

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA**
(A Component Unit of the Commonwealth of Puerto Rico)
Basic Financial Statements and
Required Supplementary Information

June 30, 2019

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
For the Year Ended June 30, 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Corporación del Proyecto Enlace
del Caño Martín Peña
San Juan, Puerto Rico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Corporación del Proyecto Enlace del Caño Martín Peña (a component unit of the Commonwealth of Puerto Rico) (the Corporation), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Qualified
Capital Projects Fund	Qualified
Aggregate Remaining Fund Information	Qualified

INDEPENDENT AUDITORS' REPORT CONTINUED

Basis for Qualified Opinion

The Corporation made deposits of funds in the Fideicomiso de la Tierra del Caño Martín Peña (the Fideicomiso) for the acquisition of real property. Most of these transactions may occur close to the end of each fiscal year. Also, the Corporation made deposits of funds in the court related to involuntary expropriations of real property. Those transactions are recognized as expenditures in funds financial statements for approximately \$3.5 millions only for 2019; however, the capital assets are not recognized in the Statement of Net Position. Additionally, the deposits transactions made to the Fideicomiso cannot be traced to the final resolution in the acquisition of each real property. Therefore, there are deposits made to the Fideicomiso for the acquisition of real property that are in process of final resolution, resulting in an overstatement of expenditures and expenses for the specified amount. Furthermore, the Law 489 of 2004, as amended, established that the Corporation may transfer real property to the Fideicomiso.

Based on the information provided above, we were unable to obtain sufficient appropriate audit evidence about the completeness of the capital assets recognized in the financial statements and the amount of cash deposited in the Fideicomiso that are not recognized in financial records of the Corporation, because the Fideicomiso is a separate legal entity, and we were unable to satisfy ourselves about these transactions and the final impact in the accompanying financial statements.

Also, we were unable to satisfy for an unreconciled difference in the amount of \$1.6 million approximately for one of the five banks accounts. The accounting records lack of adequate tracing between trial balances and bank reconciliations. We were unable to apply alternate procedures to satisfy ourselves that bank balances presented in the financial statements for cash are reasonable stated, for the specified amount.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Governmental Activities of the Corporation, as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Juan, Puerto Rico
October 31, 2021

The stamp number 2779118
was affixed to the original



González Torres, CPA, PSC
GONZALEZ TORRES & CO., CPA, PSC
License Number 96
Expires on December 1, 2023



**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Management Discussion and Analysis
For the Year Ended June 30, 2019**

The management of the Corporación del Proyecto ENLACE del Caño Martín Peña ("the Corporation") provides this Management's Discussion and Analysis ("MD&A") for the readers of the Corporation's basic financial statements. This MD&A provides a narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended June 30, 2019, and is intended to serve as an introduction to the basic financial statements, which have the following components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. The MD&A is designed to: (a) assist the reader in focusing on significant financial matters; (b) provide an overview of the Corporation's financial activities; (c) identify any material changes from the original budget; and (d) highlight individual fund matters. We encourage readers to review this information together with the Corporation's basic financial statements that follow.

Financial Highlights

General Fund

- ❖ Total General Fund actual revenues on a budget basis (excluding other financing sources) for fiscal year 2019 amounted to \$10,929,225, representing a decrease of \$225 from the final budgeted revenues.
- ❖ Total expenditures of \$18,067,818, represented a favorable decrease of \$7.4 million from the final budget expenditures.
- ❖ The General Fund balance for fiscal year 2019 decreased by \$3,054,782, or 46% when compared to fiscal year 2018.

Government-Wide

- ❖ The Corporation reported net position at year-end of \$5,102,407, comprised of \$9,835,572 in total assets offset by \$4,733,165 in total liabilities and deferred inflows of resources.
- ❖ The Corporation's net position at year end decreased by \$12,843 as a result of this year's operations.
- ❖ The Corporation's governmental activities had total revenues of \$15,779,186, which were more than total expenses of \$12,444,711.

General Fund Budgetary Highlights

The Corporation's budget is approved by its Board of Directors. The only budgeted fund is the General Fund which was established and amended during the year to recognize the planned expenditures and additional information became known during the fiscal year.

Major Financial Elements

Revenues

The General Fund is the primary operating fund of the Corporation. General Fund revenues are broadly based on appropriations from the Commonwealth of Puerto Rico's general fund and proceeds from joint resolutions for capital improvements.

Expenditures

Expenditures consist principally of grants and subsidies (used for acquisition of land and relocation), personal services, other services, materials and supplies, equipment purchases, capital outlays, and transfers.

**CORPORACIÓN DEL PROYECTO ENLACE
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Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to the Corporation's basic financial statements for the fiscal year ended June 30, 2019. The Corporation's basic financial statements comprise of three (3) components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains additional required supplementary information in addition to the basic financial statements themselves. These components are described below.

The basic financial statements include two kinds of financial statements that present different views of the Corporation, the government-wide financial statements and the fund financial statements. These financial statements also include the notes to the basic financial statements that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business. The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities and Changes in Net Position. Both government-wide financial statements include functions of the entity that are principally supported by intergovernmental revenues.

- **Statement of Net Position** - This presents all of the government's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in the Corporation's net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.
- **Statement of Activities and Change in Net Position** - This presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenue for each function of the Corporation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related governmental requirements. The funds of the Corporation are classified as governmental funds.

The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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Fund Financial Statements, (Continued)

Because the focus of governmental funds is narrower than the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both, the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison.

These reconciliations are presented on the page immediately, following each governmental fund financial statement.

The Corporation has two major governmental funds. That is, each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances (deficit). The Corporation's two major governmental funds are the General Fund and the Capital Improvement Fund. The remaining nonmajor governmental funds are grouped and presented in a single column in the governmental funds financial statements. The basic governmental funds financial statements can be found following the government-wide financial statements.

The Corporation adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The statement of revenue and expenditures - budget and actual - budget basis - general fund only presents the information for the general fund for which there is a legally adopted budget, as required by GAAP. Refer to required Supplementary Information for the reconciliation of the Statement of Revenues and Expenditures Budgetary Comparison – General Fund with the Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the basic financial statements can be found immediately following Reconciliation of the Statement Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities and Change in Net Position.

