

**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA**

(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements and  
Required Supplementary Information

For the year ended June 30, 2022

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

TABLE OF CONTENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022

|  | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report .....   | 1-3         |
| Management's Discussion and Analysis (Unaudited) .....   | 4-10        |
| Government-Wide Financial Statements:  |             |
| Statement of Net Position .....  | 11          |
| Statement of Activities and Changes in Net Position .....  | 12          |
| Fund Financial Statements  |             |
| Governmental Funds:  |             |
| Balance Sheet-Governmental Funds .....   | 13          |
| Reconciliation of Governmental Fund Balance to Net Position of Governmental Activities .....   | 14          |
| Statement of Revenues, Expenditures and Changes in Fund Balances of<br>Governmental Funds .....  | 15          |
| Reconciliation of the Statement Revenues, Expenditures and Changes in Fund Balances of<br>Governmental Funds to the Statement of Activities and Changes in Net Position..... | 16          |
| Notes to Financial Statements .....  | 17-32       |

## INDEPENDENT AUDITORS' REPORT

Certified Public Accountants

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

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### Opinions

We have audited the accompanying financial statements of the governmental activities, each major funds, and the aggregate remaining fund information of the Corporación del Proyecto ENLACE del Caño Martin Peña (a component unit of the Commonwealth of Puerto Rico) (the Corporation), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major funds, and the aggregate remaining fund information of the Corporation as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

### Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Management has omitted the budgetary comparison that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Guaynabo, Puerto Rico  
April 19, 2023

The stamp number E527049 was  
affixed to the original of this report.

*Baker Tilly Puerto Rico, CPAs, PSC*  
**BAKER TILLY PUERTO RICO, CPAs, PSC**

License No. 218  
Expires 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, 2022**

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, 2022 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 2022 decreased by \$1,967,060 or 21% when compared to fiscal year 2021.

**Government-Wide**

- The Corporation reported net position at year-end of \$6,090,299, comprised of \$9,239,557 in total assets offset by \$3,149,258 in total liabilities.
- The Corporation's net position at year end decreased by \$6,000,550 as a result of this year's operations.
- The Corporation's governmental activities had total revenues of \$4,158,116, which were less than total expenses of \$10,158,666.

**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.

**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, 2022 (Continued)**

**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.

**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, 2022. 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.

**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, 2022 (Continued)**

**Fund Financial Statements (Continued)**

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.

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 non major 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 2022 amounted to \$3,805,125 which represents a decrease of 282% as compared to actual revenues for fiscal year 2021. Total expenditures for fiscal year 2022 amounted to \$5,772,185 and represented a decrease of 66% as compared to actual expenditures for fiscal year 2021.

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 2022, the deficiency of expenditures over revenues of \$1,967,060 is \$344,368 less than the fiscal year 2021.



**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, 2022 (Continued)**

**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 of the Corporation at June 30, 2022 amounted to \$9,239,557 and \$3,149,258, respectively, for a net position of \$6,090,299 compared to a net position of \$12,090,849 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 decreased by \$4,448,986 or 33% as compared to the prior fiscal year, while total liabilities and deferred inflows of resources increased by \$1,551,564 or 49% 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, 2022 and 2021:

| <b><u>Assets</u></b>                       | <b><u>2022</u></b>  | <b><u>2021</u></b>   |
|--|---------------------|----------------------|
| Assets                                     | \$ 6,971,862        | \$ 11,444,859        |
| Capital Assets, Net                        | 2,267,695           | 2,243,684            |
| Total Assets                               | <u>\$ 9,239,557</u> | <u>\$ 13,688,543</u> |
| <br>                                       |                     |                      |
| <b><u>Liabilities and Net Position</u></b> |                     |                      |
| Liabilities Payable within One Year        | \$ 2,895,025        | \$ 1,292,580         |
| Liabilities Payable after One Year         | 254,233             | 266,993              |
| Total Liabilities                          | <u>3,149,258</u>    | <u>1,559,573</u>     |
| Total Deferred Inflows of Resources        | <u>-</u>            | <u>38,121</u>        |
| <br>                                       |                     |                      |
| Net Position                               |                     |                      |
| Net investment in Capital Assets           | 2,267,695           | 2,243,684            |
| Restricted                                 | 3,822,604           | 9,847,165            |
| Total Net Position                         | <u>\$ 6,090,299</u> | <u>\$ 12,090,849</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, 2022 (Continued)**

