



A-2024-10220
ESTADOS FINANCIEROS
AUDITADOS Y "SINGLE AUDIT"
AL 30 DE JUNIO DE 2022
JRM

8 de junio de 2024

VÍA MENSAJERO

José L. Dalmau Santiago
Presidente
Senado de Puerto Rico
El Capitolio
Apartado 9023431
San Juan, Puerto Rico 00902-3431

Estimado Presidente:

ESTADOS FINANCIEROS AUDITADOS Y "SINGLE AUDIT" AL 30 DE JUNIO DE 2022

Adjunto copia de los Estados Financieros Auditados y "Single Audit" de la Autoridad de los Puertos de Puerto Rico, para el año terminado al 30 de junio de 2022.

Estamos a sus órdenes de necesitar información adicional al respecto.

Cordialmente,


Enrique W. Rivera Mejías
Director de Finanzas

Anejo

Puerto Rico Ports Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Uniform Administrative Requirements, Cost Principles and
Audit Requirements for Federal Awards Single Audit

June 30, 2022

Table of Contents

Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-15
Basic Financial Statements	
Statement of Net Position (Deficit)	16-17
Statement of Revenues, Expenses, and Changes in Net Position (Deficit)	18
Statement of Cash Flows	19-20
Notes to Basic Financial Statements	21-86
Required Supplemental Information	
Schedule of Proportionate Share of the Collective Total Pension Liability (Unaudited)	87
Schedule of Proportionate Share of the Collective Other Postemployment Benefits Liability (Unaudited)	88
Notes to Required Supplementary Information (Unaudited)	89
Schedule of Expenditures of Federal Awards	90
Notes to the Schedule of Expenditures of Federal Awards	91-92
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	93-94
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	95-98
Schedule of Findings and Questioned Costs	99-122
Summary Schedule of Prior Year Audit Findings	123-128
Corrective Action Plan	129-136
Profile of Independent Public Accountants	137



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Puerto Rico Ports Authority
(A Component Unit of the Commonwealth of Puerto Rico)
San Juan, Puerto Rico

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Puerto Rico Ports Authority (the Authority), a Component Unit of Commonwealth of Puerto Rico (the Commonwealth), as of and for the year ended June 30, 2022, 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 present fairly, in all material respects, the financial position of the Authority as of June 30, 2022, and the changes in its 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 (GAAS) 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.

Emphasis of Matter

Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 3 to the financial statements, the Authority face significant risks and uncertainties, including liquidity risk, significant operating losses, working capital deficiencies, negative cash flows and the uncertainty as to fully satisfy its obligations and raises substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plan regarding these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.



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Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Governmental 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 15, the Schedule of Proportionate Share of the Collective Total Pension Liability, the Schedule of Proportionate Share of the Collective Other Postemployment Benefit Liability, and the Notes to Required Supplementary Information, on pages 87 through 89, 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and are 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.



Galíndez LLC

San Juan, Puerto Rico
November 9, 2023
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Puerto Rico Ports Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis
(Unaudited)

June 30, 2022

Introduction

The following Management's Discussion and Analysis of the financial performance and activity of the Puerto Rico Ports Authority (the Authority) is intended to provide an introduction to its financial statements for the fiscal year ended June 30, 2022, with selected comparative information from the fiscal year ended June 30, 2021. This section has been prepared by the Authority's management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights

- The Authority's net position (deficit) improved for approximately \$11.9 million from a restated deficiency of (\$302.5) million at June 30, 2021 to (\$290.6) million at June 30, 2022.
- Current assets, composed of: unrestricted cash, accounts receivable - net of allowance for doubtful accounts, leases receivable, prepaid expenses and other current assets, had a net increase of approximately \$3.1 million, comparing figures at June 30, 2022 to those restated of June 30, 2021.
- Net capital assets increased for approximately \$1.8 million, when comparing fiscal years 2022 and 2021.
- Other non-current assets, which include: restricted cash, restricted deposit consigned at court, leases receivable, due from governmental entities and other assets, had a net increase of \$36.5 million for fiscal year 2022, as compared to restated balances of 2021.
- Deferred outflows of resources decreased for approximately (\$15.4) million during fiscal year 2022.
- Total current liabilities, principally composed of current portions of loans and notes payable, accounts payable and accrued expenses, current portion of total pension, unearned revenues, and interest payable, increased in the aggregate for approximately \$66.1 million during fiscal year 2022.
- Non-current liabilities, principally composed of long-term portions of notes payable, unearned revenues, due to governmental entities, total pension liability and other postemployment benefits, decreased for approximately \$60.2 million during fiscal year 2022.
- Deferred inflows of resources had a net increase of \$8.1 million during fiscal year 2022.
- During fiscal year 2022, the Authority collected passenger facility charges (PFC) for operations related to the Aguadilla and Ponce regional airports for approximately \$1.6 million (approximately \$121 thousand for 2021).

