2013 are eligible to retire at any time.

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

Act No. 1 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 members could retire upon (1) attainment of age 55 with 25 years of credited service and (2) attainment of age 65 with 10 years of credited service.

Act No. 1 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

After the approval of Act No. 106-2017, the PRGERS assets were liquidated and the 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 (*GASB No. 73) is now

11. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (Continued)

implemented in substitution of GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* (GASB No. 68). The Authority's Total Pension Liability was measured as of June 30, 2023 (measurement date) for the reporting period June 30, 2024 (reporting date) based on an actuarial valuation date December 13, 2024. Under the guidance of GASB No. 73, the Commonwealth and its component units are considered to be one employer.

Total Pension Liability

As of June 30, 2024, the Authority's proportional share of the PRGERS' Total Pension Liability used was as follows:

Proportion - June 30, 2024 (reporting date)	2.310460%
Proportion - June 30, 2023 (reporting date)	2.389290%
Change - Increase (Decrease)	-0.078830%

As of June 30, 2024, the Authority reported $479.9 million as Total Pension Liability for its proportionate share of the Total Pension Liability of PRGERS.

Pension Recoveries

During the fiscal year ended June 30, 2024, the Authority reported PayGo recoveries amounting to $41.2 million, related principally from changes in actuarial assumptions, disclosed elsewhere in this Note.

Changes in Pension Liability

During the fiscal year ended June 30, 2024, the Authority reported a decrease in the pension liability of $49.3 million, related principally from: interest expense of $27.7 million, service cost, actuarial assumptions and economic changes of ($28) million, and benefit payments of ($49) million.

Deferred Outflows/Inflows of Resources

As of June 30, 2024 (reporting date), the Authority reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 334,428	$ 2,993,032
Changes in assumptions	18,324,452	-
Changes in proportion	1,732,147	460,303
	20,391,027	3,453,335
Benefits payments made after measurement date	33,045,793	-
Total outflows/inflows	$ 53,436,820	$ 3,453,335

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to Total Pension Liability to be recognized in future periods in a systematic and rational manner.

11. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the following reporting years:

Year Ending June 30,	Amount
2025	$ 16,937,693

Actuarial Methods and Assumptions

Changes in Actuarial Methods since the Prior Evaluation

The GASB No. 73 discount rate increased from 3.54% as of June 30, 2022, to 3.65% as of June 30, 2023 (measurement dates).

The Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, confirmed by the U.S. District Court for the District of Puerto Rico on January 18, 2022, eliminated the Act 127-1958 high risk death and disability benefits for System 2000, Act 3, and Act 106 members in high risk positions, eliminated future cost of living adjustments, including those on the Act 127-1958 benefits, and eliminated all future PRGERS benefits for System 2000 and Act 3 members who were not in payment status as of March 15, 2022. These modifications decreased the pension liability by $2 billion, at the Commonwealth level.

Actuarial Cost Method

In accordance with GASB No. 73, the plan's actuarial cost method is the entry age normal method. Because of Act No. 106-2017, no future benefits will be earned by PRGERS members. As a result, the GASB Statement No. 73 Total Pension Liability equals the present value of all projected benefits.

Liability Determination

The results as of June 30, 2023 (measurement date) are based on projecting the System obligations determined as of the census data collection date of July 1, 2022, for one year using roll-forward methods, assuming no liability gains or gains or losses. There have been no changes in actuarial methods since the prior valuation.

Due to Act No. 106-2017, all benefits are considered fully accrued.

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2023 (measurement date) is provided below, including any assumptions that differ from those used on June 30, 2022 (measurement date), follows:

GASB No. 73 Discount Rate: 3.65% per annum. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Compensation Increases: 3% per year. No compensation increases were assumed until July 1, 2021, as result of Act No. 3-2017, four-year extension of Act No. 66-2014, salary freeze and the current general economy.

Defined Contribution Hybrid Contribution Account: No member contributions will be made to the Defined Contribution account after June 30, 2017. Based on the liquidation of System assets and move to PayGo funding under Act No. 106-2017, no future interest credits are assumed after June 30, 2017.

Basis for Demographic Assumptions: The post-retirement health and disabled mortality assumptions used in the evaluation are based on a study of the plan's experience from 2007 to 2012 and updated expectations regarding

11. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (Continued)

future mortality improvement. Most other demographic assumptions used in the evaluation are based on a 2009 experience study using data as of June 30, 2003, June 30, 2005, and June 30, 2007. Certain demographic assumptions (e.g., termination and retirement) were impacted by the Act No. 3-2013 pension reforms and were revised based on the new retirement eligibility and expected future experience. All assumptions were reviewed with PRGERS staff for reasonableness and are documented in this Section.

Pre-retirement Mortality: PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis.

Post-retirement Retiree Mortality: Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis.

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

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

Form of Payment: For members retiring after June 30, 2013, upon disability an immediate lump sum distribution of the Defined Contribution Hybrid Contribution Account plus, for Act No. 447-1951 and Act No. 1-1990 members, a modified cash refund of the accrued benefit as June 30, 2013, commencing at retirement eligibility; otherwise, a modified cash refund.

Marital status was provided as of July 1, 2016, but was not provided as of July 1, 2017, for retired and disabled members who retired prior to July 1, 2013. For those indicated as married as of July 1, 2016, and any new retirees as of July 1, 2017, a joint and survivor annuity was assumed, with an adjustment for the probability the spouse has pre-deceased the retiree as of the valuation date. Annuitants with future benefits payable as a result of Act No, 211-1958 and those not married were assumed to have a modified cash refund. The spouse's date of birth was imputed based on an assumed age difference of 4 years with males older than females.

11. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (Continued)

Sensitivity of the Proportionate Share of the Total Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the Total Pension Liability calculated using the discount rate, as well as what the Authority's proportionate share of the Total Pension Liability would be if it were calculated using a discount rate that is 1 – percentage point lower or 1 – percentage point higher than the current rate:

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
Total Pension Liability	$ 535,007,945	$ 479,901,132	$ 433,883,432

Pension Plan Fiduciary Information

Additional information on the Puerto Rico Government Employees Retirement System for the fiscal year ended June 30, 2023, can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42003, San Juan PR 00940-2003.

12. OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The Authority participates in the OPEB plan of the Commonwealth for retired participants of the Employees Retirement System Medical Insurance Plan Contribution Benefit (ERS MIPC). The Plan is administered on a pay-as-you-go basis.

The ERS MIPC plan is an unfunded cost sharing, multiple employers defined benefit OPEB plan (other than pension) sponsored by the Commonwealth. This ERS MIPC was created under Act No. 95-1963. Healthcare benefits are provided through insurance companies whose premiums are paid by the retiree with the Commonwealth providing a matching share. ERS MIPC covers substantially all full-time employees of the Commonwealth, certain municipalities and component units of the Commonwealth. For ERS MIPC, Commonwealth and Authority employees became plan members upon their date of employment. Plan members were eligible for benefits upon reaching the applicable pension benefits retirement age.

The ERS MIPC 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 ERS MIPC is financed by the Commonwealth through legislative appropriations. However, the Commonwealth claims reimbursements from each employer on a monthly basis for the corresponding amount of the OPEB payments made by the Commonwealth in relation to the retirees associated with each employer. The legislative appropriations are considered estimates of the payments to be made by the ERS MIPC. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of healthcare insurance premium not covered by the Commonwealth contribution.

12. OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial methods and assumptions

The total ERS MIPC OPEB liability as of June 30, 2024 (reporting date), was determined by an actuarial measurement date as of June 30, 2023, which was rolled forward to June 30, 2024 (reporting date). The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period:

Inflation	Not applicable
Municipal bond index	3.65% as per Bond Buyer General Obligation 20-Bond Municipal Bond Index
Mortality	*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 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. *Post-retirement Disabled Mortality:* Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Most other demographic assumptions used in the June 30, 2024 (reporting date) valuation was based on the results of an actuarial experience 2009 study using data as of June 30, 2003, June 30, 2005, and June 30, 2007.