**Changes in Net Position**

The Corporation's net position decreased by \$6,000,550 or 50% from last year's total net position. The net position change was mainly due to an increase in accounts payable and decrease in revenues, especially those related to legislative appropriations and joint resolutions for capital improvements. Last year the Corporation operated with serious limitations due to the pandemic, causing that the acquisitions and relocations be performed during fiscal year 2022. Approximately 99% of the Corporation's total revenues came from legislative appropriations, while 1% resulted from joint resolutions for capital improvements for the current fiscal year. The Corporation's largest expenses were for salaries, payroll taxes, professional services, repair and maintenance and acquisition and relocation of real estate expenses.

**Results of Operations**

For the fiscal years ended June 30, 2022 and 2021, the changes in net position were as follows:

| <b><u>Revenues</u></b>              | <b><u>2022</u></b>  | <b><u>2021</u></b>   |
|-------------------------------------|---------------------|----------------------|
| Program Revenues - Operating Grants | \$ 4,125,993        | \$ 15,821,386        |
| Program Revenues - Capital Grants   | -                   | 1,269,917            |
| General Revenues                    | 32,123              | 43,965               |
| Total Revenues                      | <u>4,158,116</u>    | <u>17,135,268</u>    |
| Expenses                            | <u>10,158,666</u>   | <u>18,181,634</u>    |
| Changes in Net Position             | (6,000,550)         | (1,046,366)          |
| Net Position at Beginning of Year   | <u>12,090,849</u>   | <u>13,137,215</u>    |
| Net Position at End of Year         | <u>\$ 6,090,299</u> | <u>\$ 12,090,849</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 2022, the Corporation's governmental funds reported combined ending fund balance of \$4,078,037. This year, the expenditures exceeded the revenues by \$6,037,794. 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 \$7,227,190. The fund balance of the Corporation's general fund decreased by \$1,967,060 resulting in a current fiscal year's change in financial position. This is a 21% decrease when compared to total general fund balance reported in fiscal year 2021.

**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, 2022 (Continued)**

**Governmental Funds (continued)**

At the beginning of fiscal year 2022 the Puerto Rico Department of the Treasury changed their policy on the disbursement of Capital Project Funds to the Corporation. During the previous fiscal year, Capital Project Funds were disbursed in fixed monthly cash transfer that add up the total of funds assigned at the end of the period (twelve monthly transfers in total). However, starting on July 1, 2021, these funds would only be disbursed on a reimbursement basis after evidence of expenses was submitted to the Puerto Rico Department of the Treasury.

This transition in how the income was received by the Corporation had a reducing effect on Governmental Fund balances at the end of the year, since Capital Project Funds is one of the entities largest Budget classifications. During the fiscal year 2022 most of the expenses related to Capital Project Funds pertained to fiscal year 2021 Capital Project Funds extension, hence the amount of reimbursement requests for fiscal year 2022 Capital Project Funds (also extended for another Fiscal Year) would take place in the subsequent period. The Corporation expects to receive the Capital Project Funds for the fiscal year 2022 in the reimbursements processed during the following fiscal period.

**Capital Assets**

At June 30, 2022, the Corporation has not transfers or retirements of relocation land and relocation structures. During this year, the depreciation expense and accumulated depreciation amounted to \$39,788 and \$601,712, 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, 2022, the amount of \$39,788 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, 2022, the Corporation spend funds for capital assets acquisitions amounted \$63,797.

**Financial Analysis of the Corporation's Funds**

As of June 30, 2022, the Corporation's governmental funds reported a combined cash balance of \$6,918,951, as compared to prior year's \$11,399,182. The decrease is mainly due to projects completed in prior year and less revenue from legislative appropriation and joint resolution for capital improvements this 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, 2022 (Continued)**

**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, 2022**

**ASSETS**

|                                      |           |                  |
|--------------------------------------|-----------|------------------|
| Cash                                 | \$        | 6,918,951        |
| Due from Governmental Entities       |           | 52,911           |
|                                      |           | 6,971,862        |
| Total Current Assets                 |           | 6,971,862        |
| 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       |           | 198,848          |
| Computer and Communication Equipment |           | 224,318          |
| Computer Programs                    |           | 166,750          |
| Vehicles                             |           | 128,188          |
| Miscellaneous Equipment              |           | 39,639           |
|                                      |           | 2,869,407        |
| Total Capital Assets                 |           | 2,869,407        |
| Less: Accumulated Depreciation       |           | (601,712)        |
| Net Capital Assets                   |           | 2,267,695        |
| <b>TOTAL ASSETS</b>                  | <b>\$</b> | <b>9,239,557</b> |