Required Supplementary Information

The basic financial statements include a section of required supplementary information immediately following its notes. This section includes a supplemental schedule of expenditures by budget and actual budget basis-general fund; however, the Schedule of Statutorily Required Employer Contributions Pension Plan, and the Schedule of Proportionate Share of the Collective Net Pension Liability were omitted.

General Fund Financial Analysis

Total General Fund revenues for fiscal year 2019 amounted to \$10,941,537, which represents a decrease of 1% as compared to actual revenues for fiscal year 2018. Total expenditures for fiscal year 2019 amounted to \$10,649,001 and represented an increase of 27% as compared to actual expenditures for fiscal year 2018.

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General Fund Financial Analysis, (Continued)

The difference between total expenditures and total revenues in the General Fund is referred herein as "Excess of (Deficiency) Revenues over Expenditures". For fiscal year 2019, the excess of revenues over expenditures of \$292 thousand compares favorably with the excess of revenues over expenditures of \$2.6 million of the fiscal year 2018.

Government-Wide Financial Analysis

Net Position

Net Position may serve over time as a useful indicator of a government's financial position. Total assets and, total liabilities and deferred inflows of resources of the Corporation at June 30, 2019 amounted to \$9,835,572 and \$4,733,165, respectively, for net position of \$5,102,407 compared to net position of \$5,115,250 at the beginning of the current year.

A portion of the Corporation's net position reflects its investment in capital assets such as land, buildings, and equipment. The Corporation uses these capital assets to provide services to the residents; consequentially, these assets are not available for future spending.

Total assets and deferred outflows of resources decreased by \$3,016,452 or 23% as compared to the prior fiscal year, while total liabilities and deferred inflows of resources decreased by \$3,003,609 or 39% during the current fiscal year when compared to the prior fiscal year.

Summary of Net Position

The following schedule summarizes the Corporation's net position at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Assets	\$ 7,432,833	\$ 8,177,921
Capital Assets, Net	2,402,739	2,176,199
Total Assets	<u>\$ 9,835,572</u>	<u>\$ 10,354,120</u>
Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 2,497,904</u>
<u>Liabilities and Net Position</u>		
Liabilities Payable within One Year	\$ 4,525,272	\$ 346,338
Liabilities Payable after One Year	169,772	6,998,553
Total Liabilities	<u>4,695,044</u>	<u>7,344,891</u>
Total Deferred Inflows of Resources	<u>38,121</u>	<u>391,883</u>
Net Position:		
Net Investment in Capital Assets	2,402,739	2,176,199
Restricted	2,699,668	4,165,605
Unrestricted	-	(1,226,554)
Total Net Position	<u>\$ 5,102,407</u>	<u>\$ 5,115,250</u>

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Changes in Net Position

The Corporation's net position decreased by \$12,843 or 0.25% from last year's total net position. The net position change was mainly due to a restatement of previous year financial statements to correct an overstatement of prepaid expense and an understatement of accounts payable. Also, a change in allocation of the net pension liability result in an other income of \$4,444,242 for this fiscal year. Approximately 95% of the Corporation's total revenues came from legislative appropriations, while less than 1% resulted from joint resolutions for capital improvements for the current fiscal year. The Corporation's largest expenses were for salaries, benefits, payroll taxes and professional services.

Results of Operations

For the fiscal years ended June 30, 2019 and 2018, the changes in net position were as follows:

	<u>2019</u>	<u>2018</u>
Program Revenues - Operating Grants	\$ 11,270,545	\$ 11,024,630
Program Revenues - Capital Grants	37,293	176,488
General Revenues	4,471,348	1,389,100
Total Revenues	<u>15,779,186</u>	<u>12,590,218</u>
Expenses	<u>12,444,711</u>	<u>8,003,188</u>
Changes in Net Position	3,334,475	4,587,030
Net Position at Beginning of Year	5,115,250	528,220
Prior Period Adjustments	<u>(3,347,318)</u>	-
Net Position End of Year	<u>\$ 5,102,407</u>	<u>\$ 5,115,250</u>

Governmental Funds

The focus of the Corporation's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Corporation's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of fiscal year 2019, the Corporation's governmental funds reported combined ending fund balance of \$2,958,769. This year, the expenditures exceeded the revenues by \$1,322,660, as compared to the excess of revenues over expenditures of \$3,847,744 in prior year.

The general fund is the chief operating fund of the Corporation. At the end of the current fiscal year, the total restricted fund balance of the general fund was \$3,531,954. The fund balance of the Corporation's general fund decreased by \$3,054,782 resulting in a current fiscal year's change in financial position. This is a 46% decrease when compared to total general fund balance reported in fiscal year 2018.

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Management Discussion and Analysis
For the Year Ended June 30, 2019**

Capital Assets

At June 30, 2019, the Corporation has spent the amount of \$248,485 in additions capital assets. During this year, the depreciation expense and accumulated depreciation amounted to \$21,945 and \$439,085, respectively.

Depreciation Expense

This expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2019, the amount of \$21,945 was recorded for depreciation expense in the Statement of Activities and Change of Net Position.

Capital Outlay Acquisitions

For the fiscal year ended June 30, 2019, the total Capital Outlay amounted to \$248,485 were capitalized and recorded as assets of the Corporation. These additions to the Corporation's capital assets will be depreciated over time as described above. The net effect of the new capital assets and the current year's depreciation is a decrease in capital assets in the amount of \$21,945 for the fiscal year ended June 30, 2019.

Financial Analysis of the Corporation's Funds

As of June 30, 2019, the Corporation's governmental funds reported a combined cash balance of \$7,167,238 as compared to prior year's \$3,701,675. The increase is mainly due to pending project not completed this year.