The discount rate for June 30, 2023 (measurement date), and 2022 (measurement date) was 3.65% and 3.54%, respectively. 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.

Actuarial valuations of an ongoing plan involve estimates of the net value of reported amounts and assumptions about the probability of occurrence of events far into the future, including, for example, assumptions about future employment and mortality. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing costs between the employer and plan member at the time of each valuation. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

12. OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial assumptions are revised periodically to reflect more closely actual, as well as anticipated, future experience. Due to the change in the census collection date to the beginning of the fiscal year, rather than the end of the fiscal year, demographic gain/loss during the year is limited to the difference between actual and expected benefit payments, which arise from differences in termination and retirement activity and mortality versus expectations.

The Authority's Proportion of Total OPEB Liability of the ERS MIPC

The Authority's proportionate share of the total OPEB liability of the ERS MIPC and the proportion percentage of the aggregate total OPEB liability of the ERS allocated to the Authority as of June 30, 2023 (measurement date), was approximately $13.7 million and 2.1%, respectively. As the ERS MIPC is a multiple employer plan and the benefits are not funded by an OPEB trust, GASB Statement No. 75 applies to the OPEB provided to each participating employer's own employees. The Commonwealth of Puerto Rico and its component units are considered to be one employer. Other employers also participate in the ERS MIPC. Because certain employers that are component units of the Commonwealth, such as the Authority, prepare individual financial statements, a proportionate share or OPEB expense is determined for these employers. GASB Statement No. 75 requires that such a proportionate share should be consistent with the manner in which the amounts that are paid as benefits come due are determined. The proportionate share of each measurement date is based on the ratio of each agency and component unit's actual benefit payments to the total actual benefit payments paid during the year end on the measurement date.

Sensitivity of total ERS MIPC OPEB liability to changes in the discount rate

The following table presents the Authority's proportionate share of the ERS MIPC OPEB liability on June 30, 2024 (reporting date), for ERS calculated using the discount rate of 3.65%, as well as what the Authority's proportionate share of the OPEB liability would be if it were calculated using a discount rate of one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate:

	1% Decrease (2.65%)	Current Assumption (3.65%)	1% Increase (4.65%)
Total OPEB liability	$ 14,887,402	$ 13,711,606	$ 12,697,204

Deferred outflows of resources and deferred inflows of resources

OPEB expenses recognized by the Authority for the year ended June 30, 2024 (reporting date), related to the ERS MIPC amounted to approximately $1.4 million. Because all participants are inactive, there are no deferred outflows or inflows of resources as any changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement year. However, a deferred outflow has been recognized only for the amount of benefit payments made by the Authority subsequent to the measurement date. Additional information on the ERS MIPC OPEB Plan of the Commonwealth of Puerto Rico for Retired Participants of ERS is provided on its standalone Schedules of Employer Allocations and Schedules of OPEB Amounts by Employer for the years ended June 30, 2023, and 2022 (measurement dates), 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.

13. LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The Authority defines a lease as a contractual agreement that conveys control of the right to use another entity's non-financial assets, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction.

Lessor Activity

The Authority is a lessor in various executed non-cancellable lease agreements lease agreements related to several buildings and land parcels through fiscal year 2046. The Authority has outstanding lease receivable balances and unamortized deferred inflows of resources amounting to $3.3 million and $3.2 million, respectively as of June 30, 2024.

Lease revenue and interest revenue recognized on these leases was $1.3 million and $286 thousand, respectively for the year ended June 30, 2024. The discount rate on these leases is 2.50%.

As of June 30, 2024, the Authority had minimum principal and interest lease receivable payment requirements in its lessor activity as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2025	$ 651,393	$ 76,206	$ 727,599
2026	623,778	60,301	684,079
2027	583,182	44,960	628,142
2028	506,997	31,398	538,395
2029-2046	984,630	160,625	1,145,255
	$ 3,349,980	$ 373,490	$ 3,723,470

Lessee Activity

The Authority leases office equipment, and other assets under long-term, non-cancellable lease agreements recorded in accordance with GASB 87.

Right of use assets as of June 30, 2024, amounts to $2.6 million and has an accumulated amortization of $1.5 million for a net amount of $1.1 million.

13. LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA) (Continued)

Lease liability as of June 30, 2024, amounts to $358.2 thousand. Principal and interest requirements to maturity as of June 30, 2024, are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2025	$ 740,125	$ 18,984	$ 759,109
2026	352,673	3,549	356,222
2027	2,108	115	2,223
2028	2,161	62	2,223
2029	1,286	10	1,296
Total	$ 1,098,353	$ 22,720	$ 1,121,073

Subscription-Based Information Technology Arrangements (SBITA)

The Authority has entered into subscription arrangements for many different types of software. These subscription agreements have been recorded at the present value of the future minimum subscription payments. The initial value of the right-to-use (RTU) assets recognized is $4.2 million. As of June 30, 2024, accumulated amortization for these RTU assets amounted to $2.2 million. As of June 30, 2024, the net RTU assets and corresponding subscription obligations associated with future subscription payments reported on the Statement of Net Position amount to $2 million and $1 million, respectively. The principal and interest expenses for the next five years and beyond are presented in the following table:

Fiscal Years Ending June 30,	Principal	Interest	Total
2025	$ 1,137,766	$ 41,450	$ 1,179,216
2026	643,660	18,500	662,160
2027	363,657	3,996	367,653
2028	35,405	437	35,842
Total	$ 2,180,488	$ 64,383	$ 2,244,871

14. VOLUNTARY TERMINATION BENEFITS

Act No. 70-2010

On July 2, 2010, the Commonwealth enacted Act No. 70, established a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined. The program was available to eligible employees that have completed between 15 to 29 years of creditable services and provided monthly benefits ranging from 37.5% to 50% of each employee’s monthly salary until the employee complies with the requirements of age and 30 years of credited service in the Retirement System. The PRGERS is responsible for benefit payments. The employees had until December 31, 2012, to elect to participate in this program. As of June 30, 2024, the Authority's total outstanding liability under this program was approximately $14.7 million, discounted at 3.25%.

14. VOLUNTARY TERMINATION BENEFITS (Continued)

Act. No. 211-2015

On December 28, 2015, the Commonwealth enacted Act. No. 211 of 2015 (Act No. 211), known as the Voluntary Early Retirement Law. Act No. 211 allowed eligible active employees to participate in a voluntary retirement program if they were hired before April 1990 and have accrued a minimum of twenty years of service. The voluntary program, which was initially adopted during the fiscal year ended June 30, 2017, provided eligible participants with 60% of their average compensation, determined as of December 31, 2015, until the employee attains age sixty-one. As of June 30, 2024, the outstanding balance under Act No. 211 amounted to $2.9 million. The liability under this program was discounted at 3%.

Act No. 80-2020

In October 2020, the Commonwealth enacted Act No. 80-2020, which established a program that provides benefits for early retirement for voluntary employment termination to eligible employees, as defined. The program was available to eligible employees that were eligible for retirement according to Act No. 447-1951 or Act No. 1-1990. Act No. 80-2020 will provide only the eligible employees' lifetime pension with 50% of each employee's monthly salary. PRGERS is responsible for benefit payments. On April 1, 2024, the Authority implemented the Act. No.80-2020 with the retirement of 49 employees.

Summary

The aggregate adjustment for changes in discount rate under Act No. 70 and Act No. 211 during the fiscal year ended June 30, 2024, resulted in an expense of $292.4 thousand.

15. RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2024, the Authority incurred rental charges from the PBA, a component unit of the Commonwealth, totaling approximately $1.8 million for building occupancy. The lease agreements with PBA are renewed on a year-to-year basis and therefore do not meet the definition of a lease liability under GASB 87. Additionally, the Authority has an outstanding debt payable to PBA from past-due rents amounting to approximately $10 million. During the year ending June 30, 2024, the Authority made monthly rent payments as required under the current lease terms.