**LIABILITIES AND NET POSITION**

|   |           |                  |
|---|-----------|------------------|
| Liabilities                               |           |                  |
| Accounts Payable                          | \$        | 2,747,888        |
| Accrued Liabilities                       |           | 145,937          |
| Accrued Compensated Absences              |           | 1,200            |
|   |           | 2,895,025        |
| Liabilities Payable after One Year        |           |                  |
| Accrued Compensated Absences              |           | 254,233          |
| Total Liabilities                         |           | 3,149,258        |
| Net Position:                             |           |                  |
| Net Investment in Capital Assets          |           | 2,267,695        |
| Restricted                                |           | 3,822,604        |
| Total Net Position                        |           | 6,090,299        |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>\$</b> | <b>9,239,557</b> |

**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, 2022**

|                                       | Program Revenues    |                   | Net (Expenses)<br>Revenues and<br>Changes in Net<br>Position |
|---------------------------------------|---------------------|-------------------|--|
| Expenses                              | Operating<br>Grants | Capital<br>Grants | Governmental<br>Activities                                   |
| Governmental Activities               |                     |                   |  |
| General Government                    | \$ (10,158,666)     | \$ 3,805,125      | \$ -   |
| Other                                 | -                   | 320,868           | -  |
|                                       | \$ (10,158,666)     | \$ 4,125,993      | \$ -   |
| General Revenue:                      |                     |                   |  |
| Interest Income                       |                     |                   | 32,123   |
| Total                                 |                     |                   | 32,123   |
| Change in Net Position                |                     |                   | (6,000,550)  |
| Net Position at Beginning of the Year |                     |                   | 12,090,849   |
| Net Position at End of Year           |                     |                   | \$ 6,090,299   |

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, 2022**

|   | <b><u>ASSETS</u></b> |                                  |                     |                      |
|---|----------------------|----------------------------------|---------------------|----------------------|
|   | <b>General Fund</b>  | <b>Capital<br/>Projects Fund</b> | <b>Other Funds</b>  | <b>Total</b>         |
|   |                      |                                  |                     |                      |
| <b>Assets</b>                               |                      |                                  |                     |                      |
| Cash  | \$ 6,878,828         | \$ -                             | \$ 40,123           | \$ 6,918,951         |
| Due from Governmental Entities              | -                    | -                                | 52,911              | 52,911               |
| Due from Other Funds                        | 3,715,437            | -                                | 1,677,984           | 5,393,421            |
|   |                      |                                  |                     |                      |
| Total Assets                                | <u>\$ 10,594,265</u> | <u>\$ -</u>                      | <u>\$ 1,771,018</u> | <u>\$ 12,365,283</u> |
| <b><u>LIABILITIES AND FUND BALANCES</u></b> |                      |                                  |                     |                      |
|   | <b>General Fund</b>  | <b>Capital<br/>Projects Fund</b> | <b>Other Funds</b>  | <b>Total</b>         |
|   |                      |                                  |                     |                      |
| <b>Liabilities</b>                          |                      |                                  |                     |                      |
| Accounts Payable                            | \$ 2,243,983         | \$ -                             | \$ 503,905          | \$ 2,747,888         |
| Accrued Liabilities                         | 145,937              | -                                | -                   | 145,937              |
| Due to Other Funds                          | -                    | 5,393,421                        | -                   | 5,393,421            |
|   |                      |                                  |                     |                      |
| Total Liabilities                           | <u>2,389,920</u>     | <u>5,393,421</u>                 | <u>503,905</u>      | <u>8,287,246</u>     |
| <b>Fund Balances:</b>                       |                      |                                  |                     |                      |
| Restricted                                  | 8,204,345            | -                                | -                   | 8,204,345            |
| Unassigned                                  | -                    | (5,393,421)                      | 1,267,113           | (4,126,308)          |
|   |                      |                                  |                     |                      |
| Total Fund Balances                         | <u>8,204,345</u>     | <u>(5,393,421)</u>               | <u>1,267,113</u>    | <u>4,078,037</u>     |
|   |                      |                                  |                     |                      |
| Total Liabilities and Fund Balances         | <u>\$ 10,594,265</u> | <u>\$ -</u>                      | <u>\$ 1,771,018</u> | <u>\$ 12,365,283</u> |

