PUERTO RICO INTEGRATED TRANSIT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

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

(with Additional Reports and Information Required by Government Auditing Standards and the Uniform Guidance)

For the year ended June 30, 2024

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Basic Financial Statements and Independent Auditors' Report
June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board and Management
Puerto Rico Integrated Transit Authority

Opinion

We have audited the accompanying financial statements of Puerto Rico Integrated Transit Authority (the Authority) (a component unit of the Commonwealth of Puerto Rico), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

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 the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' reports 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 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 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 the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, the Schedule of the Authority's Proportionate Share of the Total Pension Liability and Related Ratios on page 38, and the Schedule of the Authority's Proportionate Share of the Total OPEB Liability on page 39, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The 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*, is presented for purpose of additional analysis and is not a required part of the basic financial statements. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 25, 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 Authority's internal control over financial reporting and compliance.

San Juan, Puerto Rico
March 25, 2025

Valdés, García, Marín & Martínez, LLP

DLLP223-75
PUERTO RICO INTEGRATED TRANSIT AUTHORITY

The following Management's Discussion and Analysis (the MD&A) provide a narrative overview and analysis of the financial activities of the Puerto Rico Integrated Transit Authority ("the Authority") for the fiscal year ended June 30, 2024. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights for 2024

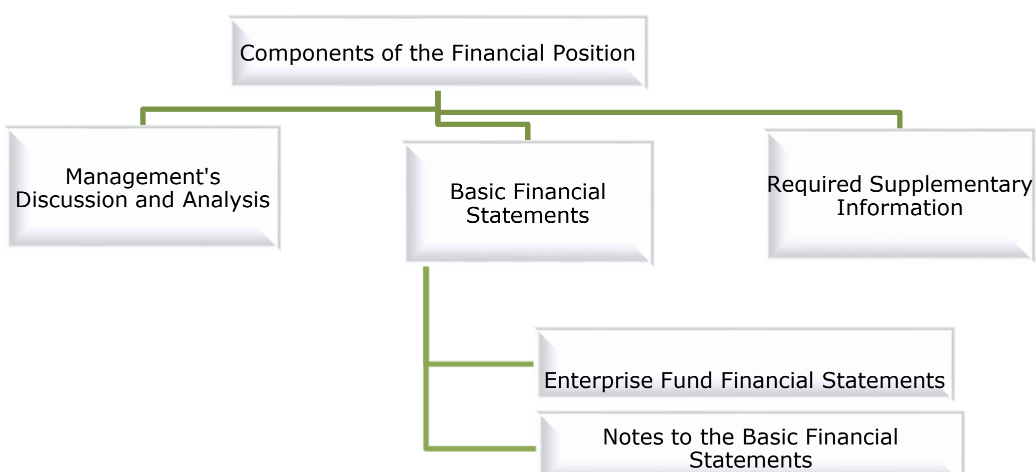
- Net position totalized approximately $10.4 million at June 30, 2024.
- Net position deficiency decreased by approximately $38.9 million in 2024.
- Total assets increased approximately $50.8 million or 52% in comparison with year 2023.
- Current assets, totalized approximately $64.3 million and increased 36% in comparison with year 2023.
- Capital assets, net totalized approximately $84.4 million at June 30, 2024.
- Total liabilities increased approximately $6 million or 4% in comparison with year 2023.
- Current liabilities, totalized approximately $45 million and increased 24% in comparison with year 2023.
- Total operating revenue increased approximately $798 thousand or 13% in comparison with year 2023.
- Total operating expenses increased approximately $6 million or 7% in comparison with year 2023.

Overview of the Basic Financial Statements

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

Overview of the Financial Statements for Business-Type Activities

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



Statement of Net Position

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

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

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

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

Statement of Revenue, Expenses and Changes in Net Position

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

Statement of Cash Flows

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

Notes to Financial Statements

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

Required Supplementary Information

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

Financial Analysis of the Authority's Business-Type Activities

Statement of Net Position

The following table reflects a condensed summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Authority as of June 30, 2024, and 2023:

	June 30,		Change	
	2024	**2023**	**In Dollars**	**Percent**
Current assets	$ 64,323,251	$ 47,259,849	$ 17,063,402	36%
Capital assets, net	84,423,960	50,715,446	33,708,514	66%
Other assets	53,400	53,400	-	0%
Total assets	148,800,611	98,028,695	50,771,916	52%
Deferred outflows	2,859,233	11,266,289	(8,407,056)	-75%
Total assets and deferred outflows of resources	$ 151,659,844	$ 109,294,984	$ 42,364,860	39%
Current liabilities	$ 45,009,955	$ 36,211,643	$ 8,798,312	24%
Non-current liabilities	96,082,534	98,873,350	(2,790,816)	-3%
Total liabilities	141,092,489	135,084,993	6,007,496	4%
Deferred inflows of resources related to pension and leases	137,191	2,662,721	(2,525,530)	-95%
Total liabilities and deferred inflows of resources	141,229,680	137,747,714	3,481,966	3%
Net position				
Net investment in capital assets	80,689,709	46,862,160	33,827,549	72%
Deficit	(70,259,545)	(75,314,890)	5,055,345	-7%
Total net position (deficit)	10,430,164	(28,452,730)	38,882,894	-137%
Total liabilities, deferred inflows of resources and net position (deficit)	$ 151,659,844	$ 109,294,984	$ 42,364,860	39%

Total assets increased by 52% or approximately $50.8 million mainly due to an increase in cash of approximately $19.8 million and construction in progress of approximately $36.5 million. The increase in cash primarily resulted from funds received from the Commonwealth of Puerto Rico before year-end for subsequent commitments. The increase in construction in progress is due to the acquisition of four new vessels, the construction of a new terminal in Ceiba and the improvement of several other facilities.