In addition, the Authority's cost for electricity purchased from LUMA, the private operator of the Puerto Rico Electric Power Authority (PREPA), which is a component unit of the Commonwealth, was $10.8 million during the fiscal year ended June 30, 2024.

In addition, the Authority paid workman compensation, to cover its employees to the Puerto Rico State Insurance Fund Corporation (CFSE for its acronym in Spanish), a component unit of the Commonwealth for approximately $1.4 million. Furthermore, the Authority has outstanding debt payable to CFSE from past due insurance amounting to approximately $1.4 million.

Also, the Authority owes approximately $5.5 million to the Puerto Rico Port Authority (PRPA). This amount represents the cancellation of a lease debt from the Authority to PRPA, offset by a debt from PRPA to the Authority for a road construction project.

During the year ended June 30, 2024, the Authority expended $91.3 million for repairs, maintenance, and resurfacing of certain roads and bridges, and bridges, funded with Commonwealth capital grants.

15. RELATED PARTY TRANSACTIONS (Continued)

As of June 30, 2024, the Authority had amounts due to other governmental entities for short-term leases, utilities, and other agreements of approximately $17.1 million, which are presented in the accounts payable and accrued liabilities in the accompanying statement of Net Position.

16. COMMITMENTS AND CONTINGENT LIABILITIES

Construction Commitments

As of June 30, 2024, the Authority had commitments of approximately $625.6 million related to construction contracts. The funding sources for these projects consist of $570.1 million in federal funds and $55.5 million in state funds.

Short-Term Lease Commitments

The Authority has various short-term leases for office space with the PBA. The short-term leases expire on June 30, 2025. During the fiscal year ended June 30, 2024, the total aggregate amount of rental expense recorded by the Authority on these contracts was approximately $1.8 million.

Construction Claims

The Authority is defendant or co-defendant in various lawsuits for alleged damages in cases principally related to construction projects. The contractors are required, under the terms of the construction agreements, to carry adequate public liability insurance and to hold harmless the Authority from lawsuits brought on account of damages relating to the construction of the projects. Furthermore, those claims pertaining to periods prior to the petition date are considered *General Unsecured Claims*, as more fully disclosed below. Based on the advice of legal counsel, no accrual for losses, if any, has been provided in the financial statements.

Summary of Pending Legal Claims

Under the Title III claims process, approximately $83.1 billion in claims were filed. As of the date these financial statements were issued, some claims had been withdrawn, resolved, or expunged by an omnibus objection. The validity of the remaining claims has not yet been determined, and such claims remain subject to the claim reconciliations process. However, most of these claims fall into the General Unsecured Claims class, for which $48 million has been apportioned in the Authority's POA for the full settlement of this class of claims. As of June 30, 2024, all funds required to settle this obligation were held in a trust account at the DOT.

Based on legal advice, as of June 30, 2024, the Authority has recorded a liability of approximately $62.8 million for probable losses on those claims not fully covered by insurance. Some of these claims against the Authority have been filed in different local and federal courts of law. Outstanding legal liability is composed of $18.9 million in legal cases related to construction projects, included under general unsecured claims, and other operating matters and $43.9 million related to expropriation and related costs. Most of the amounts accrued relate to prepetition claims, which were classified under the following claim classes in the Authority's POA:

- ***General Unsecured Claims (GUC)***: Will be settled with a $48 million allocation provided within the Authority's POA.

- ***Allowed Eminent Domain / Inverse Condemnation Claims***: Allowed claims shall be entitled to receive one hundred percent of such unpaid balance, with certain limitations. Claims not allowed will be included with other GUC claims.

16. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The Authority believes that the amount provided for these claims is sufficient to settle the possible final settlement, including prepetition liabilities that will be settled in accordance with the POA. However, this estimate may change in the near term.

Contingent Liabilities due to COVID-19 Shutdown

The Authority is also a defendant in several other lawsuits filed by different contractors for alleged breach of contract. These Authority's contractors' claims, among other things, for extended overhead resulting from the executive orders of the Governor of Puerto Rico that decreed a government shutdown from March to May 2020. The contractors have sent notices for claims for contractual damage, particularly extended overhead. Based on the advice of counsel, the Authority believes that those claims are completely without merit and will vigorously defend its position. Accordingly, no accrual losses, if any, have been recorded in the basic financial statements.

Federal Assistance Programs

The Authority participates in several federal financial assistance programs. These programs are subject to audits in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, and compliance audits by grantor agencies.

On January 11, 2023, the Authority entered into an agreement with the Puerto Rico Department of Housing (PRDH) as a subgrantee of Community Development Block Grant- Mitigation Program (CDBG-MIT) to provide financial assistance in areas affected by recent disasters. The funds sub-awarded to the Authority constitute a Subaward of the PRDH's Federal Award, the use of which must be comply with requirements imposed by federal statutes, regulations, and the terms and conditions of the PRDH's Federal Award. The total appropriated funds amounted to approximately $638.7 million ($540.7 million on PR Highway 10 and $98 million on other projects). As of the issuance date of the financial statements, none of the funds for this agreement have been disbursed. However, an amendment to the grant was signed on December 3, 2024, increasing the budget amount for the PR Highway 10 project by $150.6 million for a total budget of $691.3 million. Refer to Note 20 for more details.

Toll Fines

In December 2022, toll fines were discontinued after a cyber-attack, and have not been restarted as of the date these financial statements were issued. The Authority is currently implementing a new electronic collection system (ETC) in collaboration with the toll road concessionaires.

Contingent Income

The Authority is currently evaluating, together with a third party hired to monitor toll revenue reported by the Auto Expreso operator, certain discrepancies in the reporting of toll road revenues. The amount of these discrepancies have not been determined. Any amount determined to be collectible from this analysis will be recognized upon collection.

17. OPERATION AND MAINTENANCE OF URBAN TRAIN AND OTHER TRANSPORTATION SYSTEMS

Effective on July 1, 2017, the Authority entered into a new contract with ACI-Herzog to operate and maintain the Urban Train. This contract expires on June 30, 2032, with an option to extend the term for an additional two periods of not less than 5 years, as long as the entire term does not exceed 25 years.

17. OPERATION AND MAINTENANCE OF URBAN TRAIN AND OTHER TRANSPORTATION SYSTEMS (Continued)

The total annual operation and maintenance cost, for the fiscal year ended June 30, 2024, was approximately $57.1 million, including the base fee under the contract. The Authority is committed to the payment of the base fees throughout the remaining life of the contract.

The Authority contracted also First Transit of Puerto Rico, Inc. (First Transit) to operate a fixed route bus service of three bus systems known as Metrobus, Metro Urbano and Urban Train Connection (UTC) with a total bus fleet of 54 vehicles that feed the Urban Train transportation system.

The Metrobus consists of two fixed routes that provide service between the Sagrado Corazon Station and Old San Juan area. The Metro Urbano consists of two express commuter type bus services with stops only at the end points of the routes. Route E20 operates between the Campanillas-Toa Baja Park-and-Ride Station and the Bayamon Station and route E30 operates between Cupey Station and the Caguas Municipality Transit Terminal. The UTC service consists of four fixed route bus services. Routes C22, C35 and C36 operates between Sagrado Corazon Station and the north area of the San Juan Municipality and E40 operates from the Piñero Station to Luis Muñoz Rivera International Airport, with access to the Mall of SJ area.

The service is provided seven days a week using 24 buses owned by First Transit. The total aggregate expense amount under this contract was $12.3 million for the fiscal year ended June 30, 2024. Effectively on October 1, 2023, the Authority entered a new contract with First Transit to extend the fixed route bus services. The contract expires on June 30, 2028, with an option to extend the term for an additional period of 5-year period.

The Authority is required to continue to implement the comprehensive reorganization outlined in the certified December 2023 Authority's Fiscal Plan, including, among other things, the transfer of the Urban Train and the feeder buses to PRITA.

