

**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, 2020

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
For the Year Ended June 30, 2020**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited).....	3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities and Change in Net Position.....	11
Fund Financial Statements	
Governmental Funds:	
Balance Sheet - Governmental Funds	12
Reconciliation of Governmental Fund Balance to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	14
Reconciliation of the Statement Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities and Changes in Net Position.....	15
Notes to Financial Statements	16

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, 2020, 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.

Auditors' 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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Corporation, as of June 30, 2020, and the respective 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 on pages 3–8 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

INDEPENDENT AUDITORS' REPORT CONTINUED

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
February 19, 2022

The stamp number 2779129
was affixed to the original

González Torres & Co., 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, 2020**

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, 2020, 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; and (c) 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

- ❖ The General Fund balance for fiscal year 2020 increased by \$7,973,724, or 226% when compared to fiscal year 2019.

Government-Wide

- ❖ The Corporation reported net position at year-end of \$13,137,215, comprised of \$14,137,814 in total assets offset by \$1,000,599 in total liabilities and deferred inflows of resources.
- ❖ The Corporation's net position at year end increased by \$8,034,808 as a result of this year's operations.
- ❖ The Corporation's governmental activities had total revenues of \$13,406,783, which were more than total expenses of \$5,607,000.

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
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Management Discussion and Analysis
For the Year Ended June 30, 2020**

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, 2020. 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 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.

**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, 2020**

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 Projects 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.

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 funds 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.

General Fund Financial Analysis

Total General Fund revenues for fiscal year 2020 amounted to \$10,464,491, which represents a decrease of 4% as compared to actual revenues for fiscal year 2019. Total expenditures for fiscal year 2020 amounted to \$2,725,792 and represented a decrease of 74% as compared to actual expenditures for fiscal year 2019.

The difference between total expenditures and total revenues in the General Fund is referred herein as "Excess (Deficiency) of Revenues over Expenditures". For fiscal year 2020, the excess of revenues over expenditures of \$7,738,699 compares favorably with the excess of revenues over expenditures of \$292,536 of the fiscal year 2019.

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, 2020 amounted to \$14,137,814 and \$1,000,599, respectively, for net position of \$13,137,215 compared to net position of \$5,102,407 at the beginning of the current year.

**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, 2020

Government-Wide Financial Analysis, (Continued)

Net Position, (Continued)

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 increased by \$4,302,242 or 44% as compared to the prior fiscal year, while total liabilities and deferred inflows of resources decreased by \$3,732,566 or 79% 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Assets	\$ 11,885,365	\$ 7,432,833
Capital Assets, Net	2,252,449	2,402,739
Total Assets	<u>\$ 14,137,814</u>	<u>\$ 9,835,572</u>
<u>Liabilities and Net Position</u>		
Liabilities Payable within One Year	\$ 771,841	\$ 4,525,272
Liabilities Payable after One Year	190,637	169,772
Total Liabilities	<u>962,478</u>	<u>4,695,044</u>
Total Deferred Inflows of Resources	<u>38,121</u>	<u>38,121</u>
Net Position:		
Net Investment in Capital Assets	2,252,449	2,402,739
Restricted	10,884,766	2,699,668
Unrestricted	-	-
Total Net Position	<u>\$ 13,137,215</u>	<u>\$ 5,102,407</u>

**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, 2020**

Government-Wide Financial Analysis, (Continued)

Changes in Net Position

The Corporation's net position increased by \$8,034,808 or 157% from last year's total net position. The net position change was mainly due to a decreased in accounts payable and expenses, especially those related to acquisitions and relocations as a result of the COVID19 pandemic. For the last four months of the fiscal year the Corporation operated with serious limitations, therefore, the acquisitions and relocations could not be performed during this period. Approximately 79% of the Corporation's total revenues came from legislative appropriations, while 20% resulted from joint resolutions for capital improvements for the current fiscal year. The Corporation's largest expenses were for salaries, benefits, payroll taxes, professional services, and acquisition and relocation of real estate.

Results of Operations

For the fiscal years ended June 30, 2020 and 2019, the changes in net position were as follows:

	<u>2020</u>	<u>2019</u>
Program Revenues - Operating Grants	\$ 10,633,529	\$ 11,270,545
Program Revenues - Capital Grants	2,736,076	37,293
General Revenues	37,178	4,471,348
Total Revenues	<u>13,406,783</u>	<u>15,779,186</u>
Expenses	<u>5,607,000</u>	<u>12,444,711</u>
Changes in Net Position	7,799,783	3,334,475
Net Position at Beginning of Year	5,102,407	5,115,250
Prior Period Adjustments	235,025	(3,347,318)
Net Position End of Year	<u>\$ 13,137,215</u>	<u>\$ 5,102,407</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 2020, the Corporation's governmental funds reported combined ending fund balance of \$11,110,985. This year, the revenues exceeded the expenditures by \$7,917,191, as compared to the excess of expenditures over revenues of \$1,322,660 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 \$11,505,678. The fund balance of the Corporation's general fund increased by \$7,973,724 resulting in a current fiscal year's change in financial position. This is a 226% increase when compared to total general fund balance reported in fiscal year 2019.