Current liabilities increased by 24% to an amount of approximately $8.8 million as of June 30, 2024, mainly due to an increase in accounts payable. Non-current liabilities had a decrease of approximately $2.8 million due mainly to a decrease of $3.2 million in pension liability. Nearly 96% of the total liabilities, amounting to approximately $135.3 million, are associated with Puerto Rico and Municipal Island Maritime Transport Authority's (PRMIMTA) operations. These liabilities primarily stem from other governmental agencies and pension and other employee benefits.

Total net position (deficit) decreased by 137% to a net position amount of approximately $10.4 million as of June 30, 2024. The increase was the net result of an excess of income (operating and non-operating) over expenses (operating and non-operating). The largest portion of the Authority's net position represents its investment in capital assets.

The following table reflects a condensed summary of the revenue, expenses, and changes in net position for the years ended June 30, 2024, and 2023:

	June 30,		**Change**	
	2024	**2023**	**In Dollars**	**Percent**
Operating revenue	$ 6,789,084	$ 5,991,314	$ 797,770	13%
Operating expenses	(90,853,011)	(84,896,076)	(5,956,935)	7%
Operating income (loss)	(84,063,927)	(78,904,762)	(5,159,165)	7%
Non-operating revenue (expenses)				
Operating grants, contributions and other revenue	121,205,291	82,166,406	39,038,885	48%
Interest and other financing expenses	1,741,530	407,049	1,334,481	328%
Total non-operating revenue, net	122,946,821	82,573,455	40,373,366	49%
Change in net position	38,882,894	3,668,693	35,214,201	960%
Net position (deficit), at beginning of year, as restated	(28,452,730)	(32,121,423)	3,668,693	-11%
Net position (deficit), at end for year	$ 10,430,164	$ (28,452,730)	$ 38,882,894	-137%

Operating revenue, which consisted principally of fares for maritime transportation and cargo services, increased by 13% to approximately $798 thousand for the year ended June 30, 2024.

Operating expenses, which consisted principally of salaries and employee benefits, vessels rent, depreciation and amortization, repairs and maintenance, professional services and general and administrative, increased by 7% to an amount of approximately $90.9 million for the year ended June 30, 2024. The change was mainly due to the increase in the costs of the maritime transport operations and maintenance agreement.

Non-operating revenue consisted principally of operating grants from the Commonwealth and the Federal Government. The non-operating revenue increased by 49% or $40.4 million due mainly to an increase in Commonwealth grants of approximately $33.6 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2024, the Authority invested approximately $84.4 million in capital assets (net of related depreciation and amortization) including buildings on piers, maritime and other transportation equipment, motor vehicles, furniture and fixtures and right-to-use leased assets used in the Authority's operations. During the year ended June 30, 2024, the Authority invested approximately $36.8 million in capital assets, mainly in the construction of a new Ceiba terminal and four new maritime vessels, and the improvement on several other facilities.

The following table presents the components of the capital assets during fiscal years 2024 and 2023:

	June 30,		Change	
	2024	**2023**	**In Dollars**	**Percent**
Assets not being depreciated:				
Land and improvements	$ 93,323	$ 93,323	$ -	0%
Construction in progress	43,790,072	7,277,111	36,512,961	100%
	43,883,395	7,370,434	36,512,961	495%
Assets being depreciated and amortized:				
Buildings on piers	33,380,386	33,380,386	-	0%
Leasehold improvements	2,528,834	2,528,834	-	0%
Maritime and other transportation equipment	54,657,745	54,657,745	-	0%
Furniture and fixtures	4,032,267	3,994,949	37,318	1%
Computer and software	480,504	307,651	172,853	56%
Motor vehicles	476,673	443,683	32,990	7%
Right-to-use leased assets	4,052,668	4,052,668	-	0%
Totals	99,609,077	99,365,916	243,161	0%
Accumulated depreciation and amortization	59,068,512	56,020,904	3,047,608	5%
Capital assets being depreciated and amortized, net	40,540,565	43,345,012	(2,804,447)	-6%
Total capital assets, net	$ 84,423,960	$ 50,715,446	$ 33,708,514	66%

Debt Administration

Long-term debt of the Authority consists of due to other governmental entities, compensated absences, voluntary termination benefits, total pension and OPEB liabilities, lease and legal, and other liabilities. The decrease of 3% was mainly due to a pension liability of approximately $3.2 million.

Following is a summary of the Authority's long-term debt as of June 30, 2024 and 2023:

	June 30,		Change	
	2024	**2023**	**In Dollars**	**Percent**
Due to other governmental entities	$ 68,861,441	$ 67,961,569	$ 899,872	1%
Compensated absences	628,406	553,945	74,461	13%
Voluntary termination benefits	1,454,103	1,897,677	(443,574)	-23%
Total pension liability	21,997,118	25,212,678	(3,215,560)	-13%
Total OPEB liability	398,392	415,873	(17,481)	-4%
Lease liabilities	3,734,251	3,853,286	(119,035)	-3%
Legal liability	661,920	920,670	(258,750)	-28%
Other long-term liabilities	320,059	320,059	-	0%
Totals	$ 98,055,690	$ 101,135,757	$ (3,080,067)	-3%

Current Known Facts

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

The Authority currently oversees the maritime transportation system. The Authority was established on August 3, 2014, by the Puerto Rico Department of Transportation and Public Works (DTOP, by its Spanish acronym) to serve as the centralized entity responsible for managing and integrating public transit systems on the Island. As a DTOP agency, the Authority receives federal and state funding for both operational and capital expenditures.