Request for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the Corporation's finances. If you have questions about this report, please contact, Corporación del Proyecto Enlace del Caño Martín Peña to the following address:

Physical Address

Avenida Ponce de León No. 1957
San Juan, Puerto Rico

Postal Address

Apartado Postal 41308
San Juan, PR 00940-1308

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)**

**Statement of Net Position
June 30, 2019**

	Governmental Activities
Assets:	
Cash	\$ 7,167,238
Due From Governmental Entities	265,595
	7,432,833
Capital Assets Not Being Depreciated:	
Relocation Land	1,132,222
Relocation Structure	1,084,441
	2,216,663
Capital Assets Being Depreciated:	
Office Equipment and Furniture	188,326
Computer and Communication Equipment	201,034
Computer Programs	166,750
Vehicles	69,051
	625,161
Total Capital Assets	2,841,824
Less: Accumulated Depreciation	(439,085)
	2,402,739
Total Assets	\$ 9,835,572

The Notes to Financial Statements are an integral part of this Statement.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)**

**Statement of Net Position
June 30, 2019**

	Governmental Activities
Liabilities:	
Accounts Payable	\$ 4,335,013
Accrued Liabilities	100,930
Accrued Compensated Absences	89,329
	4,525,272
Liabilities Payable After One Year:	
Accrued Compensated Absences	169,772
	169,772
Total Liabilities	4,695,044
Deferred Inflows of Resources:	
Appropriations Not Used or Consumed	38,121
Total Deferred Inflows of Resources	38,121
Net Position:	
Net Investment in Capital Assets	2,402,739
Restricted	2,699,668
Total Net position	5,102,407
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 9,835,572

The Notes to Financial Statements are an integral part of this Statement.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)**

**Statement of Activities and Change in Net Position
June 30, 2019**

	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Expenses	Operating Grants	Capital Grants	Governmental Activities
Governmental Activities:			
General Government	\$ (10,473,401)	\$ 10,929,225	\$ 37,293
Other	(1,971,310)	341,320	-
	\$ (12,444,711)	\$ 11,270,545	\$ 37,293
General Revenues:			
Change in Allocation of Net Pension Liability			4,444,242
Interest Income			27,106
Total			4,471,348
Change in Net Position			3,334,475
Net Position at Beginning of the Year			5,115,250
Prior Period Adjustments			(3,347,318)
Net Position at Beginning of the Year, as restated			1,767,932
Net Position at End of Year			\$ 5,102,407

The Notes to Financial Statements are an integral part of this Statement.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA**
(A Component Unit of the Commonwealth of Puerto Rico)

**Balance Sheet – Governmental Funds
June 30, 2019**

ASSETS

	General Fund	Capital Projects Fund	Other Funds	Total
Assets:				
Cash	\$ 7,167,238	\$ -	\$ -	\$ 7,167,238
Due From Governmental Entities	12,293	-	253,302	265,595
Total Assets	\$ 7,179,531	\$ -	\$ 253,302	\$ 7,432,833

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts Payable	\$ 3,508,526	\$ -	\$ 826,487	\$ 4,335,013
Accrued Liabilities	100,930	-	-	100,930
Total Liabilities	3,609,456	-	826,487	4,435,943
Deferred Inflows of Resources	38,121	-	-	38,121
Fund Balances:				
Restricted	3,531,954	-	-	3,531,954
Unassigned	-	-	(573,185)	(573,185)
Total Fund Balances	3,531,954	-	(573,185)	2,958,769
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,179,531	\$ -	\$ 253,302	\$ 7,432,833

The Notes to Financial Statements are an integral part of this Statement.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)**

**Reconciliation of Governmental Fund Balance to Net Position of Governmental
Activities
June 30, 2019**

Governmental Fund Balances	\$ 2,958,769
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Amounts Reported for Governmental Activities in the Statements of Net Position are Different Because:

Capital Assets and Unamortized Expenses Used in Governmental Activities are not Financial Resources and are Not Reported in the Government Funds

Capital Assets	2,841,824
Accumulated Depreciation	(439,085)

Liabilities Payable After One Year:	
Accrued Compensated Absences	<u>(259,101)</u>

Net Position of Governmental Activities	<u>\$ 5,102,407</u>
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The Notes to Financial Statements are an integral part of this Statement.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA**
(A Component Unit of the Commonwealth of Puerto Rico)

**Statement of Revenues, Expenditures, and
Changes in Fund Balances – Governmental
Funds**
June 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
<u>REVENUES</u>				
Legislative Appropriations and State Grants	\$ 10,929,225	\$ -	\$ -	\$ 10,929,225
Federal Grants	-	-	247,023	247,023
Joint Resolutions for Capital Improvements	-	37,293	-	37,293
Interest	-	-	27,106	27,106
Contributions and Donations	-	-	5,080	5,080
Other Income	12,312	-	76,905	89,217
Total Revenues	<u>10,941,537</u>	<u>37,293</u>	<u>356,114</u>	<u>11,334,944</u>
<u>EXPENDITURES</u>				
Salaries	875,905	-	62,104	938,009
Professional Services	3,194,031	9,000	75,440	3,278,471
Insurance	27,405	-	-	27,405
Community Development Activities	-	790	-	790
Payroll Taxes	97,639	-	4,751	102,390
Benefits	103,638	-	-	103,638
Supplies	25,398	-	-	25,398
Vehicle	5,587	-	-	5,587
Utilities	34,336	-	-	34,336
Repairs and Maintenance	92,080	-	-	92,080
Acquisition and Relocation of Real Estate	5,894,749	27,503	1,829,015	7,751,267
Capital Outlays	248,485	-	-	248,485
Other	49,748	-	-	49,748
Total Expenditures	<u>10,649,001</u>	<u>37,293</u>	<u>1,971,310</u>	<u>12,657,604</u>
Excess (Deficiency) of Revenues Over Expenditures	292,536	-	(1,615,196)	(1,322,660)
Fund Balances at Beginning of Year	6,586,736	-	1,042,011	7,628,747
Prior Period Adjustments	(3,347,318)	-	-	(3,347,318)
Fund Balances at Beginning of Year, as restated	3,239,418	-	1,042,011	4,281,429
Fund Balances at End of Year	<u>\$ 3,531,954</u>	<u>\$ -</u>	<u>\$ (573,185)</u>	<u>\$ 2,958,769</u>

The Notes to Financial Statements are an integral part of this Statement.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)**

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
of Governmental Funds to the Financial
Statements of Activities and Changes in Net
Position
June 30, 2019**

Net Change in Fund Balances \$ (1,322,660)

Amounts Reported for Governmental Activities in the Statements Activities are
Different Because:

Governmental Funds Reports Capital Assets Outlays as Expenditures.