Puerto Rico Ports Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2022

Financial Highlights – (continued)

- For comparative purposes of the Management's Discussion and Analysis overview of the financial statements, the Authority restated its current assets (lease receivables for \$9.8 million), non-current assets (lease receivables for \$123.6 million) and deferred inflows of resources related to leases for \$133.4 million at June 30, 2021 for the effect of the adoption of GASB Statement No. 87, *Leases*.
- During fiscal year 2022, the Authority received in the aggregate net proceeds for approximately \$41.7 million related to federal and local contributions (for 2021, the local and federal contributions received were \$68.5 million, plus insurance recoveries of \$28.7 million). In addition, during 2022, the Authority received the LMMIA operations revenue share from Aerostar, related to natural year 2021, for approximately \$7.4 million.

Other Highlights

Related to the Luis Muñoz Marín International Airport (LMMIA) lease and use agreements (APP Agreements) entered into with Aerostar in February 2013, the Authority recognized approximately \$3.8 million for fiscal year 2022 (\$19.1 million in 2021) of additions to capital assets as a result of improvements and construction works already completed and placed in operations at the LMMIA by Aerostar. During 2018, the Authority began to accrue its annual rental income to be received from the APP Agreements based on the 5% of the estimated gross airport revenues of the LMMIA operations. The estimated annual rental income for calendar year 2022 was approximately \$8.6 million, for which \$4.3 million were recognized as accounts receivable as of June 30, 2022.

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements, including the notes to the financial statements. The basic financial statements comprise the following: Statement of Net Position (Deficit), Statement of Revenues, Expenses, and Changes in Net Position (Deficit), Statement of Cash Flows and the Notes to Basic Financial Statements.

Statement of Net Position (Deficit)

The Statement of Net Position (Deficit) presents the financial position of the Authority at the end of the fiscal year and includes all of its assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (deficit). Net position (deficit) equals total assets, plus total deferred outflows of resources, less total liabilities, less total deferred inflows of resources.

Puerto Rico Ports Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2022

Statement of Net Position (Deficit) – (continued)

A summarized comparison of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (deficit) follows:

	2022	2021 (as restated)	Change	
	(In Thousands)		In Dollars	Percentage
Assets:				
Current assets	\$ 80,348	\$ 77,238	\$ 3,110	4%
Non-current assets:				
Capital assets, net	1,257,334	1,255,539	1,795	0%
Other non-current assets	275,930	239,445	36,485	15%
Total assets	1,613,612	1,572,222	41,390	3%
Deferred outflows of resources	75,784	91,226	(15,442)	-17%
Total assets and deferred outflows	\$ 1,689,396	\$ 1,663,448	\$ 25,948	2%
Liabilities:				
Current liabilities	\$ 488,458	\$ 422,326	\$ 66,132	16%
Non-current liabilities:				
Loans and notes payable	40,014	85,863	(45,849)	-53%
Other non-current liabilities	625,155	639,502	(14,347)	-2%
Total liabilities	1,153,627	1,147,691	5,936	1%
Deferred inflows of resources	826,358	818,244	8,114	1%
Net position (deficit):				
Net investment in capital assets	654,661	666,989	(12,328)	-2%
Restricted	117,757	105,682	12,075	11%
Unrestricted (deficit)	(1,063,007)	(1,075,158)	12,151	-1%
	(290,589)	(302,487)	11,898	-4%
Total liabilities, deferred inflows and net position (deficit)	\$ 1,689,396	\$ 1,663,448	\$ 25,948	2%

Puerto Rico Ports Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2022

Analysis of Net Position (Deficit) at June 30, 2022 and 2021

The Authority's net position (deficit) at June 30, 2022 includes assets of \$1.614 billion, deferred outflows of resources of \$75.8 million, liabilities of \$1.154 billion and deferred inflows of resources of \$826.4 million.