18. OTHER OPERATING INCOME

For the year ended June 30, 2024, other operating income includes:

Teodoro Moscoso revenues	$ 3,412,400
Rental income	1,256,301
Electronic toll revenues and label sales	1,406,799
Impact fee	1,300,773
Metrobus fare fees	256,125
Insurance reimbursement	7,464,024
Other	813,930
Total	$ 15,910,352

19. NET POSITION AND RESTATEMENT OF PRIOR YEAR BALANCES

Composition of Unrestricted Net Position as of June 30, 2024

Unrestricted net position is composed of:

Long-term amortizing, service concession agreements	$ (3,780,095,450)
Pension liability	(397,917,647)
Readily available for operations	(309,887,827)
Unrestricted net position as presented in the statement of Net Position	$ (4,487,900,924)

Restatement of net position as of July 1, 2023

The beginning balance of net position has been restated during fiscal year 2024, for contractor invoices from fiscal year 2023, inadvertently recorded in 2024, as follows:

The Authority's beginning net position was adjusted as follows:

Net position, at beginning of fiscal year, as previously reported	$ 5,389,400,909
Error correction	(5,898,431)
Net position, at beginning of fiscal year, as restated	$ 5,383,502,478

20. SUBSEQUENT EVENTS

The Authority evaluated its subsequent events until March 31, 2025, the date on which the financial statements were ready for issuance. The Authority's management understands that no other material events occurred after June 30, 2024, that require to be disclosed in the financial statements, except as mentioned below. The Authority has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended June 30, 2024, have not been adjusted to reflect their impact.

On December 3, 2024, the Authority amended the CDBG-MIT grant (as more fully disclosed in Note 16, under federal assistance programs) to increase the budget by $150 million for the improvement of PR Highway 10 (PR-10) and extend the performance period of the original agreement by ninety-eight months, or until March 2031. Under the amendment, the total assigned grant for the completion of the PR-10 extension is approximately $691.3 million.

Funds Transferred to Port Authority (PRPA)

On December 11, 2024, the Oversight Board authorized a transfer of $39.5 million to the PRPA to address the PRPA's outstanding PayGo obligations with the ERS. This transfer is sourced from the "Payment of Obligations and Other Initiatives Related to the Government of Puerto Rico's Transportation Sector" line item within the Authority's Certified Revised Fiscal Year 2024 Budget.

REQUIRED SUPPLEMENTARY INFORMATION

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Changes in Commonwealth Total Pension Liability and Related Ratios
for Multiple-Employer Pension Plans (Unaudited)

June 30, 2024

The Schedule of Changes in the Total Pension Liability for Multiple-Employer Pension Plans presents the changes in the Authority's share of the total pension liability of the PRGERS for the period ended June 30, 2024 (Reporting Date).

	June 30,			
	2024	2023	2022	2021
	(Reporting Date)			
Proportion	2.31046%	2.38929%	2.49547%	2.46841%
Service cost	$ 631,296	$ 2,427,831	$ 1,290,044	$ 1,697,274
Interest	27,679,114	16,552,233	10,117,187	20,188,238
Effect of plan changes	-	(51,409,855)	-	(2,370,756)
Effect of economic/demographic gain (losses)	(1,440,970)	11,931,586	(8,319,608)	2,380,342
Effect of assumptions changes inputs	(27,250,363)	(90,241,299)	4,230,974	86,875,433
Benefit payments	(49,004,057)	(38,352,126)	(21,818,930)	(31,543,883)
Net Change in total pension liability	(49,384,980)	(149,091,630)	(14,500,333)	77,226,648
Total pension liability - beginning	529,286,113	678,377,743	692,878,076	615,651,428
Total pension liability - ending	$479,901,133	$529,286,113	$678,377,743	$692,878,076

Notes:
Schedule is intended to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not required in accordance with the current GASB standards, they should not be reported. There are no assets accumulated in a trust that meets the criteria in GASB 73, paragraph 4 to pay related benefits.

Schedule of Changes in the Commonwealth's Total Postemployment
Benefits other than Pensions (ERS MIPC OPEB Plan) Liability and Related Ratios (Unaudited)

June 30, 2024

Total OPEB liability (Reporting Date)	2024	2023	2022	2021	2020	2019	2018
Proportional Share	2.12069%	2.10964%	1.93333%	1.90838%	1.91496%	1.90903%	1.83511%
Service Cost at end of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	455,190	117,209	321,482	519,064	432,988	100,701	546,940
Effect of economic/demographic gains or (losses)	(82,277)	202,652	(553,508)	(110,788)	72,723	(36,760)	(199,653)
Effect of assumption changes or inputs	(109,185)	(610,894)	112,625	1,620,155	314,932	(639,259)	(3,472,025)
Benefit payments	(1,226,825)	(464,544)	(1,141,580)	(1,274,031)	(960,695)	(240,298)	(1,305,139)
Net change in total OPEB liability	(963,097)	(755,577)	(1,260,981)	754,400	(140,052)	(815,616)	(4,429,877)
Total OPEB liability - beginning	14,674,703	15,430,280	16,691,261	15,936,861	16,076,913	16,892,529	21,322,406
Total OPEB liability - ending	$13,711,606	$14,674,703	$15,430,280	$16,691,261	$15,936,861	$16,076,913	$16,892,529
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB Liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note to schedule:

The Commonwealth's total OPEB liability as of June 30, 2024, was measured on June 30, 2023 (measurement date), by an actuarial valuation as of December 13, 2024, for the reporting period June 30, 2024.

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of the
Puerto Rico Highways and Transportation Authority
(a Component Unit of the Commonwealth of Puerto Rico)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Puerto Rico Highways and Transportation Authority (the "Authority") (a Component Unit of the Commonwealth of Puerto Rico)**, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 31, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item **2024-01** that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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March 31, 2025

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of the
Puerto Rico Highways and Transportation Authority
(a Component Unit of the Commonwealth of Puerto Rico)

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the **Puerto Rico Highways and Transportation Authority's (the "Authority") (a Component Unit of the Commonwealth of Puerto Rico)** compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027)

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027) for the year ended June 30, 2024.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2024.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Basis for Qualified and Unmodified Opinions (Continued)

Matter(s) Giving Rise to Qualified Opinion on the Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027)

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027) as described in finding **2024-06** for Procurement, Suspension, and Debarment.

Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items **2024-02**, **2024-03**, **2024-04**, and **2024-05**. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2024-05** and **2024-06** to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2024-02**, **2024-03**, and **2024-04** to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Authority's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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Puerto Rico Highways and Transportation Authority

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

Assistance Listing Number	Program or cluster title/Federal grantor	Total Federal Expenditures	Provided to Sub-Recipients
	U.S. Department of Transportation		
	Federal Transit Cluster		
20.500	Federal Transit - Capital Investment Grants (Fixed Guideway Capital Investment Grants)	5,231,716	899,871
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	12,298,004	6,618,572
20.525	State of Good Repair Grants Program	5,790,486	4,111,962
20.526	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs (Buses and Bus Facilities Program)	49,373	49,373
	Total Federal Transit Cluster	23,369,579	11,679,778
	Transit Services Programs Cluster		
20.513	Enhanced Mobility of Seniors and Individuals	1,057,618	1,038,599
	Total Transit Services Programs Cluster	1,057,618	1,038,599
	Other Programs:		
20.205	Highway Planning and Construction (Federal-Aid Highway Program)	187,557,976	-
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	1,059,019	965,616
20.509	Formula Grants for Rural Areas and Tribal Transit Program	104,711	71,821
20.527	Public Transportation Emergency Relief Program	5,840,320	5,456,274
	Total Other Programs	194,562,026	6,493,711
	Total U.S. Department of Transportation	218,989,223	19,212,088
	U.S. Department of Homeland Security		
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	244,290	-
	Total U.S. Department of Homeland Security	244,290	-
	U.S. Department of the Treasury **(Pass-Through - Puerto Rico Fiscal Agency and Financial Advisory Authority):**		
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	1,758,023	-
	Total U.S. Department of the Treasury	1,758,023	-
	Total Expenditures of Federal Awards	$220,991,536	$19,212,088

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule") includes the federal award expenditures of the Puerto Rico Highways and Transportation Authority (the “Authority") for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). The Schedule presents only a selected portion of the financial activities of the Authority. Therefore, it is not intended to, and does not present the net position, changes in net position, or cash flows of the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accrual basis of accounting. The financial transactions are recorded by the Authority in accordance with the terms and conditions of the grants, which are consistent with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. FEDERAL ASSISTANCE LISTING NUMBERS

The Assistance Listing Numbers included in the Schedule are determined based on the program name, review of grant contract information and the Office of Management and Budget’s Catalogue of Federal Domestic Assistance. Pass-through entity identifying numbers are presented where available and applicable.