**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, 2022**

|                            |              |
|----------------------------|--------------|
| Governmental Fund Balances | \$ 4,078,037 |
|----------------------------|--------------|

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 | 2,869,407 |
|----------------|-----------|

|                          |           |
|--------------------------|-----------|
| Accumulated Depreciation | (601,712) |
|--------------------------|-----------|

Liabilities Payable After One Year

|                              |           |
|------------------------------|-----------|
| Accrued Compensated Absences | (255,433) |
|------------------------------|-----------|

|   |                     |
|---|---------------------|
| Net Position of Governmental Activities | <u>\$ 6,090,299</u> |
|---|---------------------|



**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, 2022**

|   | <u>General Fund</u> | <u>Capital<br/>Projects Fund</u> | <u>Other Funds</u>  | <u>Total</u>        |
|---|---------------------|----------------------------------|---------------------|---------------------|
| <b>REVENUES</b>                                   |                     |                                  |                     |                     |
| Legislative Appropriations and State Grants       | \$ 3,805,125        | \$ -                             | \$ -                | \$ 3,805,125        |
| Federal Grants                                    | -                   | -                                | 118,279             | 118,279             |
| Interest  | -                   | -                                | 32,123              | 32,123              |
| Other Income                                      | -                   | -                                | 202,589             | 202,589             |
| Total Revenues                                    | <u>3,805,125</u>    | <u>-</u>                         | <u>352,991</u>      | <u>4,158,116</u>    |
| <b>EXPENDITURES</b>                               |                     |                                  |                     |                     |
| Salaries  | 1,330,724           | -                                | -                   | 1,330,724           |
| Professional Services                             | 846,107             | -                                | -                   | 846,107             |
| Insurance   | 56,319              | -                                | -                   | 56,319              |
| Payroll Taxes                                     | 125,671             | -                                | 7,028               | 132,699             |
| Benefits  | 97,980              | -                                | -                   | 97,980              |
| Supplies  | 26,974              | -                                | -                   | 26,974              |
| Vehicle   | 7,471               | -                                | -                   | 7,471               |
| Utilities   | 42,607              | -                                | -                   | 42,607              |
| Repairs and Maintenance                           | 251,090             | -                                | -                   | 251,090             |
| Acquisition and Relocation of Real Estate         | 1,833,020           | 5,393,421                        | -                   | 7,226,441           |
| Capital Outlays                                   | 63,797              | -                                | -                   | 63,797              |
| Others  | 113,270             | -                                | 431                 | 113,701             |
| Total Expenditures                                | <u>4,795,030</u>    | <u>5,393,421</u>                 | <u>7,459</u>        | <u>10,195,910</u>   |
| Excess (Deficiency) of Revenues Over Expenditures | (989,905)           | (5,393,421)                      | 345,532             | (6,037,794)         |
| Fund Balances at Beginning of Year                | <u>9,194,250</u>    | <u>-</u>                         | <u>921,581</u>      | <u>10,115,831</u>   |
| Fund Balances at End of Year                      | <u>\$ 8,204,345</u> | <u>\$ (5,393,421)</u>            | <u>\$ 1,267,113</u> | <u>\$ 4,078,037</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 Statement of Activities and Changes in Net Position  
For the Fiscal Year ended June 30, 2022**

|   |                       |
|---|-----------------------|
| Net Change in Fund Balances   | \$ (6,037,794)        |
| Amounts Reported for Governmental Activities in the Statements<br>Activities are different because:   |                       |
| Governmental Funds Reports Capital Assets Outlays as Expenditures<br>However, in the Statement of Activities, the Cost of those Assets is<br>Allocated Over their Estimated Useful Lives and Reported as Depreciation<br>Expense: | 63,797                |
| Current Year Depreciation   | (39,788)              |
| Some Expenses Reported in the Statement of Activities do not Require<br>the<br>use of Current Financial Resources and therefore are Not Reported as<br>Expenditures in the Governmental Funds                                     |                       |
| Accrued Compensated Absences  | <u>13,235</u>         |
| Change in Net Position of Governmental Activities   | <u>\$ (6,000,550)</u> |

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

Notes to Financial Statements  
June 30, 2022

**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.

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

Notes to Financial Statements  
June 30, 2022

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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 and notes to the financial statements. 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.