Historically, DTOP's transportation operations were primarily managed through the Puerto Rico Highways and Transportation Authority (PRHTA). Recognizing the need for a dedicated transit-focused entity, DTOP created the Authority to eventually assume jurisdiction over all public transportation services. Additionally, as of July 1, 2022, the operations of the Puerto Rico and Municipal Islands Maritime Transport Authority (PRMIMTA) were integrated under the Authority's jurisdiction as a formal program.

Other transit systems, including the Urban Train (UT), the Puerto Rico Metropolitan Bus Authority (PRMBA), and services such as Metrobus, Metro Urbano, and UT Connection bus lines, currently remain under the Authority's oversight. The Authority supports the planning, oversight, and management of these services in anticipation of their eventual transfer, which is expected to be completed during Fiscal Year 2025–2026. In 2015, as part of the integration process, several bus routes previously managed by PRMBA were reassigned to PRHTA for continued oversight and operation.

The bus lines Metrobus, Metro Urbano, and UT Connection have been operated by First Transit, a private company, since 2008 under the Authority's oversight. The Authority has continued to support the management of these services under the same operator through the existing contract to ensure continuity and service quality, although full jurisdiction has not yet been transferred.

In the maritime sector, the Authority oversees operations through an agreement executed in 2020 between PRMIMTA and HMS Ferries–Puerto Rico, LLC and HMS Ferries, Inc. This agreement grants HMS Ferries exclusive responsibility for the operation and maintenance of the Authority's ferry system, which includes the Authority-owned or chartered vessels, ferry terminals, parking and mooring facilities, and all supporting infrastructure under PRMIMTA's control.

Opportunities For Improvement

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

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

- The Authority is committed to make the following investments in its assets

  - The Authority acquired five modern vessels for its maritime operations, aiming to enhance efficiency, safety, and comfort. These vessels, representing an investment of approximately $75.2 million, are scheduled to begin operating in the fiscal year 2025.

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

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

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

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

- The acquisition of a new fare collection system aims to unify the fare collection processes for all collective transportation modes integrated within the Authority. With an investment of approximately $24 million, this modern system will provide additional and more efficient ticket purchasing alternatives, enhancing service quality for citizens. The system is expected to commence operations during the fiscal year 2026.

Contacting the Authority's Financial Management:

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

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Net Position
June 30, 2024

Assets

Current assets:		
Cash	$ 52,089,375	CU-1
Receivables, net		
Trade	1,357,839	
Other	615,248	
Due from Commonwealth	8,780,831	
Due from other governmental entities	290,181	
Prepaid expenses	1,189,777	
Total current assets	64,323,251	
Non-current assets:		
Capital assets, net of accumulated depreciation and amortization	84,423,960	F/S-26
Other assets	53,400	CU-1
Total non-current assets	84,477,360	
Total assets	148,800,611	
Deferred outflows of resources:		CU-1
Pension related	2,846,333	
Other post-employment benefits related	12,900	
Total deferred outflows of resources	2,859,233	
Total assets and deferred outflows of resources	$ 151,659,844	

(Continues)

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

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Net Position
June 30, 2024

Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	$ 30,894,857 CU-2
Due to:	
Commonwealth	2,686,421
Other governmental entities	9,036,297
Unearned revenue	419,224
Compensated absences	291,961
Voluntary termination benefits payable	348,151
Total pension liability	1,135,954
Total other post-employment benefits liability	12,900
Lease liability	129,110
Legal liability	55,080
Total current liabilities	45,009,955
Non-current liabilities:	
Due to other governmental entities	68,861,441
Compensated absences	336,445
Voluntary termination benefits payable	1,105,952
Total pension liability	20,861,164
Total other post-employment benefits liability	385,492
Leases liability	3,605,141
Legal liability	606,840
Other long-term liabilities	320,059
Total non-current liabilities	96,082,534
Total liabilities	141,092,489
Deferred inflows of resources:	
Pension related	137,191
Total liabilities and deferred inflows of resources	141,229,680
Net Position	
Net investment in capital assets	80,689,709
Deficit	(70,259,545)
Total net position	$ 10,430,164

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

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended June 30, 2024

Operating revenue:		
Passenger fares and cargo revenue	$ 6,662,437	
Equipment and property rentals	126,647	
Total operating revenue	6,789,084	CU-3
Operating expenses:		
Salaries and employees benefits, including voluntary termination benefits	3,936,891	
Pension	3,860,148	
Other post-employment benefits	(16,781)	
Maritime transport operations and maintenance agreement costs	58,111,795	
Vessels rent	4,951,238	
Repairs and maintenance	7,230,013	
Professional services	7,709,685	
Depreciation and amortization	3,086,268	
General and administrative	1,983,754	
Total operating expenses	90,853,011	
Operating loss	(84,063,927)	
Non-operating revenue (expenses):		
Operating grants:		
Commonwealth of Puerto Rico	106,504,558	
Federal Grants	14,700,953	
Loss on dispositon of capital assets	(220)	
Interest and other financing expenses, net	1,741,530	
Total non-operating revenue, net	122,946,821	
Net change in net position	38,882,894	
Net position (deficit), at beginning of year	(28,452,730)	
Net position, at end of year	$ 10,430,164	