4. RELATIONSHIP TO THE FINANCIAL STATEMENTS

Federal awards revenues and expenses are reported in the Authority’s statement of revenues, expenses, and changes in net position in accordance with standards issued by the Government Accounting Standards Board (“GASB”) No. 34. Because the Schedule presents only federal activities of the Authority, it is not intended to and does not present the financial position, assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows of the Authority, as a whole.

5. CLUSTER PROGRAMS

The Uniform Guidance defines a cluster of programs as a group of closely related programs that share common compliance requirements. According to this definition, the Federal Transit Cluster and the Transit Services Programs Cluster were deemed to be cluster programs.

6. INDIRECT COSTS

The Authority has elected not to use the ten percent de minimis indirect cost rate allowed by the Uniform Guidance.

7. CONTINGENCIES

Federal Award Programs

The Authority receives funds under various federal awards and such awards are to be expended in accordance with the provisions of each award. Compliance with the awards is subject to audit by various government agencies, which may impose sanctions in the event of non-compliance.

7. CONTINGENCIES (Continued)

Memorandum of Understanding – Federal Highway Administration

On February 25, 2016, the Authority signed a Memorandum of Understanding (MOU) with the US Department of Transportation and FHWA for the Puerto Rico highway project and program delivery improvement. The purpose of the MOU is to facilitate improvements to the Authority's Federal-aid billing procedures, to facilitate and enable the Authority's ability to be suitably equipped and organized to meet federal requirements by reinvigorating its organizational capacity, and to expedite project delivery in Puerto Rico.

The MOU establishes procedures, systems, and project delivery objectives for the Puerto Rico Highway Program. It identifies the roles, responsibilities, and actions for the Authority and FHWA to accelerate the funding, planning, design, and construction of various highway and bridge and surface transportation improvement projects. The Authority needs to adhere to certain provisions detailed as follows in the MOU: 1) Federal-aid Billing Procedures, 2) Toll Credits, 3) Organizational Capacity Development, 4) Expediting Project Delivery, and others. The Authority's compliance with the MOU provisions is subject to periodic performance reviews by FHWA throughout the term of the MOU.

Management believes that, except as disclosed in finding 2024-02 in the Schedule of Findings and Questioned Costs, the Authority has complied with all aspects of the MOU and federal award provisions for the year ended June 30, 2024.

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

Financial Statements

1. Type of auditors' report issued.	Unqualified Opinion
2. The independent auditors' report on internal control over financial reporting described:	
a. Material weakness (es) identified?	Yes
b. Significant deficiency(es) identified?	No
c. Noncompliance material to financial statements noted?	No

Federal Awards

3. Internal control over major federal programs:	
a. Material weakness(es) identified?	Yes
b. Significant deficiency(es) identified?	Yes
4. Type of audit report issued on compliance with requirements applicable to major Federal awards.	Qualified Opinion ALN 21.027/ Unmodified Opinion - 20.527, 20.205, and the Federal Transit Cluster
5. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
6. Identification of major programs:	ALN No.
a. Public Transportation Emergency Relief Program	20.527
b. Coronavirus State and Local Fiscal Recovery Funds	21.027
c. Highway Planning and Construction (Federal-Aid Highway Program)	20.205
d. Federal Transit Cluster	20.500 / 20.507 / 20.525 / 20.526
7. Dollar threshold used to distinguish between Type A and Type B programs:	$3,000,000
8. Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENTS FINDINGS

Finding Reference 2024-01

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition

The auditors identified multiple deficiencies in the Authority's internal controls over financial reporting, which include:

- *Financial Statement Adjustments*: Several misstatements were identified during the audit that required 13 audit adjustments to correct errors in the financial statements. These adjustments were accepted by the Authority's management. Some significant examples follow:

    - *Federal Revenue Cut-Off Issues*: During the testing of federal revenues, the auditors noted that federal revenues were improperly recorded in FY 2024 instead of FY 2025. Additionally, some revenues related to FY 2024 were incorrectly excluded from the financial statements because they were misclassified as FY 2025 revenues. These misclassifications caused errors in the Schedule of Expenditures of Federal Awards (SEFA), impacting the accuracy of reported federal expenditures. Refer to Finding No. 2024-05 for related details on the SEFA.

    - *Prior Period Adjustment*: From a sample of fifty disbursement transactions related to roads and highway maintenance expenses, the auditors identified project transactions amounting to $2,795,126, which were erroneously expensed in the wrong accounting period. The work was incurred during fiscal year 2023, and based on the auditors' projections, a prior period adjustment of $5,898,431 was recommended and accepted. A similar condition was reported in the prior fiscal year's audit within finding No. 2023-01.

- *Outdated manuals*: the audit team requested management several operational manuals and policies related to federal funds. We found that these manuals were outdated as follows:

    - *Preparation of Reports for the Office of Federal Coordination as to Projects under Sections 5303,5307,5310,5311,5316, and 5317 FTA* – This manual was approved on May 14, 2015, and has not been updated since that date.

    - *Procedure for Processing Certifications with Federal Participation in Change Orders and Extra Work Orders* – This manual was approved on October 6, 2009, and has not been updated since that date.

    - *Closing of Projects, Modifications and Preparation of Final Voucher for Projects with Federal Funding* - This manual was approved on October 6, 2009, and has not been updated since that date.

    - *Analysis, Verification, and Registration of Information for Billing Federal Contributions* - This manual was approved on October 6, 2009, and has not been updated since that date.

Criteria

The Authority is required to prepare its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements, including GASB Statement No. 34, which establishes fundamental principles for governmental financial reporting. Specifically:

- *Accrual Basis of Accounting* – Under GAAP and GASB standards, revenues must be recognized when earned, and expenses when incurred, regardless of the timing of cash flows. Proper cut-off procedures are essential to ensure financial transactions are recorded in the correct reporting period.

- *Internal Control Over Financial Reporting* – The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework, which is incorporated into governmental auditing standards, requires entities to design and implement effective internal controls to ensure the reliability of financial reporting, the prevention of material misstatements, and compliance with applicable accounting standards. Internal control policies, including up-to-date policies and procedures, are necessary to ensure consistent and accurate financial reporting.

- *Uniform Guidance (2 CFR Part 200)* – Entities receiving federal funding must accurately report financial activities, including revenues and expenditures, in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Misstatements in federal revenue recognition can result in noncompliance with Subpart F – Audit Requirements and impact the accuracy of the Schedule of Expenditures of Federal Awards (SEFA). Outdated operational manuals create compliance risks, as employees may not follow the most current federal grant reporting and documentation procedures.

Cause

The deficiencies in financial reporting resulted from weak controls over the financial reporting process. Among the weaknesses found, they include:

- Lack of controls to ascertain the completeness of year-end accruals.

- Lack of effective review processes and controls to ascertain that the amounts posted in the general ledger of the Authority are complete and accurate prior to the commencement of the annual audit process.

- The Authority has not periodically reviewed and updated critical policies and procedures related to federal grants, including those for project reporting, billing, certifications, and finalizing vouchers.