The increase in current assets of approximately \$3.1 million is principally related to a net effect of the following: reduction in cash of (\$7.6) million, increase in accounts receivable of \$8.3 million, increase in the current portion of lease receivables of \$2.8 million, and decrease of (\$327) thousand in prepaid expenses and other current assets. The cash reduction resulted from increases in cash used for operating activities: payments to suppliers for goods and services, and for employee services. Increase in accounts receivable and lease receivables is related principally to the activity of the maritime cargo lines and the adoption of the GASB Statement No. 87, *Leases*, (GASB No. 87), respectively.

Net capital assets increased for approximately \$1.8 million, when comparing fiscal years 2022 and 2021. This increase resulted from a net effect of additions to construction in progress and to other capital assets of approximately \$26.0 million, offset by the depreciation for the year of approximately \$24.2 million. Approximately \$3.8 million (\$19.1 million in 2021) of the additions came from improvements and works completed and placed in operations by Aerostar in LMMIA.

Net increase of approximately \$36.5 million in other non-current assets is related to: increase in restricted cash of \$12.1 million, increase in leases receivable of \$26.3 million, decrease in other assets of (\$1.2) million and decrease in due from governmental entities of (\$0.7) million. Restricted cash increased principally for funds received from the Government of Puerto Rico related to the Coronavirus Relief Fund and from the Office of Management and Budget (OMB) to cover costs of PREPA employees mobilized to the Authority. Increase in lease receivables is related to the adoption of the GASB Statement No. 87, *Leases*, (GASB No. 87). Other assets decrease is related to change in the fair market value of the 137,629 common shares of American Airlines (AAL) received by the Authority, resulting from AAL's bankruptcy legal proceedings. Decrease in due from governmental entities is mainly related to collection of invoices pending from Federal Aviation Administration (FAA), offset by the recognition of an invoice receivable from Federal Transportation Administration (FTA). Decrease in deferred outflows of resources of approximately \$15.4 million is a direct consequence of changes in assumptions used for the GASB 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 Statement 67 and 68*. This net decrease in deferred outflows, which is basically related to pension, resulted from market-rate change in the GASB No. 73 discount rate from 2.21% as of June 30, 2020 to 2.16% at June 30, 2021, and to a reduction in the Authority's proportion of the collective total liability (1.79649% and 1.80621% for fiscal year 2022 and 2021, respectively).

Puerto Rico Ports Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2022

Analysis of Net Position (Deficit) at June 30, 2022 and 2021 – (continued)

Net change of approximately \$66.1 million in current liabilities resulted principally from a net effect of the following: reclassification as current of debt of \$44 million related to SJ Waterfront Project with maturity in June 2023; (\$5.1) million decrease in accounts payable and accrued expenses (principally related to a net effect of payments for scanning services and increase in environmental reserve); increase in interest payable for \$16.1 million; decrease in contractors' retainage of approximately (\$454) thousand; decrease of approximately (\$706) thousand in the GASB No. 73 payments made after the measurement date, and recognition as current liability of approximately \$10.8 million of unearned revenues. Decrease in non-current liabilities of approximately (\$60.2) million resulted as a net effect of the following: decrease in notes payable related to reclassification of (\$44) million balance as current; net increase in balance due to governmental entities for \$16.2 million (principally related to increase in Pay-Go balance due and offsetting changes in due to PREPA (decreased \$3.1 million) and PRASA (increased \$2.9 million); decrease in total pension and OPEB liabilities of (\$18.4) million (related principally to market-rate changes in the GASB No. 73 discount rate and in the Authority's proportion of the collective total liability); decrease in unearned revenues due to reclassification as current liabilities of (\$10.8) million; and decrease related to Law No. 70 benefits payment of (\$880) thousand. Deferred inflows of resources had a net increase of approximately \$8.1 million, responding to the approximately \$3.8 million of additions for works and improvements completed and placed in operation by Aerostar under the LMMIA lease and use agreement, offset by the scheduled amortization for the year of (\$20.4) million, decrease in pension related deferred inflows of \$728 thousand, and increase of \$25.7 million in leases related deferred inflows for the GASB No. 87 adoption.