However, in the Statement of Activities, the Cost of those Assets is Allocated
Over their Estimated Useful Lives and Reported as Depreciation Expense:

Capital Outlays	248,485
Current Year Depreciation	(21,945)

Some Expenses Reported in the Statement of Activities do not Require the
use of Current Financial Resources and therefore are Not Reported as
Expenditures in the Governmental Funds:

Accrued Compensated Absences	(13,647)
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Change in Allocation of Net Pension Liability	<u>4,444,242</u>
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Change in Net Position of Governmental Activities	<u>\$ 3,334,475</u>
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The Notes to Financial Statements are an integral part of this Statement.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Corporación del Proyecto Enlace del Caño Martín Peña (the Corporation) was created under Law No. 489 of September 24, 2004, as amended ("Ley para el Desarrollo Integral del Distrito de Planificación Especial del Caño Martín Peña"), hereafter Law 489-2004. The Corporation's Board of Directors consists of thirteen (13) members, seven (7) appointed by the Governor of Puerto Rico and six (6) appointed by the Mayor of the Municipality of San Juan. The Corporation's reporting entity does not contain any component units as defined in Governmental Accounting Standard Board No. 14.

The mission of the Corporation is to give priority attention to the environmental restoration of the district of Caño Martín Peña and rehabilitate and revitalize the communities in their north and south margins, in order to promote a healthy relationship between the natural environment and city, and surrounding communities, with a comprehensive vision of development and based on the community empowerment.

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June 1999, the GASB issued Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments", which affects the way the Corporation prepares and presents financial information. This Statement, which establishes new requirements and a new reporting model for the annual reports of state and local governments, was developed to make annual reports easier to understand and more useful to the people who use the governmental financial information to make decisions.

The Corporation has prepared required supplementary information titled Management's Discussion and Analysis, which precedes the basic financial statements.

Other GASB Statements are required to be implemented in conjunction with GASB 34. Therefore, the Corporation has implemented the following GASB Statements in the current fiscal year: GASB Statement No. 37 "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus-an amendment of GASB Statements No. 21 and No. 34"; GASB Statement No. 38 "Certain Financial Statement Note Disclosures"; GASB Statement No. 41 "Budgetary Comparison Schedules-Perspective Differences-an amendment of GASB Statement No. 34"; and GASB Statement No 54 "Fund Balance Reporting and Governmental Fund Type Definitions".

Financial Reporting Entity

The accompanying financial statements includes the organization units governed by the Executives officers of the Corporation. In evaluating the Corporation as a reporting entity, management has addressed the entire potential component unit.

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DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Financial Reporting Entity, (Continued)

The basic criteria for including a potential component unit within the reporting entity is, if potential component unit are financially accountable and other organization for which the nature and significance of their relationship with the entity are that exclusion would cause the Corporation's Financial Statement to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability.

These criteria include appointing a voting majority of an organization's governing body and (1) ability to the Corporation to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Corporation.

The relative importance of each criteria must be evaluated in light of specific circumstances in order to determine which components units are to be included as part of the reporting entity. Our specific evaluation of the criteria applicable to the Corporation indicates that no organization meet the criteria to be included as component units. Accordingly, these basic financial statements present only the Corporation as the reporting entity.

Basis of Presentation, Measurement Focus and Basis of Accounting

The financial report of the Corporation consists of a Management Discussion and Analysis (MD&A), basic financial statements, notes to the financial statements, and required supplementary information other than the MD&A. Following is a summary presentation of each, including the measurement focus and basis of accounting measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

Management Discussion and Analysis

This consists of a narrative introduction and analytical overview of the Corporation's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Basic Financial Statements

Basic financial statements include both government-wide and fund financial statements. Both levels of statements categorize primary activities as governmental type.

Government-Wide Statements

The government-wide statements consist of a Statement of Net Position and a Statement of Activities and Change in Net Position. These statements are prepared using the economic resources measurement focus, which concentrates on an entity or fund's net position.

All transactions and events that affect the total economic resources (net position) during the period are reported. The statements are reported on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Fiduciary activities, if any, whose resources are not available to finance government programs, are excluded from the government-wide statements. The effect of inter-fund activities is eliminated.

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(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Government-Wide Statements, (Continued)

The Statement of Net Position incorporates all capital (long lived) assets and receivables as well as long term debt and obligations. The Statement of Activities and Change in Net Position reports revenues and expenses in a format that focuses on the net cost of each function of the Corporation. Both the gross and net cost of the function, which is otherwise being supported by the general government revenues, is compared to the revenues generated directly by the function. This Statement reduces gross expenses, including depreciation, by related program revenues, operating and capital grants, and contributions.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable. The statement of net position presents the reporting entities' nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- Restricted - Net position restricted consists when constraints placed on the net position' use are either externally imposed by creditors, grantors, contributors, and the like or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - Unrestricted net position consists of net position that do not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

When both restricted and unrestricted resources are available for use, generally, it is the Corporation's policy to use restricted resources first, then the unrestricted resources as they are needed. The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or component unit are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenue includes grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit.

**CORPORACIÓN DEL PROYECTO ENLACE
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(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Governmental Fund Financial Statements

The financial transactions of the Corporation are recorded in individual funds, each of which are considered an independent fiscal entity. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures. Funds are segregated according to their intended purpose which helps management in demonstrating compliance with legal, financial, and contractual provisions. Governmental Funds are those through which most governmental functions of the Corporation are financed.

The governmental fund statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances with a column for each major fund and one column combining all non-major governmental funds. Major funds are determined based on a minimum criterion (percentage of the assets, liabilities, revenues, or expenditures) or based on the Corporation's official's criteria, if the fund is particularly important to financial statement users.

GABS No. 34 eliminates the presentation of account groups but provides for these records to be maintained and incorporates the information into the governmental column in the government-wide Statement of Net Position.

The Corporation reports the following major governmental funds:

General Fund - Accounts for all financial resources except those required in another funds.

Capital Projects Fund – Accounts for the funds received in accordance with the Joint Resolution 41 of June 1, 2015, of the Legislature of Puerto Rico, which substituted Joint Resolution 116 of July 23, 2007, for the development of projects in the communities adjacent to the Martín Peña Channel.