Effect

The recurring nature of these deficiencies increases the risk of material misstatements, requiring extended audit procedures to ensure accuracy. Furthermore, management, oversight bodies, and external stakeholders rely on accurate financial data to make informed decisions, which is compromised when financial statements contain misstatements and require frequent adjustments.

Questioned Costs

None. Although the audit identified a material weakness in internal control over financial reporting that resulted in a prior period adjustment of $5,898,431, the related costs were allowable under the terms of the federal award. The issue pertains solely to the timing and accuracy of financial reporting and does not involve unallowable costs or lack of supporting documentation.

Recommendation

To strengthen internal controls over financial reporting, we recommend that management:

- *Enhance Year-End Closing Procedures*: Improve controls over financial transactions to ascertain that the books and records of the Authority are accurate and complete.

- *Strengthen Oversight of Federal Revenue Reporting*: Implement internal controls over grant accounting to ensure federal revenues, like those related to ALN 20.205, are recorded in the correct fiscal year and comply with Uniform Guidance and GASB requirements.

- *Provide Additional Training*: Train accounting personnel on accrual accounting principles, proper cut-off procedures, and financial reporting accuracy. To train staff, the Authority should consider having the staff take government accounting courses provided by the AICPA or other accredited institutions.

- *Monitor and Address Recurring Findings*: Establish a corrective action plan to determine the cause and resolve repeat deficiencies.

- *Update and Maintain Policies and Procedures*: Conduct an immediate review and update of all outdated operational manuals, ensure alignment with current federal and GASB requirements and establish a process to review and update manuals at least every two years or whenever significant regulatory changes occur.

Views of Responsible Officials

Refer to Management’s unaudited corrective action plan.

SECTION III - FEDERAL AWARDS FINDINGS

Finding Reference	2024-02
Assistance Listing Number	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Name of Federal Agency	Department of Transportation
Compliance Requirement	Matching, Level of Effort, Earmarking
Type of Finding:	Significant Deficiency on Internal Control and Noncompliance

Condition:

From a sample of sixty federal construction projects examined, we noticed the following compliance deficiencies:

1. For two projects, the toll credit usage reported in the Authority's Toll Credits Report differed from the amounts reported in the Federal-Aid Project Agreements as approved by the Federal Highway Administration (FHWA).

2. For one project, the Authority was unable to provide sufficient evidence for the auditors to validate the toll credit usage amount during the fiscal year.

A similar finding was reported during the prior year's single audit as finding number 2023-04.

Criteria:

In accordance with the signed Memorandum of Understanding (MOU) between the Authority and FHWA (signed on February 25, 2016), the Authority shall implement modifications to its processes for approving, tracking, and reconciling toll credits as identified by the FHWA and submit a report (i.e., Toll Credits Report) and a certification to FHWA ascertaining that it has implemented these modifications. FHWA shall accurately identify the amount of toll credits available for use by the Authority and identify the modifications that the Authority must make to its processes for approving, tracking, and reconciling toll credit usage, as applicable.

Cause:

The causes of this finding include:

1) *Recordkeeping and Personnel Issues*: The Authority has implemented a recordkeeping system endorsed by FHWA to monitor toll credit usage. However, it was observed that the Authority lacks sufficient personnel designated to oversight and review of the toll credits reporting process. This has resulted in the reporting procedure being conducted by a single employee without any formal oversight or review by additional staff or management, leading to a lack of checks and balances in this compliance area.

2) *Lack of Adequate Internal Controls*: The Authority lacks adequate internal control mechanisms in place to ensure the accuracy and completeness of the toll credit usage reporting. This includes the failure to reconcile amounts reported in the Toll Credits Report with those approved of in the Federal-Aid Project Agreements.

Effect:

Non-compliance with the toll credits matching requirement per the MOU requirements. In addition, the Authority could inadvertently use toll credits for a federal project that may lack toll credits balances.

Questioned Costs:

Could not be determined

Recommendation:

To address the identified compliance issues related to the discrepancies in toll credit usage reporting and the lack of sufficient evidence for certain projects, the auditors recommend the following:

1) *Strengthen Internal Controls*: Enhance internal control procedures to ensure accurate and compliant reporting of toll credit usage. This includes establishing clear guidelines for documentation, reporting, and verification processes related to federal construction projects such as a review by an employee that is independent of the initial reporting process to ensure objectivity. The review should verify the accuracy of the reported toll credit usage against project agreements and supporting documentation.

2) *Enhance Documentation Practices*: Develop and enforce rigorous documentation practices. Ensure that all relevant documents supporting the toll credit usage, such as agreements, approvals, and calculations, are systematically collected, filed, and readily available for audit purposes.

3) *Training and Awareness*: Conduct training sessions for staff involved in the reporting and management of federal construction projects. The training should cover the requirements for toll credit usage, the importance of accurate reporting, and the procedures for ensuring compliance with federal guidelines.

4) *Regular Reconciliation*: Implement regular reconciliation procedures between the toll credits reported in the Authority’s Toll Credits Report and the amounts in the Federal-Aid Project Agreements. Any discrepancies identified should be investigated and resolved promptly.

5) *Leverage Technology*: Consider the use of accounting or project management software that can help track and report toll credit usage accurately. Automation can reduce human errors and improve the efficiency of the reporting process.

Views of Responsible Officials

Refer to Management’s unaudited corrective action plan.

Finding Reference	2024-03
Assistance Listing Number	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Name of Federal Agency	Department of Transportation
Compliance Requirement	Special Tests and Provisions – Wage Rate Requirements
Type of Finding:	Significant Deficiency on Internal Control and Noncompliance

Condition:

From a sample of twenty-five payroll periods of construction projects examined, we noticed the following:

1) For one construction project, the contractor's payroll for the week of July 3, 2023, through July 9, 2023, was certified on July 27, 2023, exceeding the weekly certification requirement outlined in the Uniform Guidance.

2) For one construction project, the subcontractor's payroll for the week of July 3, 2023, through July 9, 2023, was certified on August 4, 2023, exceeding the weekly certification requirement outlined in the Uniform Guidance.

3) For one construction project, the contractor's payroll for the week of November 13, 2023, through November 19, 2023, was certified on November 27, 2023, exceeding the weekly certification requirement outlined in the Uniform Guidance.

4) For one construction project, the contractor's payroll for the week of June 24, 2024, through June 30, 2024, was certified on July 17, 2024, exceeding the weekly certification requirement outlined in the Uniform Guidance.

This is a repeat finding from prior year 2023. Although this finding was originally not reported in the 2023 Single Audit Report, during the current audit, we became aware that this issue also involved 2023. Therefore, the 2023 Single Audit Report is in the process of being reissued. In the reissued 2023 Single Audit Report, the finding will be identified as No. 2023-05.

Criteria:

In accordance with the 2024 Compliance Supplement:

Nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR Part 5, Labor Standards Provisions Applicable to Contacts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6; the A-102 Common Rule (section 36(i)(5)); OMB Circular A-110 (2 CFR Part 215, Appendix A, Contract Provisions); 2 CFR Part 176, Subpart C; and 2 CFR section 200.326).

Cause:

The delays in the certification of payroll weeks are due to several factors, including:

- Inefficient payroll processing procedures within the contractor or subcontractor's system.
- Lack of oversight and monitoring by the Authority to ensure timely certification of payrolls.
- Miscommunication between the contractor, subcontractor, and the Authority regarding certification deadlines.

Effect:

The failure to certify payrolls on a weekly basis as required by federal regulations can lead to noncompliance with federal regulations, specifically the Davis-Bacon Act and related Department of Labor (DOL) regulations and increased risk of wage underpayments or miscalculations, which may result in financial liabilities for the entity.