Net position (deficit) totaled approximately (\$290.6) million at June 30, 2022, a reduction in (deficit) of approximately \$11.9 million compared to 2021 balance. Net investment in capital assets totaled \$654.7 million at June 30, 2022, comprising the investment in capital assets (e.g., land, buildings piers, improvements, roads and parking areas, among others), less the related outstanding indebtedness incurred to acquire those capital assets (net of the related deferred outflows of resources) and less the related deferred inflow of resources attributed to the work and improvements completed by Aerostar and placed in operations. Net position (deficit) also contains approximately \$117.8 million of net resources restricted principally for airport and maritime facilities improvements and the acquisition of assets. The residual net position (deficit) consists of an unrestricted deficit of approximately (\$1.063) billion.

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

The change in net position is an indicator of whether the overall fiscal condition of a government has improved or worsened during the year. Following is a summary of the Statement of Revenues, Expenses, and Changes in Net Position (Deficit) for the years ended June 30, 2022 and 2021.

Puerto Rico Ports Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2022

Statement of Revenues, Expenses, and Changes in Net Position (Deficit) – (continued)

	2022	2021 ⁽¹⁾	Change	
	(In Thousands)	(In Thousands)	In Dollars	Percentage
Operating revenues:				
Maritime operations	\$ 59,130	\$ 48,278	\$ 10,852	22%
Airport operations	55,429	46,461	8,968	19%
Less: discount and incentives	(230)	(228)	(2)	1%
Total operating revenues	114,329	94,511	19,818	21%
Non operating revenues:				
Federal financial assistance	39,172	21,142	18,030	85%
Contribution from Commonwealth of Puerto Rico	6,318	9,198	(2,880)	-31%
Insurance recovery	-	28,743	(28,743)	-100%
Market value adjustment for common shares received	(1,173)	1,120	(2,293)	-205%
Passenger facility charges	1,631	121	1,510	1248%
Penalties and other fees	138	64	74	116%
Total non-operating revenues	46,086	60,388	(14,302)	-24%
Total revenues	160,415	154,899	5,516	4%
Operating expenses:				
Salaries and employees benefits	30,652	21,634	9,018	42%
Pension expense (GASB No. 73)	18,898	23,252	(4,354)	-19%
OPEB expense (GASB No. 75)	(462)	1,117	(1,579)	-141%
Early termination adjustment	(288)	5	(293)	-5860%
General and administrative	30,808	26,871	3,937	15%
Professional services	6,874	6,036	838	14%
Insurance, rent, repairs and maintenance	15,520	14,784	736	5%
Provision for bad debt from governmental entities	234	386	(152)	-39%
Depreciation and amortization	24,213	25,060	(847)	-3%
Total operating expenses	126,449	119,145	7,304	6%
Non-operating expenses:				
Interest expense, net	17,500	17,378	122	1%
Grant subsidies and awards	4,568	-	4,568	0%
Total non-operating expenses	22,068	17,378	4,690	27%
Total expenses	148,517	136,523	11,994	9%
Increase in net position (deficit)	11,898	18,376	(6,478)	-35%
Net position (deficit), at beginning of year	(302,487)	(320,863)	18,376	-6%
Net position (deficit) at end of year	\$ (290,589)	\$ (302,487)	\$ 11,898	-4%

⁽¹⁾Certain operating revenue balances from 2021 were reclassified to conform with 2022 presentation.