**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, 2020**

Capital Assets

At June 30, 2020, the Corporation has transfers or retirements of relocation land and relocation structures by the amount of \$104,999. During this year, the depreciation expense and accumulated depreciation amounted to \$45,291 and \$484,376, 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, 2020, the amount of \$45,291 was recorded for depreciation expense in the Statement of Activities and Change of Net Position.

Capital Outlay Acquisitions

During the fiscal year ended June 30, 2020, the Corporation did not spend funds for capital assets acquisitions.

Financial Analysis of the Corporation's Funds

As of June 30, 2020, the Corporation's governmental funds reported a combined cash balance of \$11,727,315, as compared to prior year's \$7,167,238. 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, 2020**

	Governmental Activities
Assets:	
Cash	\$ 11,727,315
Due From Governmental Entities	158,050
	11,885,365
Capital Assets Not Being Depreciated:	
Relocation Land	1,117,309
Relocation Structure	994,355
	2,111,664
Capital Assets Being Depreciated:	
Office Equipment and Furniture	156,360
Computer and Communication Equipment	201,034
Computer Programs	166,750
Vehicles	101,017
	625,161
Total Capital Assets	2,736,825
Less: Accumulated Depreciation	(484,376)
	2,252,449
 Total Assets	 \$ 14,137,814

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, 2020**

	Governmental Activities
Liabilities:	
Accounts Payable	\$ 693,618
Accrued Liabilities	42,641
Accrued Compensated Absences	35,582
	771,841
Liabilities Payable After One Year:	
Accrued Compensated Absences	190,637
	190,637
Total Liabilities	962,478
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	2,252,449
Restricted	10,884,766
Total Net position	13,137,215
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 14,137,814

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 Changes in Net Position
For the fiscal year ended June 30, 2020**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Expenses	Operating Grants	Capital Grants	Governmental Activities	
Governmental Activities:				
General Government	\$ (2,843,200)	\$ 10,464,491	\$ -	\$ 7,621,291
Joint Resolutions for Capital Improvements	(2,736,076)	-	2,736,076	-
Other	(27,724)	169,038	-	141,314
	\$ (5,607,000)	\$ 10,633,529	\$ 2,736,076	7,762,605
General Revenues:				
Interest Income				37,178
Total				37,178
Change in Net Position				7,799,783
Net Position at Beginning of the Year				5,102,407
Prior Period Adjustments				235,025
Net Position at Beginning of the Year, as restated				5,337,432
Net Position at End of Year				\$ 13,137,215

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, 2020**

ASSETS				
	General Fund	Capital Projects Fund	Other Funds	Total
Assets:				
Cash	\$ 11,727,315	\$ -	\$ -	\$ 11,727,315
Due From Governmental Entities	75,055	-	82,995	158,050
Total Assets	\$ 11,802,370	\$ -	\$ 82,995	\$ 11,885,365
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 215,930	\$ -	\$ 477,688	\$ 693,618
Accrued Liabilities	42,641	-	-	42,641
Total Liabilities	258,571	-	477,688	736,259
Deferred Inflows of Resources	38,121	-	-	38,121
Fund Balances:				
Restricted	11,505,678	-	-	11,505,678
Unassigned	-	-	(394,693)	(394,693)
Total Fund Balances	11,505,678	-	(394,693)	11,110,985
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,802,370	\$ -	\$ 82,995	\$ 11,885,365

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, 2020**

Governmental Fund Balances	\$ 11,110,985
----------------------------	---------------

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	2,736,825
Accumulated Depreciation	(484,376)

Liabilities Payable After One Year:	
Accrued Compensated Absences	<u>(226,219)</u>

Net Position of Governmental Activities	<u><u>\$ 13,137,215</u></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)