Other Fund – Account donations received, plus interest earned; implementing a variety of initiatives under the AmeriCorps Program; promoting youth leadership; implementing after school violence prevention and educational programs; complementing salaries (PR Department of Labor and Human Resources); and designing stormwater infrastructure and performing environmental studies (Urban Waters Small Grant and Brownfields Hazardous and Petroleum Grants, US Environmental Protection Agency). During fiscal year ended June 30, 2019, the Corporation also received \$5 million in funds allocated in compliance with Law No. 63 of June 18, 2016. These funds will be used by the Corporation to cover part of its operational expenses, as well as expenses at the stage of preconstruction and design of the Caño Martín Peña ecosystem restoration project, on infrastructure works, the acquisition of real estate and all related expenses to the relocation of eligible occupants, and for any other purpose related to the *Proyecto Enlace del Caño Martín Peña*. Also, the assigned funds under the Law No. 63 of June 18, 2016, can be used for matching requirements related to state, municipal, private entity, or federal grants.

Deposits

Under Commonwealth of Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal deposit insurance.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
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June 30, 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Concentration of Credit Risk

As of June 30, 2019, the Corporation kept depository bank balances in excess of the insurance coverage provided by the Federal Deposit Insurance Corporation commonly known as FDIC by approximately \$12.5 million. In addition, this excess is uncollateralized and may also be reflected during the year.

Receivables

Receivables are recorded in the General Fund and Other Governmental Funds, and are considered collectible; accordingly, no provision for doubtful account has been established.

Capital Assets

Property and equipment purchased or acquired is carried at historical cost or estimated historical cost. The Corporation's capitalization policy is to capitalize individual amounts exceeding \$500. Other cost incurred for repair and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimates useful lives:

Building	33 years
Office Equipment	10 years
Vehicles	3 years
Computer Programs	6 years
Computer Equipment	6 years

Compensated Absences

The Corporation accrues accumulated unpaid vacation and sick leave and associated employee - related costs when earned (or estimated to be earned) by the employee.

From July 1, 2016 and until April 28, 2017, with the exceptions explained below, the Corporation employees were granted vacations and sick leave in accordance with the "*Reglamento de Personal para Empleados Gerenciales en el Servicio de Confianza de la Corporación del Proyecto ENLACE del Caño Martín Peña*" (Personnel Regulations). Law No. 66 of April 26, 2014, for Fiscal and Operational Sustainability of the Government of the Estado Libre Asociado de Puerto Rico (Law 66-2014) limited the accrual of vacation and sick leave, and the payment for excess days accrued.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
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Notes to Financial Statements
June 30, 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Compensated Absences, (Continued)

Law No. 8 of February 4, 2017, for the Administration and Transformation of Human Resources in the Government of Puerto Rico (Law 8-2017) and Law 26 of April 29, 2017, for Compliance with the Fiscal Plan (Law 26-2017) established new parameters for the accrual of vacations and sick leave. Later, as per Law 32 of January 21, 2018, (Law 32-2018), the Corporation became exempt from the application of Law 8-2017 and as a consequence, the parameters for the accrual of vacation days changed.

During year 2019, the Corporation's employees were granted vacations and sick leave as follows:

Vacations

For the period between July 1, 2016 and April 28, 2017, except for employees hired between February 4 and April 28, 2017, vacations were accrued as follows:

Period of Services as Corporation Employee, per Type of Employment	Monthly Accrual	Maximum Annual Balance
Regular Employment:		
One (1) Year or Less	1.25 days	15 days
More than One (1), Less than Four (4) Years	1.75 days	42 days
Four (4) Years and Over	2.00 days	48 days
Temporary Employment:		
One (1) Year or Less	1.00 days	12 days
More than One (1) Year	1.25 days	30 days

Accrued days in excess of the maximum annual balance and up to sixty (60) days will be paid yearly.

Employees hired between February 4 and April 28, 2017, accrued two (2) days monthly during that period only, and had the right to be paid during the fiscal year for the excess of sixty (60) days accrued, only if the Corporation had sufficient funds to make such payment.

For the period between April 29, 2017 to January 20, 2018, all employees accrued 1.25 vacation days monthly, equivalent to fifteen (15) days annually, and up to a maximum of sixty (60) days. Accrued days in excess of sixty (60) days cannot be paid. Any excess of sixty (60) days accrued by employees prior to April 29, 2017 had to be used by December 31, 2017.

**CORPORACIÓN DEL PROYECTO ENLACE
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Notes to Financial Statements
June 30, 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Vacations (Continued)

After January 21, 2018 and while Law 26-2017 remains in effect, vacation days are accrued as per the Personnel Regulations. However, any excess of sixty (60) days cannot be paid.

Sick leave

For the period between July 1, 2016 and April 28, 2017, employees accrued sick leave as follows:

Type of Employment	Monthly Accrual	Maximum Annual Balance
Regular Employment	1.25 days	60 days
Temporary Employment	1.00 days	30 days

During this period, employees hired prior to February 3, 2017, may accrue up to sixty (60) days for regular employment and up to thirty (30) days for temporary employment, and any days accrued in excess will be paid annually only if the Corporation has sufficient funds. Employees hired between February 4 and April 28, 2017, may accrue up to ninety (90) days, and any days in excess will be paid annually only if the Corporation has sufficient funds.

After April 29, 2017 and while Law 26-2017 remains in effect, the following applies to all Corporation employees:

Type of Employment	Monthly Accrual	Maximum Annual Balance
Regular Employment	1.25 days	60 days
Temporary Employment	1.00 days	30 days

Days in excess of the ninety (90) day accrual limit cannot be paid.

The Corporation accrues a liability for compensated absences which meet the following criteria:

1. The Corporation's obligations relating to employee's rights to receive compensation for futures absences are attributable to employee's services already rendered.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
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Notes to Financial Statements
June 30, 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Sick leave (Continued)

2. The obligation relates to right that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria and requirements as established by GASB No. 16; the Corporation has accrued a liability for compensated absences, which has been earned but not taken by Corporation's employees. For the government-wide statements, the current portion is the amount estimated to be used in the following years. For the governmental funds statements, the current portion for compensated absences is only considered and represents a reconciling item between the fund level and government-wide presentation. Accrued compensated absences for the fiscal year ended June 30, 2019, amounted to \$259,101.

The following is a summary of changes in the balance of compensated absences for the fiscal year ended June 30, 2019.

Balance July 1, 2018	New Issues	Retirements and Current Maturities	Balance June 30, 2019	Due within One Year	Due in More than One Year
\$ 245,454	\$ 112,820	\$ 99,173	\$ 259,101	\$ 89,329	\$ 169,772

Encumbrances

Encumbrance accounting is employed in the governmental fund types. Under the encumbrance system all purchases orders, contracts and other commitments issued for goods and services not received at the year-end, are recorded in order to reserve that portion of the applicable appropriation.