Questioned Costs:

None

Recommendation:

To address the identified issues, the following corrective actions are recommended:

- **Implement a Payroll Monitoring System**: Establish automated tracking mechanisms to ensure payrolls are certified and submitted within the required weekly timeframe.
- **Enhance Oversight and Compliance Reviews**: Designate a compliance officer or team responsible for verifying that certified payrolls are submitted on time. Perform regular internal audits to identify and correct compliance issues promptly.
- **Provide Training for Contractors and Subcontractors**: Conduct mandatory training sessions on Davis-Bacon Act requirements and payroll certification processes. Ensure all responsible staff understand the federal regulations governing wage rate compliance.
- **Improve Communication Between Stakeholders**: Establish clear communication channels between contractors, subcontractors, and the Authority. Require periodic status updates to ensure timely payroll submission.

Views of Responsible Officials

Refer to Management’s unaudited corrective action plan.

Finding Reference	2024-04
Assistance Listing Number	21.027 Coronavirus State and Local Fiscal Recovery Funds
Name of Federal Agency	Department of Treasury
Compliance Requirement	Reporting
Type of Finding:	Significant Deficiency on Internal Control and Noncompliance

Condition:

From a sample of eight expenditure reports examined, the auditors noted that five reports were submitted after the due dates established by the pass-through entity.

A similar finding was reported during the prior year's single audit as finding number 2023-03.

Criteria:

In compliance with the reporting requirements set by the pass-through entity, the Authority must submit expenditure reports on the first and third Friday of each month to disclose expenditure under ALN 21.027.

The Uniform Guidance section 200.303 regarding internal controls requires subrecipients to establish, document, and maintain effective internal control over Federal awards that provide reasonable assurance that the management of Federal awards is in compliance with Federal statutes, regulations, and terms and conditions of the Federal awards. This includes accurate financial reporting and proper segregation of duties to prevent any individual from both preparing and reviewing the same transaction or report.

Cause:

The Authority lacks sufficient personnel assigned to oversee, review and make sure the reports are timely issued to the passthrough entity. This process is conducted by an employee without any formal oversight or review, prior to the submission to the passthrough entity.

Effect:

The lack of management review, oversight, and late submission of the expenditure reports increases the risk of non-compliance with federal requirements and inaccuracies in reporting over federal funds.

Questioned Costs:

None

Recommendation:

To resolve these issues, the Authority should consider the following actions:

- *Strengthen Internal Controls*: Implement stronger internal control procedures to ensure accurate financial reporting and supervision. This should include establishing clear protocols for the timely preparation and review of financial reports, with distinct roles assigned to different individuals to maintain segregation of duties.

- *Staffing Issues*: Take steps to address the employee shortage, either by hiring additional staff or by training existing staff to take on multiple roles, ensuring that duties can be adequately segregated even with limited personnel.

- *Regular Training and Awareness*: Conduct regular training sessions for all relevant staff on compliance with Federal program requirements and the importance of internal controls, including the need for segregation of duties in financial reporting.

Views of Responsible Officials

Refer to Management's unaudited corrective action plan.

Finding Reference	2024-05
Assistance Listing Number	20.205 Highway Planning and Construction (Federal-Aid Highway Program) 21.027 Coronavirus State and Local Fiscal Recovery Funds
Name of Federal Agency	Department of Transportation / Department of Treasury
Type of Finding:	Material Weakness on Internal Control and Noncompliance

Condition:

During the audit, management repeatedly provided inaccurate versions of the Schedule of Expenditures of Federal Awards (SEFA) to the auditors, requiring multiple revisions to correct errors in the total federal awards expended for programs 20.205 Highway Planning and Construction (Federal-Aid Highway Program) and 21.027 Coronavirus State and Local Fiscal Recovery Funds.

Criteria:

In accordance with 2 CFR § 200.510(b) (Financial Statements and SEFA Requirements), the auditee must:

1) Prepare an accurate SEFA that includes the total federal awards expended for the period under audit.

2) Ensure the SEFA is complete, accurate, and properly classified by fiscal year.

3) Provide sufficient information to allow auditors to test compliance with federal requirements.

Cause:

The recurring errors in the SEFA preparation indicate a lack of effective internal controls over preparation of the SEFA, particularly in ensuring that expenditures are accurately classified and reported within the correct fiscal year:

- A lack of oversight and reconciliation procedures to ensure expenditures are reported in the correct fiscal year.

- Inadequate review processes before submission of the SEFA to the auditors.

Effect:

The errors in the SEFA resulted in the following issues:

- Increased Risk of Material Misstatements within the SEFA – The multiple revisions required to correct significant errors in reported expenditures highlight a heightened risk of material misstatements in the SEFA, which could lead to misrepresentation of federal funding received and expended.

- Noncompliance with Uniform Guidance Requirements – The failure to prepare an accurate SEFA resulted in noncompliance with 2 CFR § 200.510(b), which requires the auditee to provide a complete and accurate accounting of federal expenditures for the audit.

Questioned Costs:

No questioned costs were identified, as the issue relates to the misclassification and misstatement of expenditures, rather than the allowability of costs.

Recommendation:

To ensure compliance with 2 CFR § 200.510(b) and improve internal controls over SEFA preparation, we recommend that the Authority:

1) Implement a formal review and reconciliation process to ensure federal expenditures are accurately reported in the correct fiscal year.
2) Enhance communication between finance and grant administration personnel to improve accuracy in expenditure classification.
3) Provide additional training to staff responsible for SEFA preparation on Uniform Guidance requirements for federal reporting.
4) Require a final, documented supervisory review of the SEFA before submission for audit to prevent reporting inaccuracies.

Views of Responsible Officials

Refer to Management's unaudited corrective action plan.

Finding Reference	2024-06
Assistance Listing Number	20.027 Coronavirus State and Local Fiscal Recovery Funds
Name of Federal Agency	Department of Treasury
Compliance Requirement	Procurement, Suspension and Debarment
Type of Finding:	Material Weakness on Internal Control and Material Noncompliance

Condition:

As part of the audit procedures for Procurement, Suspension, and Debarment, the auditors tested a sample of two procurements. One of the procurements tested involved a federally funded rehabilitation project in the Municipality of Fajardo. However, when the auditors requested procurement documentation, management provided bidding records for a different project located in the Municipality of Toa Alta.

Upon reviewing the bid, contract, and supporting documentation, the auditors found no reference to the Fajardo project. Instead, the work was certified and billed to the Authority using an "extra work order" under the project number assigned to the Toa Alta project. Since the Fajardo project was not competitively procured and was improperly included under an unrelated procurement process, the Authority failed to comply with federal procurement regulations.

Criteria:

In accordance with 2 CFR §§ 200.318–200.327 (Procurement Standards), all non-federal entities must conduct procurement in a manner that ensures full and open competition while adhering to established procurement procedures.

Cause:

The Authority did not conduct a separate competitive procurement process for the rehabilitation project in the Municipality of Fajardo. Instead, they included the project as part of an existing procurement process for a different project in the Municipality of Toa Alta. This occurred due to inadequate oversight and failure to ensure that federally funded projects follow proper procurement procedures.

Effect:

By not competitively procuring the Fajardo project and instead billing it as an "extra work order" under an unrelated project, the Authority did not comply with federal procurement regulations. This noncompliance could result in questioned costs, potential repayment of federal funds, and increased scrutiny from oversight agencies.

Questioned Costs:

$421,462

Recommendation:

The Authority should strengthen its procurement controls to ensure that all federally funded projects undergo a proper and independent competitive bidding process. Management should implement additional oversight mechanisms, such as enhanced review procedures and staff training, to prevent the misallocation of contracts.

Views of Responsible Officials

Refer to Management’s unaudited corrective action plan.

Finding 2023-01 Financial Statements Finding

Condition

From a sample of twenty-six disbursement transactions related to roads and highway maintenance expenses, the auditors identified project transactions which were inadvertently expensed in the wrong accounting period. Total project costs amounting to $1,727,145 should have remained capitalized within the Construction in Progress account during the current fiscal year. According to the evidence examined, the work performed for this project was incurred during fiscal year 2022.