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

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Cash Flows
For the Year Ended June 30, 2024

Cash flows from operating activities:	
Cash collected from customers and passengers	$ 8,902,405
Cash payments to suppliers for goods and services	(66,301,205)
Cash payments to employees for services	(5,534,528)
Net cash used in operating activities	(62,933,328)
Cash flows from non-capital and related financing activities:	
Operating grants received from:	
Commonwealth of Puerto Rico	103,138,727
Federal grant	14,700,953
Payment of interest	(169,156)
Net cash provided by non-capital and related financing activities	117,670,524
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(36,795,001)
Receipts of interest from leasing transactions	12
Payments for leasing transactions	(119,035)
Payment of interest-leases	(200,083)
Net cash used in capital and related financing activities	(37,114,107)
Cash flows from investing activities:	
Interest collected in deposits and net cash provided by investing activities	2,203,402
Net increase in cash	19,826,491
Cash at beginning of the year	32,262,884
Cash at end of the year	$ 52,089,375

(Continues)

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

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Cash Flows
For the Year Ended June 30, 2024

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (84,063,927)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	3,086,268
Changes in operating assets and liabilities:	
Decrease in accounts receivable	2,614,526
Decrease in prepaid expenses	3,514,390
Decrease in deferred outflows of resources	8,407,056
Increase in accounts payable, accrued expenses and other liabilities	5,848,463
Increase in deferred revenue	185,426
Decrease in deferred inflows of resources	(2,525,530)
Net cash used in operating activities	$ (62,933,328)

Non-cash capital activities:

During the year ended June 30, 2024 the Authority disposed of certain capital assets with cost of $38,879. A loss of $220 resulted from the diposal.

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

Note 1. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

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

Summary of Significant Accounting Policies

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

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

Measurement Focus and Basis of Accounting

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

Cash

The Authority maintains cash on deposits with a high-rated financial institution. The Puerto Rico Commissioner of Financial Institutions requires that private financial institutions maintain securities to fully collateralize public funds deposited with them in excess of the amount insured by the Federal Deposit Insurance Corporation. The securities pledged by the financial institutions as collateral for those deposits are under custody of the Secretary of the Treasury in the name of the Commonwealth.

Accounts Receivable and Allowance for Doubtful Accounts

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

Leases

The Authority accounts for leases in accordance with GASB Pronouncement No. 87, *Leases*. This statement requires a lessee to recognize a lease liability and an intangible right-of-use asset, and a lessor to recognize a lease receivable and a deferred inflow of resources for a period, exceeding 12 months, during which a lessee has a noncancelable right to use an underlying asset.

<u>Lessee</u>

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

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

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

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

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

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

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

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

Lessor

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

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

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

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

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

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

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

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

Capital Assets

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

The estimated useful lives of the capital assets follow:

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

The Authority periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable as required by provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* an amendment of GASB Statement No. 34. An asset is considered impaired when its service utility has declined significantly and unexpectedly, and the event or change in circumstances is outside the normal life cycle of the asset. Impaired capital assets that will no longer be used by the Authority should be reported at the lower of their carrying value or fair value. Impairment losses on capital assets that will continue to be used by the Authority should be measured using the method that best reflects the diminished service utility of the capital asset. The Authority evaluated its capital assets and identified no impairments during the year ended June 30, 2024.

Deferred Outflows/Inflows

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

Compensated Absences

Compensated absences are accounted for under the provisions of GASB Accounting Standards Codification Section C60, *Compensated Absences.* Compensated absences include paid time off made available to employees in connection with vacation. The liability for compensated absences recorded in the accompanying statement of net position is limited to a leave of absence that: (i) is attributable to services already rendered on or before June 30, 2024; and (ii) is not contingent on a specific event (such as illness) that is outside the control of the Authority and the employee. Employees accumulate vacation at a rate of 1.25 days per month up to an annual amount of 15 days. Vacation time is fully vested by the employee from the first day of work up to a maximum of 60 days. Employees accumulate sick leave at a rate of 1 day per month up to an annual maximum of 12 days and a maximum accumulation of 90 days. Upon retirement, an employee receives compensation for all accumulated unpaid vacation leave at the current rates regardless of years of service. Accumulated unpaid sickness days are not liquidated upon employment termination. The liability for compensated absences has been calculated based on the employee's current salary and includes payroll related costs such as Social Security and Medicare tax.

Voluntary Termination Benefits

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

Accrual for Legal Claims

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

Accounting for Pension Costs

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

Other Post-Employment Benefits

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

Net Position

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

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

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

<u>Unrestricted</u>

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

Operating Revenue and Expenses

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

Operating Grants

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

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

Risk Financing

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

Use of Estimates

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

Adoption of New Accounting Pronouncement

The provisions of the following accounting pronouncements were implemented during the year ended June 30, 2024:

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

- GASB Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

The adoption of these pronouncements did not have any impact on the Authority's financial statements.

Accounting Pronouncements Issued but Not Yet Effective

- GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged.

- GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement establishes or modifies existing requirements related to Management's Discussion and Analysis and also addresses certain application issues for unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

- GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 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 asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements,* should also be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major classes. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

Note 2. Maritime Transport Operations and Maintenance Agreement

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

On July 1, 2024, the Agreement was amended to extend Phase 1 for three additional years until July 1, 2027. The fees for the additional period of Phase 1 will include service payments and management fees to the Operator for a total amount of approximately $155 million. During Phase 1 the Authority is responsible for collecting farebox revenue and internet ticket sales. The compensation for Phase 2 will include a yearly fixed fee ranging from $30.0 million to $33.3 million for an aggregate amount of approximately $555 million during a period of seventeen (17) years, as amended on July 1, 2024. The compensation payable to the Operator during Phase 2 shall be adjusted upward or downward, as applicable to account for any increase or decrease in the insurance premium or price of fuel. In addition, during Phase 2 the Operator shall have the exclusive right to collect all service and ancillary activities revenues.

For the year ended June 30, 2024, the Authority recorded charges in the amount of approximately $58 million related with the Agreement.

Note 3. Cash

The Authority's cash as of June 30, 2024, consists of the following:

	Book Balance	Depository Bank Balance	Amount Uninsured and Uncollateralized
Cash deposited in commercial bank	$ 52,089,375	$ 52,165,389	$ -

CU-4

Note 4. Deposits Claim Receivable

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

Under the GDB Restructuring Act, the balance of liabilities owed among the Commonwealth and its agents, instrumentalities, and affiliates, (each a Non-Municipal Government Entity) and GDB was determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-Municipal Government Entity held by GDB as of such date. Those Non-Municipal Government Entities having net claims against GDB, after giving effect to the foregoing adjustment, including the Authority, received their pro rata share of interests in the PET, which was deemed to be in full satisfaction of any and all claims such Non-Municipal Entity may have had against GDB. The assets of the PET consist of, among other items, a claim filed in the amount of $580 million against the Commonwealth, which is the subject of a proof of claim filed in the Commonwealth's Title III case.

The Authority held deposits at GDB of $9,505,694. A custodial credit risk loss on these deposits was recorded in prior years for the full balance. As of June 30, 2024, the deposits balance and the custodial credit risk allowance were reclassified to deposits claim receivable from the PET and into an allowance for doubtful accounts, respectively, with a carrying amount of zero. As a result of the GDB Qualifying Modification, the Authority's recovery on this claim will depend upon the recovery ultimately received by the PET on account of its assets.

Note 5. Accounts Receivable

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

Trade	$ 1,715,564
Other	615,248
Due from Commonwealth	8,780,831
Due from other governmental entities	736,653
	11,848,296
Less: Allowance for doubtul accounts	(804,197)
Accounts receivable, net	$ 11,044,099

Changes in the allowance for doubtful accounts for the year ended June 30, 2024 are as follow:

Allowance for doubtful accounts, beginning of year	$ 804,197
Plus: Provision for doubftul accounts	-
Allowance for doubtful accounts, end of year	$ 804,197

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

The amount due from Commonwealth of $8,780,831 consists of operating grants pending to be collected at June 30, 2024.

In addition, the balance of accounts receivable-other includes an amount of $600,000 due from the Operator related with the refund of certain deposits paid by the Authority under agreements for rent of vessels.

Note 6. Capital Assets

The following schedule summarizes the capital assets held by the Authority as of June 30, 2024:

	Balance at June 30, 2023	Additions	Retirements	Balance at June 30, 2024	
Assets not being depreciated:	CU-5				
Land and improvements	$ 93,323	$ - CU-5	$ -	$ 93,323	
Construction in progress	7,277,111	36,512,961	-	43,790,072	
	7,370,434	36,512,961	-	43,883,395	CU-1
Assets being depreciated and amortized:					
Buildings on piers	33,380,386	-	-	33,380,386	
Leasehold improvements	2,528,834	-	-	2,528,834	
Maritime and other transportation equipment	54,657,745	-	-	54,657,745	
Furniture and fixtures	3,994,949	76,197	(38,879)	4,032,267	
Computers and software	307,651	172,853	- CU-5	480,504	
Motor vehicles	443,683	32,990	-	476,673	
Right-to-use leased assets					
Terminal facilities on piers	3,899,166	-	-	3,899,166	
Equipment	153,502	-	-	153,502	
Total	99,365,916	282,040	(38,879)	99,609,077	
Less: accumulated depreciation and amortization					
Buildings on piers	8,812,212	674,990	-	9,487,202	
Leasehold improvements	2,071,527	257,213	-	2,328,740	
Maritime and other transportation equipment	40,362,789	1,663,080	-	42,025,869	
Furniture and fixtures	3,696,254	101,361	(38,660)	3,758,955	
Computer and software	244,595	138,977	- CU-5	383,572	
Motor vehicles	415,515	34,785	-	450,300	
Right-to-use leases asset					
Terminal facilities on piers	328,387	166,650	-	495,037	
Equipment	89,625	49,212	-	138,837	
Total	56,020,904	3,086,268	(38,660)	59,068,512	
Capital assets being depreciated and amortized , net	43,345,012	(2,804,228)	(219)	40,540,565	CU-1
Total capital assets, net	$ 50,715,446	$ 33,708,733	$ (219)	$ 84,423,960	F/S-11

<u>Right-to-use leased assets</u>

The Authority is a lessee for various non-cancellable leases for the use of equipment and terminal facilities in piers and on July 1, 2021 implemented the provisions of GASB No. 87, *Leases.* Refer to Note 9 for information on the liabilities relating to the right-to-use leased assets.