Fund Balance Categories

The GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources in governmental fund. The fund balance categories are the following:

Non-Spendable - are balances in permanent funds and inventories that are permanently precluded from conversion to cash.

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Notes to Financial Statements
June 30, 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Fund Balance Categories (Continued)

Restricted - requires that inflows and outflows of resources and balances be constrained to specific purpose by enabling legislation, external parties, or constitutional provisions.

Committed - are those balances with constraints imposed by the government using the highest level of decision-making authority. The constraint can only be removed or changed by the same decision-making authority taking the same type of action.

Assigned - are amounts intended for a specific purpose by a government's management (department/agency heads and other signatory authorities) and are also appropriations of existing fund balances.

Unassigned - are amounts available for any purpose. They are not precluded by a management decision, law or constitutional provision in the general fund.

Use of Estimates

The preparation of the financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basis financial statements and the reported amounts of revenues and expenses during the reporting period. Actual result count differs from those estimates.

Risk Management

The Corporation is exposed to different risks of loss from torts, theft of, or damage to, and destruction of assets, error and omissions, employee injuries and illnesses, natural disasters, and other losses. Commercial insurance coverage is obtained for claims arising from such matters. The commercial insurance coverage and the premium are negotiated by the Treasury Department of the Commonwealth of Puerto Rico (the Treasury). The insurance cost is paid by Treasury and reimbursed by the Corporation.

Total Columns

Totals column on the financial statements is presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since inter-fund eliminations have not been made.

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Notes to Financial Statements
June 30, 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

New Accounting Pronouncements

GASB has issued the following statements that the Corporation has not yet adopted:

GASB Statement Number		Adoption Required in Fiscal Year
84	Fiduciary Activities	2020
87	Leases	2021
89	Accounting for Interest Cost Incurred before the End of a Construction Period	2020
91	Conduit Debt Obligations	2021
92	Omnibus 2020	2022
93	Replacement of Interbank Offered Rates	2023
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023
95	Postponement of the Effective Dates of Certain Authoritative Guidance	2021
96	Subscription-Based Information Technology Arrangements	2023
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32	2022

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June 30, 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Effects of New Accounting Standards

Statement No. 85, *OMNIBUS 2017*, the objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and “negative” goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple employer defined benefit OPEB plans.

This statement had no impact on the basic financial statement of the Corporation.

Statement No. 86, *Certain Debt Extinguished Issue*, the primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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Notes to Financial Statements
June 30, 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Effects of New Accounting Standards, (Continued)

Statement No. 88, *Advance Refundings Resulting in Defeasance of Debt*, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. This statement had no impact on the basic financial statement of the Corporation.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, the objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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June 30, 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Effects of New Accounting Standards, (Continued)

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This statement had no impact on the basic financial statement of the Corporation

Statement No. 90, *Majority Equity Interest-an amendment of GASB Statement No.14 and No. 61*, the primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. This statement had no impact on the basic financial statement of the Corporation.

2. DUE FROM GOVERNMENTAL ENTITIES

Due from governmental entities consist of grant receivables resulting from expenditures made that are pending to be reimbursed by the Puerto Rico Treasury Department and by federal agencies in the amount of \$265,595.

3. RESTRICTED ASSETS

Donation from the Fideicomiso del Niño - The donation was approximately \$836,000. The balance is restricted, according to the agreement, for activities of property acquisition, demolition of structures (which includes studies, permits, removal of contaminants, demolition and disposal of the material).

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3 RESTRICTED ASSETS, (Continued)

During fiscal year ended June 30, 2019, the Corporation received \$5 million in funds allocated in compliance with Law No. 63 of June 18, 2016. These funds will be used by the Corporation to cover part of its operational expenses, as well as expenses at the stage of preconstruction and design of the Caño Martín Peña ecosystem restoration project, on infrastructure works, the acquisition of real estate and all related expenses to the relocation of eligible occupants, and for any other purpose related to the *Proyecto Enlace del Caño Martín Peña*. Also, the assigned funds under the Law No. 63 of June 18, 2016, can be used for matching requirements related to state, municipal, private entity, or federal grants. This is an annual contribution received by the General Fund of the Central Government until the fiscal period ended June 30, 2031. Based on the requirements established by the Law No. 63, the balance related to these funds at June 30, then, would be restricted.

The Corporation's funds to administer the operations are provided by the Department of Treasury strictly for use in accordance Law 489-2004. Therefore, the funds received by the Department of Treasury are restricted.

Restricted assets of the Corporation included in the basic financial statements at June 30, 2019, consist of cash to be used for the following purposes:

Governmental Activities:

Legislative Appropriations	\$ 2,693,173
Capital Improvements, Donations and Programs (Law No. 63)	83,978
Municipio de San Juan	13,000
"Fideicomiso del Niño"	120,462
Ameri Corps Program and other	<u>48,156</u>
Total Restricted Assets of Governmental Activities	<u>\$ 2,958,769</u>

Liabilities of the Corporation payable from restricted assets consist of the following:

Governmental Activities:

Accounts Payable	\$ 217,390
Deferred Inflows of Resources	<u>38,121</u>
Liabilities Payable from Restricted Assets - Governmental Activities	<u>\$ 255,511</u>

**CORPORACIÓN DEL PROYECTO ENLACE
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June 30, 2019**

4. CAPITAL ASSETS

The Corporation's capital assets activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Retirements and Adjustment	Ending Balance
<u>Capital Assets Not Being Depreciated:</u>				
Relocation Land	\$ 1,132,222	-	-	\$ 1,132,222
Relocation Structures	984,441	100,000	-	1,084,441
Total Capital Assets Not Being Depreciated	2,116,663	100,000	-	2,216,663
<u>Capital Assets Being Depreciated:</u>				
Office Equipment and Furnitures	145,297	44,846	1,817	188,326
Computer Equipment	109,037	103,639	11,642	201,034
Computer Programs	166,750	-	-	166,750
Vehicles	69,051	-	-	69,051
Total Capital Assets Being Depreciated	490,135	148,485	13,459	625,161
Less: Accumulated Depreciation	(430,599)	(21,945)	13,459	(439,085)
	\$ 2,176,199	\$ 226,540	\$ -	\$ 2,402,739