Status

This finding was not remediated. Refer to finding No. 2024-01.

Finding 2023-02 Compliance Finding

Condition:

During the audit, it was found that the auditee incorrectly classified the following:

- Assistance Listing Number 20.500 Capital Investment Grants (Fixed Guideway Capital Investment Grants) – Management reported $2,455,795 as federal awards expended instead of $1,589,748, which were the amounts validated by the auditors.

- Assistance Listing Number 20.507 Federal Transit – Formula Grants (Urbanized Area Formula) – Management reported $25,222,452 as federal awards expended instead of $21,372,923, which were the amounts validated by the auditors.

- Assistance Listing Number 20.525 State of Good Repair Grants – Management did not report federal awards expended instead of $4,715,576, which was the amount validated by the auditors.

- Assistance Listing Number 20.505 Metropolitan Transportation Planning Grants – Management reported $2,279,469 as federal awards expended instead of $2,210,082, which were the amounts validated by the auditors.

- Assistance Listing Number 20.513 Enhanced Mobility of Seniors and Individuals with Disabilities – Management reported $15,848 as federal awards expended instead of $14,912, which were the amounts validated by the auditors.

The Authority provided an updated SEFA which corrected the presented balance to account for grants disbursements.

Status

This finding was corrected.

Finding 2023-03 Compliance Finding

Condition:

The Authority lacks qualified personnel to oversee and review the reporting process, resulting in a lack of appropriate internal controls.

Status

This finding was not remediated. Refer to finding No. 2024-04.

Finding 2023-04 Compliance Finding

Condition:

From a sample of forty federal construction projects examined, we noticed that for three projects, the toll credit usage reported in the Authority's Toll Credits Report differed from the amounts reported in the Federal-Aid Project Agreements as approved by the Federal Highway Administration (FHWA). In addition, the Authority was unable to provide sufficient evidence for the auditors to validate the toll credit usage amounts for seven projects during the fiscal year. Furthermore, it was observed that the Authority lacks sufficient personnel designated to oversight and review the toll credits reporting process. This has resulted in the reporting procedure being conducted by a single individual without any formal oversight or review by additional staff or management, leading to a lack of checks and balances in this compliance area.

Status

This finding was not remediated. Refer to finding No. 2024-02.

MANAGEMENT'S UNAUDITED CORRECTIVE ACTION PLAN

PUERTORICO HIGHWAY AND
TRANSPORTATION AUTHORITY

ACT

GOVERNMENT OF PUERTO RICO

March 31, 2025

Department of Transportation
Federal Highway Administration
350 Chardon Ave. Suite 210
San Juan, PR 00918-2161

Ladies and Gentlemen:

The Puerto Rico Highways and Transportation Authority (the Authority) respectfully submits the following corrective action plan for the fiscal year ended on June 30, 2024.

Name and address of independent public accounting firm:
Crowe PR PSC
100 Carr. 165 Ste. 410
Centro Internacional De Mercadeo
Guaynabo PR 00968-8051

Audit Period: Fiscal Year Ended on June 30, 2024

Finding Reference 2024-01

Corrective Action Plan:
Federal Revenue Cut-Off Issues and Prior Period Adjustment

The Authority is updating the Procedure 09-09-38 ("Cierre de Ciclos de Contabilidad en el Sistema Financiero Mecanizado y Preparación de Estados Financieros"), which specifically outlines updated procedures for accounting cycles and year-end closing. This manual was developed to establish clear guidelines for accruals, cut-off dates, and revenue recognition processes to ensure accurate and timely financial reporting. The cut-off issues are also addressed through an automated financial system report which provides payables transactions based on work performed by dates. All personnel involved in the administration of programs that expend federal funds should receive adequate training on federal compliance and reporting requirements related to such programs. Additionally, an individual will be assigned responsible for monitoring compliance with all federal requirements. These procedures will also include a quarterly reconciliation of the amounts reported between the Schedule of Federal Awards and the trial balance.

Outdated Manuals

The Authority has engaged an external consultant to complete a comprehensive review and update of all financial policies and procedures to ensure compliance with the federal and state requirements. Additionally, the Authority will perform an annual evaluation of the policies and procedures prioritizing the review and update of manuals related to federal contracting and awards to ensure compliance with grant requirements.

Responsible:
Mr. Angel M. Felix Cruz, Finance Office Auxiliary Director
Mr. Enrique J. Rosa Torres, Executive Director of Administration and Finance

Planned Implementation Date: In process. Expected to be completed on or before June 30, 2025.

Finding Reference 2024-02

Corrective Action Plan:
The Authority has performed an internal review of the toll credits usage in the Excel spreadsheet and reconciled all credits used by projects with a start date of FY 2023 and forward against the latest version of the Federal-Aid Project Agreement approved by the Federal Highway Administration (FHWA). In addition, credits are sent to the Executive Staff for the approval process on a quarterly basis. For fiscal year 2024, the manual process of reconciling toll credits for new projects with a start date of January 2024 or forward was changed to an automated process using the PMIS Program, as agreed with Section II of the Memorandum of Understanding (MOU) signed in February 2016 between FHWA and the Authority. Also, current toll credits tracking, reconciliation, and approval processes are reviewed by the FHWA. For projects with a start date before January 2024, the Authority will perform an internal review of the tolls credit usage against the later version of the Federal-Aid Project Agreement approved by FHWA. Additionally, the Authority is developing a Standard Operating Procedure (SOP) with FHWA for the use of Toll Credits in PMIS along with a new version of the Excel spreadsheet.

Responsible:
Mr. Enrique J. Rosa Torres, Executive Director of Administration and Finance

Planned Implementation Date: In process. Expected to be completed on or before December 31, 2025.

Finding Reference 2024-03

Corrective Action Plan:
All personnel involved in the administration of programs that expend federal funds, including contractors and subcontractors, will receive adequate training on Davis-Bacon Act requirements and payroll certification processes.

Responsible:
Eng. Maria Ayala Rivera, Construction Office Director

Planned Implementation Date: In process. Expected to be completed on or before June 30, 2025.

Finding Reference 2024-04

Corrective Action Plan:
The Authority has assigned an Analyst and a Supervisor the responsibility of monitoring compliance with all related federal requirements for the reporting process of these funds. Additionally, an adequate training will be provided to the personnel involved in the administration of this program.

Responsible:
Mr. Ramon L. Rivera Rivera, Analyst

Mr. Enrique J. Rosa Torres, Budget Office Auxiliary Director

Planned Implementation Date: In process. Expected to be completed on or before June 30, 2025.

<u>Finding Reference 2024-05</u>

Corrective Action Plan:
The Authority started quarterly reconciliation reports between General Ledger accounts and the Schedule of Federal Awards. The reconciliation process includes the participation of various offices that manage and monitor federal grants. Additionally, as part of the accounting closing procedures, the Authority is reconciling the financial data from major federal programs as FHWA and Federal Transit Administration (FTA) with the information entered in the General Ledger accounts on a monthly basis. All personnel involved in the administration of these programs, for which federal funds are expended, should receive adequate training on federal compliance and reporting requirements related to such programs. In addition, an individual will be assigned responsible for monitoring compliance with all related federal requirements.

Responsible:
Mr. Angel M. Felix Cruz, Finance Office Auxiliary Director
Ms. Maria Del R. Ramos Ocasio, Accounting and Finance Manager

Planned Implementation Date: In process. Expected to be completed on or before June 30, 2025.

<u>Finding Reference 2024-06</u>

Corrective Action Plan:
The Authority will revise its procurement policies and procedures to ensure that all federally funded projects undergo the appropriate competitive procurement processes. This will include consistent and standard guidelines for project scope determination, bidding process, and documentation requirements.

Responsible: Eng. Maria Ayala Rivera, Construction Office Director

Planned Implementation Date: December 31, 2025

If you require additional information, please contact us at your earliest convenience.

Cordially,

Mr. Enrique J. Rosa Torres
Executive Director of Administration and Finance