Note 7. Due to Commonwealth

Amount due to Commonwealth of $2,686,421 as of June 30, 2024, consists of miscellaneous charges related with licenses and income tax withholding amounting to $681,921 and an excess of funds collected from the operating grants amounting to $2,004,500.

Note 8. Due to Other Governmental Entities

The current amount due to other governmental entities as of June 30, 2024, consists of the following:

	CU-13		
State Insurance Fund Corporation	$	5,465,975	CU-2
PRMBA		2,556,707	
PR Ports Authority		625,436	
Others		388,179	
	$	9,036,297	

Note 9. Non-Current Liabilities:

Changes in non-current liabilities as of June 30, 2024, are summarized as follows:

	Balance at June 30, 2023	Increase	Decrease	Net change	Balance at June 30, 2024	Current Portion
Due to other governmental entities	$ 67,961,569	$ 899,872	$ -	$ -	$ 68,861,441	$ -
Compensated absences	553,945	-	-	74,461	628,406	291,961
Voluntary termination benefits	1,897,677	-	(443,574)	-	1,454,103	348,151
Total pension liability	25,212,678	-	(3,215,560)	-	21,997,118	1,135,954
Total OPEB liability	415,873	-	(17,481)	-	398,392	12,900
Lease liability	3,853,286	-	(119,035)	-	3,734,251	129,110
Legal liability	920,670	-	(258,750)	-	661,920	55,080
Other long-term liabilities	320,059	-	-	-	320,059	-
Totals	$ 101,135,757	$ 899,872	$ (4,054,400)	$ 74,461	$ 98,055,690	$ 1,973,156

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

		Balance at June 30, 2024	
Puerto Rico Ports Authority	CU-13	$ 38,369,468	CU-2
Puerto Rico Highways and Transportation Authority		30,491,973	
		$ 68,861,441	

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

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

(b) Voluntary termination benefits - include early retirement benefits and economic incentives for voluntary employment termination to eligible employees under Acts No. 70 - 2010 and No. 211 - 2015. Refer to Note 12 for more details.

(c) Total pension liability - represents the Authority's proportionate share of the ERS calculation of the total pension liability of the Retirement Plan. Refer to Note 10 for more details.

(d) Total OPEB liability - represents the Authority's proportionate share of the ERS calculation of the total OPEB liability for unfunded contributions. Refer to Note 11 for more details.

(e) Lease liability - represents amount due under noncancellable lease agreements for the use of equipment and terminal facilities on piers.

The net present value of the Authority's minimum future lease payments for non-cancelable leases, as of June 30, 2024 is as follows:

Year ending June 30,	**Principal**	**Interest**	**Totals**
2025	$ 129,110	$ 374,581	$ 503,691
2026	85,870	267,314	353,184
2027	85,821	261,035	346,856
2028	92,488	254,372	346,860
2029	99,663	247,192	346,855
2030-2034	627,108	1,107,173	1,734,281
2035-2039	911,371	822,909	1,734,280
2040-2044	889,152	454,857	1,344,009
2045-2049	813,668	147,532	961,200
Total lease payments	$ 3,734,251	$ 3,936,965	$ 7,671,216

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

Note 10. Employees' Retirement Plan

Plan Description

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

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

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

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

- *Act No. 447 of May 15, 1951* (Act No. 447) effective on January 1, 1952 for members hired up to March 31, 1990,
- *Act No. 1 of February 16, 1990* (Act No. 1) for members hired on or after April 1, 1990 and ending on or before December 31, 1999,
- *Act No. 305 of September 24, 1999*, (Act No. 305), which amended Act No. 447 and Act No. 1, for members hired from January 1, 2000 up to June 3, 2013.

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

<u>Benefits provided before July 1, 2017</u>

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

(i) Service Retirements

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

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

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

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

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

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

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

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

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

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

(ii) Service Retirement Annuity Benefits

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

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

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

On December 23, 2024, an audited report was issued for the year ended June 30, 2023, in accordance with GASB Statement No. 73, providing information about pension amounts by employer and the corresponding employer allocation percentage. The Authority disclosed the below mentioned information based on this audited data reported and the ERS Actuarial Valuation Report.

As of June 30, 2024, the Authority reported a liability of $21,997,118 for its proportionate share of the total pension liability. The collective total pension liability which amounts to approximately $20.8 billion was determined by an actuarial valuation as of July 1, 2022 that was rolled forward to June 30, 2023 (measurement date). The Authority's proportion of the total pension liability was based on the ratio of the Authority's actual benefit payments for allocation to the aggregate total of benefit payments for allocation paid by all participating entities during the year ending on the measurement date. As of June 30, 2024, the Authority's proportion was 0.10590%.

For the year ended June 30, 2024, the Authority recognized pension expense of $3,860,148. Pension expense represents the change in the total pension liability during the measurement period.

As of June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Amortization Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	2-5 years	$ 15,329	$ 137,191
Changes in assumptions	4-5 years	839,934	-
Changes in proportion	4-6 years	855,116	-
Audited amount as reported by ERS		1,710,379	137,191
Benefits paid subsequent to measurement date		1,135,954	-
Balance as of June 30, 2024		$ 2,846,333	$ 137,191

For the fiscal year 2024, there were benefits paid after the measurement date amounting to $1.1 million reported as deferred outflows of resources, since for fiscal year 2024 the retirement systems operate on a pay-as-you-go basis.