Depreciation expense was charged as an administrative expenditure under general government activities for a total amount of \$21,945 in the accompanying Statement of Activities and Changes in Net Position. As established by Law No. 489-2004 and according to the regulations "Reglamento General para el Funcionamiento del Fideicomiso de la Tierra del Caño Martín Peña" and the "Reglamento para la Adquisición y Disposición de Bienes Inmuebles y el Realajo de Ocupantes en Distrito de Planificación Especial del Caño Martín Peña," all public lands acquired by the Corporation under Law No. 489- 2004, shall be transferred to the "Fideicomiso de la Tierra del Caño Martín Peña", a private, nonprofit community land trust whose mission is to manage its assets for the benefit of the communities that comprise the District. Accordingly, the transfer of land titles from the Corporation to the "Fideicomiso de la Tierra del Caño Martín Peña" shall be made as dictated by Law No. 489-2004 for the purposes established therein, and in the regulations approved for its implementation. As the Corporation became owner of such real estate as a result of legislation, it neither has an appraisal of those properties, nor has obtained such information from the public agencies that previously owned them. Pursuant to Article 22 of Law No. 489-2004, the "Fideicomiso de la Tierra del Caño Martín Peña" is responsible for the valuation of the lands.

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4. CAPITAL ASSETS, (Continued)

Although, most of the titles acquired by the Corporation under Law No. 489-2004 have already been transferred to the “*Fideicomiso de la Tierra del Caño Martín Peña*”, this is an ongoing activity. As of the date of these financial statements, the transfer some of the above-mentioned land titles from the Corporation to the “*Fideicomiso de la Tierra del Caño Martín Peña*” is still pending, either because the Corporation continues to gather information required to register its titles in the Property Registry, or the Corporation is preparing documents to be presented to the Property Registry for the registration of the land title in favor of the Corporation.

5. ACQUISITION AND RELOCATION EXPENSES

The acquisition and relocation expense for the fiscal year ended June 30, 2019, are composed as follows:

Buy and Sale Agreement	\$1,126,437
Involuntary Expropriation	1,149,509
Buy and Sell, and Deposit	1,225,125
Construction and other	<u>4,250,196</u>
Total	<u>\$7,751,267</u>

6. RETIREMENT PLAN

The Corporation’s employees have historically participated in the *Employees Retirement System* (ERS) of the Commonwealth of Puerto Rico. However, the Corporation is not required to the recognition of a net pension liability because the entity does not have retired employees. Also, the Corporation is not required to make payments to the Retirement System Administration related to the Pay-Go-Reform.

PayGo Pension Reform

On June 27, 2017, the Puerto Rico Treasury Department issued Circular Letter No. 1300-46-17 in order to convey to the central government agencies, public corporations, and municipalities the new implementation procedures to adopt, effective July 1, 2017, a new “pay-as-you-go” (PayGo) mechanism for the Commonwealth Retirement Systems. With the start of fiscal year 2018, employers’ contributions, contributions ordered by special laws, and the additional uniform contribution were all eliminated. ERS will determine and administer the payment amount per retiree that will be charged to each agency, public corporation and municipality, including the Corporation.

Act No. 106 created the legal framework so that the Commonwealth can make payments to pensioners through the PayGo system. Act No. 106 also created a Defined Contributions Plan, similar to a 401(k) plan, which mandates the contributions of public servants, because future benefits will not be paid by the Commonwealth Retirement Systems.

Act No. 106, among other things, amended Act No. 12 with respect to the ERS’s governance, funding and benefits for active members of the actual program and new hired members. Under Act No. 106, the ERS’s Board of Trustees was substituted with a new retirement board (the Retirement Board), which is currently responsible for governing all Commonwealth Retirement Systems.

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6. RETIREMENT PLAN, (Continued)

Act No. 106 terminated the previously existing pension programs for ERS participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017, will be enrolled in a new defined contributions program that will be selected by the Retirement Board. The accumulated balance on the accounts of the prior program will be transferred to the members account in the new defined contributions program. ERS's active members in the defined contributions program will retain their benefits as stated under Act 91 of March 29, 2003.

Act No. 106 also ordered a suspension of ERS's loan programs and ordered a merger of the administrative structures of the Commonwealth Retirement Systems. At the Retirement Board's discretion, the administration of ERS benefits may be externalized. The employees of ERS that are not retained under the new administrative structure will be transferred to other public agencies in conformity with Act 8 of February 8, 2017.

7. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources include appropriations from which the Corporation had received from prior fiscal years not used and or consumed this year. As of June 30, 2019, the Corporation reported \$38,121 as deferred inflows of resources.

8. RELATED PARTY TRANSACTIONS

Law No. 489-2004, as amended, establishes the comprehensive development of the area designated as "*Caño Martin Peña Special Planning District*" (Special Planning District) as one of the Commonwealth of Puerto Rico priorities. In order to accomplish that public policy, the following entities and regulations were created under Law No. 489-2004:

- The Corporation that was created as a public corporation and an entity and political subdivision of the Commonwealth of Puerto Rico with juridical personality independent and separate from its officials and any other public agency or government instrumentality. It was charged with the responsibility for the coordination and implementation of the "*Proyecto ENLACE del Caño Martin Peña*". As required by Law No. 489-2004, the Corporation shall transfer lands and real properties to the "*Fideicomiso de la Tierra del Caño Martin Pena*" (Fideicomiso) in order for the Fideicomiso to administer them for the benefit of the communities of the Special Planning District. Accordingly, the transfer of title of lands and real properties from the Corporation to the Fideicomiso is made as stated by Law No. 489-2004 and for the purposes established therein, and accordingly to the regulations approved for its implementation.

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8. RELATED PARTY TRANSACTIONS, (Continued)

- The Fideicomiso was created as a private entity with separate juridical personality and at perpetuity. Since the land is collectively owned by the communities by means of the Fideicomiso, this entity has the responsibility to prevent the involuntary displacement of such communities and is an instrument to help overcome poverty. The corpus of the Fideicomiso comprises, among others, the lands transferred to the Corporation pursuant to Law No. 489-2004, and later transferred by the Corporation to the Fideicomiso for the purposes established by Law No. 489- 2004 and the regulations approved for its implementation. The transfers of lands from the Corporation to the Fideicomiso is executed under the regulations of "*Reglamento general para el Funcionamiento del Fideicomiso de la Tierra del Caño Martin Peña*" and "*Reglamento para la Adquisición y Disposición de Bienes Inmuebles y el realojo de ocupantes en el Distrito de Planificación Especial del Caño Martin Peña*". These regulations were adopted by the Corporation as established under Law No. 489-2004 and Law 170, August 12, 1988, as amended, known as "*Ley de Procedimiento Administrativo Uniforme*".