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

For the fiscal year ended June 30, 2020

	General Fund	Capital Projects Fund	Other Funds	Total
<u>REVENUES</u>				
Legislative Appropriations and State Grants	\$ 10,464,491	\$ -	\$ 330	\$ 10,464,821
Federal Grants	-	-	138,345	138,345
Joint Resolutions for Capital Improvements	-	2,736,076	-	2,736,076
Interest	-	-	37,178	37,178
Other Income	-	-	30,363	30,363
Total Revenues	<u>10,464,491</u>	<u>2,736,076</u>	<u>206,216</u>	<u>13,406,783</u>
<u>EXPENDITURES</u>				
Salaries	974,684	-	-	974,684
Professional Services	559,050	510,256	4,846	1,074,152
Insurance	60,136	-	-	60,136
Payroll Taxes	103,354	-	5,054	108,408
Benefits	71,254	-	-	71,254
Supplies	19,193	-	-	19,193
Vehicle	4,214	-	-	4,214
Utilities	23,038	-	-	23,038
Repairs and Maintenance	42,430	-	-	42,430
Acquisition and Relocation of Real Estate	831,121	2,225,820	17,392	3,074,333
Other	37,318	-	432	37,750
Total Expenditures	<u>2,725,792</u>	<u>2,736,076</u>	<u>27,724</u>	<u>5,489,592</u>
Excess (Deficiency) of Revenues Over Expenditures	7,738,699	-	178,492	7,917,191
Fund Balances at Beginning of Year	3,531,954	-	(573,185)	2,958,769
Prior Period Adjustments	235,025	-	-	235,025
Fund Balances at Beginning of Year, as restated	3,766,979	-	(573,185)	3,193,794
Fund Balances at End of Year	<u>\$ 11,505,678</u>	<u>\$ -</u>	<u>\$ (394,693)</u>	<u>\$ 11,110,985</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
For the fiscal year ended June 30, 2020**

Net Change in Fund Balances	\$ 7,917,191
-----------------------------	--------------

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:

Current Year Depreciation	(45,291)
---------------------------	----------

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	32,882
Transfer of Relocation Land and Relocation Structures	<u>(104,999)</u>

Change in Net Position of Governmental Activities	<u>\$ 7,799,783</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)
Notes to Financial Statements
June 30, 2020**

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.

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.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

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 Financial 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.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

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

Government-Wide Financial 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.

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 results 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
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

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 funds 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, 2020, 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
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

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

Concentration of Credit Risk

As of June 30, 2020, 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 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
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

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
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

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
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

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, 2020, amounted to \$226,219.

The following is a summary of changes in the balance of compensated absences for the fiscal year ended June 30, 2020.

Balance July 1, 2019	New Issues	Retirements and Current Maturities	Balance June 30, 2020	Due within One Year	Due in More than One Year
\$ 259,101	\$ 40,524	\$ 73,406	\$ 226,219	\$ 35,582	\$ 190,637

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.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

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.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

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
87	Leases	2022
89	Accounting for Interest Cost Incurred before the End of a Construction Period	2021
91	Conduit Debt Obligations	2022
92	Omnibus 2020	2022
93	Replacement of Interbank Offered Rates	2022
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023
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
98	The Annual Comprehensive Financial Report	2022

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

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

Effects of New Accounting Standards

Statement No. 84, *Fiduciary Activities*, the objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local government. This statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries.

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 \$158,050.

3. RESTRICTED ASSETS

Donation from the Fideicomiso del Niño - The initial 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).

During fiscal year ended June 30, 2020, 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, 2020, consist of cash to be used for the following purposes:

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

3 RESTRICTED ASSETS, (Continued)

Governmental Activities:

Legislative Appropriations	\$ 10,717,046
Capital Improvements, Donations and Programs (Law No. 63)	103,147
AmeriCorps Program	54,573
"Fideicomiso del Niño"	<u>330</u>
Total Restricted Assets of Governmental Activities	<u>\$ 10,875,096</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
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

4. CAPITAL ASSETS

The Corporation's capital assets activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Retirements and Adjustment	Ending Balance
<u>Capital Assets Not Being Depreciated:</u>				
Relocation Land	\$ 1,132,222	-	14,913	\$ 1,117,309
Relocation Structures	1,084,441	-	90,086	994,355
Total Capital Assets Not Being Depreciated	2,216,663	-	104,999	2,111,664
<u>Capital Assets Being Depreciated:</u>				
Office Equipment and Furnitures	188,326	-	(31,966)	156,360
Computer and Communication Equipment	201,034	-	-	201,034
Computer Programs	166,750	-	-	166,750
Vehicles	69,051	-	31,966	101,017
Total Capital Assets Being Depreciated	625,161	-	-	625,161
Less: Accumulated Depreciation	(439,085)	(45,291)	-	(484,376)
	\$ 2,402,739	\$ (45,291)	\$ 104,999	\$ 2,252,449

Depreciation expense was charged as an administrative expenditure under general government activities for a total amount of \$45,291 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 Realojo 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.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

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, 2020, are composed as follows:

Buy and Sale Agreement	\$ 41,560
Involuntary Expropriation	309,250
Buy and Sell, and Deposit	425,900
Construction and other	<u>2,297,623</u>
Total	<u>\$3,074,333</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 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 Pay-Go 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.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

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 No. 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 No. 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, 2020, 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 Martín 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 Corporación del Proyecto ENLACE del Caño Martín Peña (the Corporation) that was created as a public corporation 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 given with the responsibility of the coordination and implementation of the "Plan del desarrollo integral del distrito especial del Caño Martín Peña". As required by Law No. 489-2004, the Corporation shall transfer lands and real properties to the "Fideicomiso de la Tierra del Caño Martín Peña" (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.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

8. RELATED PARTY TRANSACTIONS, (Continued)

- The Fideicomiso, a community land trust, 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 Act No. 489- 2004, and later transferred by the Corporation to the Fideicomiso for the purposes established by Sct 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 Martín Peña” and “Reglamento para la Adquisición y Disposición de Bienes Inmuebles y el realojo de ocupantes en el Distrito de Planificación Especial del Caño Martín Peña”. These regulations were adopted by the Corporation as established under Law No. 489-2004 and Act No. 170 of August 12, 1988, as amended, known as “Ley de Procedimiento Administrativo Uniforme.”
- In addition to the transfer of land by the Corporation to the Fideicomiso, Act No. 489 grants power to the Corporation to work closely with the Fideicomiso in order to carry out the public policy for the development and wellbeing of the Caño Martín Peña Special District. As part of the work carried out, the Corporation executes land and building acquisitions from eligible residents, who are then rehomed under the standards of the Federal Uniform Relocation Act of 1970 (URA). The land and buildings that will not be transferred to public domain are transferred to the Fideicomiso. These acquisitions carried out by the Corporation are subsidized by funds assigned by the local government every fiscal year, and the Corporation has the responsibility to make sure these funds are utilized before their expiration. Due to the nature of these transactions and given the fact that this is a multi-year project, the Corporation has established a mechanism in which the Corporation, the eligible resident and the Fideicomiso enter into a “Compraventa y depósito” contract, in which the Fideicomiso is assigned the role of depository entity. This mechanism is used in the cases where the funds are close to reaching the end of their term, but the resident has yet to complete the selection of the relocation home which will be purchased as a substitute for the acquired land and building from which the resident was displaced. In this contract, the Corporation purchases the land and building to be acquired from the eligible resident, and the payment of this purchase is consigned in the Fideicomiso temporarily while the resident completes the selection of the replacement house. Given the fact that through this three-part contract the Corporation effectively purchases the home to be acquired, and grants the funds for the purchase of the substitute home, the payments made by the entity are registered as an expense. The Fideicomiso, as the depository entity, registers these funds as an account payable in favor of the eligible resident. Once the relocation home is purchased, the Fideicomiso emits the payments in favor of the resident for which the funds were consigned. The Fideicomiso does not charge a fee for these transactions, as depository entities normally do, nor does it generate any sort of benefit or income from these funds.

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, 2020.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

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 borinquen 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 million from which the Corporation was required to contribute the maximum amount of \$3,825,076. As of June 30, 2020, the Corporation disbursed the total amount of \$3,825,076 to PRASA in compliance with the interagency agreement.

11. UNCERTAINTY

The Corporation had a net change position of approximately \$8 million as of June 30, 2020. 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 99% of the Corporation's total revenues are derived from the Commonwealth's appropriations which amounted to approximately \$13.2 million for the year ended June 30, 2020. 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. 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.

**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Financial Statements
June 30, 2020**

12. SUBSEQUENT EVENTS, (Continued)

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. The Corporation has received several requests for information (RFI) during the last months, however at the date the financial statement was ready for issuance, this proposal was not yet approved and is still being evaluated by COR3.

On January 19, 2022, the Federal Government announced the approval of 163 million dollars to the US Army Corp of Engineers (USACE) for the Caño Martín Peña dredging project. This allocation will cover the Federal portion of project-related costs, and will allow the Corporation to begin the first construction phase during the federal fiscal year 2023, subject to the signing of the Project Partnership Agreement between USACE and the Corporation. The Corporation must provide their share of 35% local in-kind and cash match for this funding starting in fiscal year 2023. The estimated cost for the completed project, according to the 2019 USACE certification, is 225.8 million dollars, of which the local government must provide a cash and in-kind match. The USACE is currently reevaluating the total cost of the project in order to update the expenditure projections for both Federal and local government.

The Corporation evaluated its subsequent events until February 19, 2022, 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, 2020, that requires being recorded or requires additional disclosures in the financial statements.