Amounts reported as deferred outflows/inflows of resources from pension activities as of June 30, 2024, will be recognized in the pension expense (benefit) as follows:

Year ending June 30,	Amount
2025	$ 314,638
2026	314,638
2027	314,638
2028	314,638
2029	314,636
	$ 1,573,188

Actuarial methods and assumptions

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

Discount Rate

The discount rate for the fiscal year ended June 30, 2023, was 3.65%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer General Obligation (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

The mortality tables used at June 30, 2023 for the actuarial valuation were as follows:

a) *Pre-retirement Mortality*

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

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

b) *Post-retirement Retiree Mortality*

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

c) *Post-retirement Disabled Mortality*

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.

d) *Post-retirement Beneficiary Mortality*

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

Other Assumptions as of June 30, 2023

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

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

The following table presents the net pension liability as of June 30, 2024, calculated using the discount rate of 3.65%, as well as what the net pension liability would be if it was calculated using a discount rate that is 1 percent-point level lower (2.65%) or 1 percent-point level higher (4.65%) than the current rate:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Total net pension liability measured as of June 30, 2024	$ 24,524,845	$ 21,997,118	$ 19,884,916

Note 11. Other Postemployment Benefits

Plan Description

The Authority participates in the Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Employees' Retirement System (the "OPEB Plan"). The OPEB Plan is an unfunded, defined benefit other postemployment healthcare benefit plan administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB No. 75"). Under the guidance of GASB No. 75, the Commonwealth and its component units are considered to be one employer and are classified for financial reporting purposes as a single employer defined benefit OPEB Plan.

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

Total OPEB Liability

As of June 30, 2024, the Authority reported a liability of $398,392 for its proportionate share of total collective OPEB liability. The total OPEB liability as of June 30, 2024, was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023 (measurement date). As of June 30, 2024, the Authority's proportion share was 0.06162%.

OPEB Benefit

For the year ended June 30, 2024, the Authority recognized an OPEB benefit of $16,781.

OPEB Deferred Outflows of Resources and Deferred Inflows of Resources

GASB No. 75 requires to determine deferred outflows of resources and deferred inflows of resources in order to be amortized and recognized in the annual OPEB expense. There are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement date. However, as of June 30, 2024, $12,900 reported as deferred outflows of resources related to OPEB, resulting from the benefits paid subsequent to the measurement date, will be recognized as a reduction of total OPEB liability in the year ended June 30, 2024.

Actuarial Methods and Assumptions

The actuarial valuation used the following actuarial assumptions:

Discount Rate

The discount rate for June 30, 2023 (measurement date) was 3.65%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer (GO) 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

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

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

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

The following table presents the Authority's proportionate share of total OPEB liability calculated using the discount rate of 3.65%, as well as what the Authority's proportionate share of total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current discount rate.

	1% Decrease (2.65%)	**Current Discount Rate (3.65%)**	**1% Increase (4.65%)**
Total OPEB liability as of June 2024	$432,577	$398,392	$368,938

Note 12. Voluntary Termination Benefits

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

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

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

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

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

Voluntary termination benefits, as detailed below, are discounted at a rate of 3.65%.

	Beginning Balance	Decrease	Ending Balance	Current Portion
Act No.70	$ 1,164,624	$ (160,814)	$ 1,003,810	$ 146,575
Act No. 211	733,053	(282,760)	450,293	201,576
	$ 1,897,677	$ (443,574)	$ 1,454,103	$ 348,151

Note 13. Contingent Liabilities

Litigations

The Authority is involved in litigations arising in the normal course of operations. Management believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the Authority's financial condition and results of operations. Due to uncertainties in the settlement process, it is at least reasonably possible that management's view of the outcome of these claims will change in the near future. Based on the advice of legal counsel, management has recorded an estimated legal liability of $661,920 as of June 30, 2024.

Federal Assistance Programs

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

Note 14. Subsequent Events

The Authority has evaluated all transactions occurring subsequent to June 30, 2024, for items that should potentially be recognized or disclosed in financial statements. The evaluation was conducted through February 28, 2025, the date the accompanying financial statements were available to be issued. The following material events were noted:

a. On July 1, 2024, the maritime transport operations and maintenance agreement was amended to extend Phase 1 for three additional years until July 1, 2027. Refer to Note 2 for more details.

b. On December 23, 2024, the Federal Transit Administration designated the Authority as a direct grantee of federal funds, establishing the legal, technical, and financial capacity of the Authority to manage programs and projects subsidized through allocations of federal funds.

REQUIRED SUPPLEMENTARY INFORMATION

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Schedule of the Authority's Proportionate Share of the Total Pension Liability and Related Ratios (Unaudited)
Year Ended June 30, 2024

Description	**2024***	**2023***	**2022***	**2021***	**2020***	**2019***	**2018***
Proportion of Total Pension Liability	0.10590%	0.11381%	0.06727%	0.06326%	0.05154%	0.04424%	0.04723%
Proportionate Share of Total Pension Liability	$21,997,118	$25,212,678	$18,286,472	$17,755,589	$12,807,399	$10,833,904	$13,322,375

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

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

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

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

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

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Schedule of the Authority's Proportionate Share of Total OPEB Liability (Unaudited)
Year Ended June 30, 2024

Description	2024*	2023*	2022*	2021*	2020*	2019 *	2018*
Proportion of Total Other Post Employment Benefit Liability	0.06162%	0.05979%	0.02052%	0.02273%	0.02094%	0.02094%	0.01689%
Proportionate Share of Total Other Post Employment Benefit Liability	$ 398,392	$415,873	$ 163,812	$198,844	$199,969	$ 176,311	$155,435