9. LEGAL PROCEEDINGS

The Corporation is a defendant in certain lawsuits arising in the normal course of the operation. These claims were managed by the attorneys of the other governmental instrumentalities. In the opinion of management, with the advice of its legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the financial position and the results of operations of the Corporation as of June 30, 2019.

10. COMMITMENTS AND CONTINGENCIES

On June 28, 2018, the Corporation entered in an interagency agreement with the Puerto Rico Aqueduct and Sewer Authority (PRASA) for the transfer of funds for the relocation work of the borínquen drinking water distribution line in the special district of the Caño Martin Peña. The interagency agreement responds to a Joint Resolution number 9 of July 26, 2017 (RC 9-2017) where the Legislative Assembly assigned the amount of \$10,000,000 from PR Government General Fund to be used by the Corporation during fiscal year 2017-2018 for the match of federal funds assigned for the dredging of Caño Martin Peña.

The PRASA provided estimated project costs of approximately \$5,130,596 from which the Corporation was required to contribute the maximum amount of \$3,825,076. As of June 30, 2019, the Corporation disbursed the total amount of \$3,825,076 to PRASA in compliance with the interagency agreement.

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11. UNCERTAINTY

The Corporation had a net change position of approximately \$3.3 million as of June 30, 2019. However, the Corporation is highly dependent on the Commonwealth appropriations to finance its operations and has historically relied on the Puerto Rico Department of Treasury for liquidity. Approximately 95% of the Corporation's total revenues are derived from the Commonwealth's appropriations which amounted to approximately \$11 million for the year ended June 30, 2019. Moreover, the Corporation has limited ability to raise operating revenues due to the economic and political challenges of Puerto Rico. The Corporation's ability to continue receiving similar operational support and financing from the Commonwealth is uncertain.

The Commonwealth's recurring deficits, negative financial position, further deterioration of its economic condition, and inability to access the credit markets raise substantial doubt about the Commonwealth's ability to continue as a going concern. The significant financial difficulties being experienced by the Commonwealth is likely to have a significant adverse impact on the Corporation, given its reliance on Commonwealth appropriations.

12. RESTATEMENT

Beginning net position and fund balance have been adjusted to correct an overstatement of current assets related to a recognition of a prepaid expense instead of a recognition of the expense for the year ended June 30, 2018. Also, the beginning balance was adjusted to correct an understatement of accounts payable due to an error in recognition of payment. After the adjustment, the net position and the fund balance as of June 30, 2018, have decrease by \$3,347,318.

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13. SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.109-116, the Corporation evaluated its subsequent events until the date on which the financial statements were ready for issuance.

On March 2020, the World Health Organization declared the outbreak of a new coronavirus (COVID-19) as a pandemic that continues to spread. The United States Government declared a nationwide public health emergency in order to make efforts to contain the virus and provide measures to mitigate the negative effect on the economy. Also starting on March 2020, the Governor of the Commonwealth of Puerto Rico issued various executive orders which, among other things, imposed an overnight curfew, ordered schools, non-essential businesses, nonprofit entities and Commonwealth and Municipal governmental organizations to close or partially operate. As a result, the appropriations received by the Central Government could be negatively impacted for subsequent fiscal years.

The Environmental Quality Board included several infrastructure projects of the Corporation in the Plan of Intent (Plan de Intención) to use Funds to receive federal funds known as the *State Revolving Fund (SRF)*, a grant for facilities for the collection, treatment, and disposal of used water, in accordance with what is required by the Federal Clean Water Law. On July 30, 2019, the Agreement was granted between the Corporation and the AFI through which the Corporation receives the amount of \$3,310,000 from the SRF, with a term of five years.

In letter dated July 6, 2020, the Central Office for Recovery and Reconstruction of Puerto Rico, hereinafter COR3, notified the Corporation of the pre-selection of the Paseo Caño Sur and North and South Infrastructure Project, which includes Phases 1 to 3 in the community of Israel-Bitumul (hereinafter the FEMA Project), to be a recipient of funds from the FEMA HMPG 404 program for its design and construction. For this purpose, the Corporation submitted a formal proposal on October 2, 2020, that includes a cost-benefit analysis (hereinafter BCA, for its acronym in English) of the FEMA Project that justifies the grant of these funds by the federal entity. The amount assigned by FEMA if, in effect, said project is selected, will total the amount of \$66,000,000. At the date the financial statement were ready to issuance, this proposal was not approved and is in continued evaluation by COR3.

The Corporation evaluated its subsequent events until October 31, 2021, date on which the financial statements were ready for issuance. The Corporation's management understands that no other material events occurred subsequent to June 30, 2019, that requires being recorded or requires additional disclosures in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CORPORACIÓN DEL PROYECTO ENLACE
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Statement of Revenues and Expenditures
Budgetary Comparison-General Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance
<u>REVENUES</u>				
State Services	\$ 10,929,000	\$ 10,929,000	10,929,225	\$ 225
Other	7,133,818	7,138,818	12,312	(7,126,506)
Total Revenues	18,062,818	18,067,818	10,941,537	(7,126,281)
<u>EXPENDITURES</u>				
Salaries	1,123,442	1,016,360	875,905	(140,455)
Professional Services	278,846	218,568	3,194,031	2,975,463
Insurance	40,000	40,000	27,405	(12,595)
Benefits and Payroll Taxes	175,555	175,555	201,277	25,722
Supplies and Rent of Office Equipment	19,252	19,252	25,398	6,146
Vehicle	75,000	75,000	5,587	(69,413)
Repairs and Maintenance	48,645	49,295	92,080	42,785
Capital Outlays	15,713,632	15,911,592	6,143,234	(9,768,358)
Other	588,446	562,196	84,084	(478,112)
Total Expenditures	18,062,818	18,067,818	10,649,001	(7,418,817)
Excess (Deficiency) of Revenues over Expenditures	\$ -	\$ -	\$ 292,536	\$ 292,536