Puerto Rico Ports Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2022

Analysis of Changes in Net Position (Deficit) during Fiscal Year 2022

Net maritime operating revenues totaled \$59.1 million during fiscal year 2022, compared to \$48.3 million in 2021; an increase of \$10.8 million which resulted principally from the effect of increases in tourist ship fees (\$4.2 million), wharfage, dockage and port services (\$1.9 million), rental properties and leases revenue (\$3 million), demurrage, utilities and others (\$311 thousand) and decrease in bad debts provision (\$1.5 million). Most of these revenue increases are direct consequences of the reactivation of economic activity during 2022, after the negative effects of COVID-19 pandemic in the economy during the full fiscal year 2021, principally in the cruise industry. The increase in rental properties and leases revenues is mainly related to additional lease agreements entered during 2022 and to the adoption of GASB No. 87, which changed the income recognition of leases. The change in the bad debts provision resulted from the accounts receivable aging composition, which is the base for the computation of the allowance for doubtful accounts. Net airport operating revenues totaled approximately \$55.4 million, an increase of \$9.0 million, compared to \$46.4 million for fiscal year 2021. As indicated above, the reactivation of the economy after COVID-19 resulted in increases in landing fees (\$571 thousand) and revenue sharing of the LMMIA (\$1.5 million). In addition, passenger fees and the concession fees amortization increased by \$570 thousand and \$604 thousand, respectively. Net airport operating revenues also changed for increase in rental properties and leases revenues related to new lease agreements and the adoption of GASB No. 87, as explained above. During fiscal year 2022, services provided and rental income for certain piers and facilities belonging to the Isla Grande regional airport amounting to \$12.2 million (\$9.3 million for 2021) were reported as airport operating revenues. These revenues, which are related principally to wharfage, dockage services, and tourist ships fees, were previously recognized as maritime revenues. This reporting change was requested by the FAA to comply with federal regulations. The increase in the reclassified revenues from \$9.3 million in 2021 to \$12.2 million for 2022, as explained above, is related to the reactivation of the economy after COVID-19.

Non-operating revenues consist principally of Federal Aviation Administration (FAA), and other governmental agencies approved programs, appropriation from the Commonwealth of Puerto Rico, net insurance recoveries, market value adjustment for AAL common shares, passenger facility charges, and penalties and other fees. Non-operating revenues presented net decrease of approximately \$14.3 million during 2022, as compared to 2021. Such decrease resulted mainly as a net effect of the following: decrease in insurance recoveries of \$28.7 million, decrease in contributions from the Commonwealth of Puerto Rico (\$2.9 million) and decrease in the market value adjustment of AAL common shares of \$2.3 million, offset by increases in Federal financial assistance (caused principally by CARES funds) and revenues from passenger facility charges for \$18.0 million and \$1.5 million, respectively.

Puerto Rico Ports Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Management's Discussion and Analysis – (continued)
(Unaudited)

June 30, 2022

Analysis of Changes in Net Position (Deficit) during Fiscal Year 2022 – (continued)

Operating expenses totaled \$126.4 million in 2022, which increased by \$7.3 million as compared to 2021. This change resulted principally from the net effect of: increase in salaries and employee benefits (\$9.0 million), decreases in pension and other post-employment expenses (\$5.9 million), net increase in general and administrative expenses (\$3.9 million), decrease in the present value of benefits under Law No. 70 and professional services for \$293.9 thousand and \$838.8 thousand, respectively, increase in insurance premiums of \$1.1 million and reduction in repairs and maintenance for \$332.7 thousand. The increase in salaries and employee benefits is directly related to the mobilization of PREPA ex-employees to the Authority at the beginning of fiscal year 2022. The decrease in pension and other post-employment benefits resulted from the recognized effect of GASBs No. 73 and No. 75, and its principally related to changes in market-rate used (2.16% as of June 30, 2021, and 2.21% as of June 30, 2020) and the Authority's proportion of the collective total liability which changed from 1.80621% (fiscal year 2021) to 1.79649% (fiscal year 2022). Net increase in general and administrative expenses of \$3.9 million is principally related to the following: scanning fees, net additional billings received from PRASA, and additional environmental reserve considered during 2022. The increase in professional services is principally related to private security provided in the Authority's facilities.

Non-operating expenses composed of net interest expense and grant subsidies and awards had a net increase of \$4.7 million during 2022, as compared to 2021. This change resulted principally from FTA funds received and passed through to the Puerto Rico and Municipality Islands Maritime Transportation Authority (MTA).

Capital Activities

The Authority's net disbursements for capital construction projects totaled approximately \$25.1 million in 2022 (\$25.4 million in 2021). During 2022, the Authority received federal and local contributions for \$34.8 million and \$6.9 million, respectively. Approximately \$39.7 million of the local contribution received during fiscal year 2021 remains as unearned revenues and as restricted cash to be used for capital construction projects expenditures.

Loan and Notes Payable

In December 2011, the Authority entered into a refinancing transaction by the issuance of Puerto Rico Infrastructure Financing Authority (PRIFA) (a component unit of the Commonwealth of Puerto Rico) bonds in a conduit debt transaction. The proceeds were used to pay various outstanding debts.