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

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

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

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

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

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

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

SINGLE AUDIT SECTION

PUERTO RICO INTEGRATED TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Assisting Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation				
Pass-through programs from:				
Puerto Rico Highways and Transportation Authority				
Federal Transit-Formula Grant Cluster				
COVID-19 Federal Transit-Formula Grants (Urbanized Area Formula Program)	20.507	N/AV	$ -	$ 5,910,728
Federal Transit-Formula Grants (Urbanized Area Formula Program)	20.507	N/AV	-	221,117
			-	6,131,845
State of Good Repair Grants Program	20.525	N/AV	-	4,111,962
Total Federal Transit-Formula Grant Cluster			-	10,243,807
Public Transportation Emergency Relief Program	20.527	N/AV	-	4,457,146
Total Expenditures of Federal Awards			$ -	$ 14,700,953

The accompanying notes are an integral part of this schedule.

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Puerto Rico Integrated Transit Authority (the Authority), (a component unit of the Commonwealth of Puerto Rico), under programs of the federal government 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* (CFR Part 200), *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to, and does not present, the financial position and changes in net position of the Authority.

The Federal Assisting Number is a program identification number. The first two digits identify the federal department or agency that administers the program, and the last three numbers are assigned by numerical sequence.

State or local government redistributions of federal awards to the Authority, known as "pass–through awards", should be treated by the Authority as though they were received directly from the federal government. The Uniform Guidance requires the Schedule to include the name of the pass–through entity and the identifying number assigned by the pass–through entity for the federal awards received as a sub-recipient. Numbers identified as N/A are not applicable, and numbers identified as N/AV are not available.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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. For pass–through awards, the Authority records the expenditures of federal programs in the year in which the pass–through entity makes the reimbursement of the cost to the Authority.

NOTE C – INDIRECT COST RATE

The Authority has elected not to use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

NOTE D – CORONAVIRUS AID, RELIEF AND ECONOMIC SECURITY (CARES) AND AMERICAN RESCUE PLAN (ARPA) ACTS (PROGRAM 20.507)

From July 14, 2021 through September 1, 2023 the Authority was granted with CARES and ARPA Acts funds for an amount of approximately $62,200,000. Generally, expenditures are reported on the SEFA when costs are incurred and an award is determined to exist. The Authority reported eligible costs incurred of $5,910,728 from the period February 2020 to July 2023 as follows:

	Amount
CARES Act	$5,613,218
ARPA Act	297,510
Total	$5,910,728

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

INDEPENDENT AUDITORS' 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 and Management
Puerto Rico Integrated Transit Authority

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 the Puerto Rico Integrated Transit Authority (the Authority), 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 25, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exits that were not identified.

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

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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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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.

Valdés, García, Marín & Martínez, LLP

San Juan, Puerto Rico
March 25, 2025

DLLP223-76

PUERTO RICO INTEGRATED TRANSIT AUTHORITY

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

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

To the Board and Management
Puerto Rico Integrated Transit Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Puerto Rico Integrated Transit Authority's (the Authority) 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 auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); 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 Auditors' 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 opinion 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.

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.

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Auditors' 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 GAAS, *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 GAAS, *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 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.

Report on Internal Control over Compliance

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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

San Juan, Puerto Rico
March 25, 2025

Valdés, García, Marín & Martínez, LLP

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$2.00 ÍNDICE

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PUERTO RICO INTEGRATED TRANSIT AUTHORITY

SECTION I - SUMMARY OF AUDITORS' RESULTS

FISCAL YEAR ENDED JUNE 30, 2024

A. Summary of auditors' results:

Part I - Financial Statements

1. Type of audit report issued	☒ Unmodified opinion	☐ Qualified opinion
	☐ Adverse opinion	☐ Disclaimer of opinion
Internal control over Financial Reporting		
2. Significant deficiencies identified?	☐ Yes	☒ No
3. Significant deficiencies reported as material weaknesses?	☐ Yes	☒ None reported
4. Material noncompliance disclosed?	☐ Yes	☒ No

Part II - Federal Awards

Internal control over Major Programs		
1. Significant deficiencies identified?	☐ Yes	☒ No
2. Significant deficiencies reported as material weaknesses?	☐ Yes	☒ None reported
3. Type of auditors' report on compliance major programs	☒ Unmodified opinion	☐ Qualified opinion
	☐ Adverse opinion	☐ Disclaimer of opinion
4. Audit findings required to be reported under Uniform Guidance	☒ Yes	☐ No

5. Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
	Federal Transit-Formula Cluster:
20.507	COVID-19 Federal Transit-Formula Grants (Urbanized Area Formula Program)
20.507	Federal Transit-Formula Grants (Urbanized Area Formula Program)
20.525	State of Good Repair Grants Program
20.527	Public Transportation Emergency Relief Program

6. Dollar threshold used to distinguish Type A and Type B programs:	☒ $750,000	
7. Auditee qualified as low-risk auditee?	☐ Yes	☒ No

SECTION II – FINANCIAL STATEMENTS FINDINGS

No findings reported in this section.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported in this section.

Reference Number:	2023-001
Condition:	During the audit of the Authority's financial statements, we noted several deficiencies in the accounting system.
Status of Corrective Action Plan:	Partially corrected.
Reference Number:	2023-002
Condition:	The Data Collection Form and the Reporting Package were not timely submitted to the federal government.
Status of Corrective Action Plan:	Corrected