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

Notes to Financial Statements  
June 30, 2022

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. 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, 2022

**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 other funds. The Corporation has an assignment of \$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.

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. In addition, this category includes General Funds under the Capital Expenditures category, dedicated to infrastructure and construction projects within the district.

Other Funds – Non-governmental grants and donations received, plus interest earned; funds for implementing a variety of initiatives under the federal AmeriCorps Program; promoting youth leadership; implementing after school violence prevention and educational programs; and designing stormwater infrastructure and performing environmental studies (Urban Waters Small Grant and Brownfields Hazardous and Petroleum Grants, US Environmental Protection Agency) and other miscellaneous income.

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

Notes to Financial Statements  
June 30, 2022

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Fund Financial Statements (Continued)**

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.

Concentration of Credit Risk

As of June 30, 2022, 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 \$9,738,716. 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  |

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

Notes to Financial Statements  
June 30, 2022

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Fund Financial Statements (Continued)**

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. 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<br>Type of Employment | Monthly<br>Accrual | Maximum<br>Annual<br>Balance |
|--|--------------------|------------------------------|
| <hr/>  |                    |                              |
| 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                      |



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

Notes to Financial Statements  
June 30, 2022

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Fund Financial Statements (Continued)**

Vacations (Continued)

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.

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<br>Accrual | Maximum<br>Annual<br>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<br>Accrual | Maximum<br>Annual<br>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.

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

Notes to Financial Statements  
June 30, 2022

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Fund Financial Statements (Continued)**

Sick Leave (Continued)

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.
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, 2022, amounted to \$255,433.

The following is a summary of changes in the balance of compensated absences for the fiscal year ended June 30, 2022.

| Corp. Proyecto ENLACE del Caño Martín Peña |            |  |                          |                        |                              |
|--|------------|--|--------------------------|------------------------|------------------------------|
| Balance June<br>30,2021                    | New Issues | Retirements and<br>Current<br>Maturities | Balance June<br>30, 2022 | Due within One<br>Year | Due in More<br>than One Year |
| \$ 268,666                                 | \$123,867  | (\$137,100)                              | \$255,433                | \$1,200                | \$ 254,233                   |

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:

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

Notes to Financial Statements  
June 30, 2022

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Fund Financial Statements (Continued)**

Sick Leave (Continued)

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

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, 2022

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Fund Financial Statements (Continued)**

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements for which the Corporation is evaluating its applicability and effect, if any in the Corporation's financial statements.

| GASB<br>Statement<br>Number |   | Adoption<br>Required in<br>Fiscal Year |
|-----------------------------|---|--|
| 91                          | Conduit Debt Obligations  | 2023                                   |
| 94                          | Public-Private and Public-Public Partnerships and Availability Payment Arrangements | 2023                                   |
| 96                          | Subscription-Based Information Technology Arrangements                              | 2023                                   |
| 99                          | Omnibus 2022  | 2023                                   |
| 100                         | Accounting Changes and error Corrections  | 2024                                   |
| 101                         | Compensated Absence   | 2024                                   |

**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 \$52,911.

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

Notes to Financial Statements  
June 30, 2022

**3. RESTRICTED ASSETS**

During fiscal year ended June 30, 2022, the Corporation received \$3.8 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, 2022, consist of cash to be used for the following purposes:

**Governmental Activities**

|   |                     |
|---|---------------------|
| Legislative Appropriations                                | \$ 1,905,897        |
| Capital Improvements, Donations and Programs (Law No. 63) | 1,916,707           |
| Total Restricted Assets of Governmental Activities        | <u>\$ 3,822,604</u> |

Liabilities of the Corporation Payable from Restricted Assets consist of the following:

**Governmental Activities**

|   |                     |
|---|---------------------|
| Accounts Payable  | \$ 2,093,339        |
| Liabilities of the Corporation Payable from Restricted Assets - Governmental Activities | <u>\$ 2,093,339</u> |

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

Notes to Financial Statements  
June 30, 2022

**4. CAPITAL ASSETS**

The Corporation's capital assets activity for the year ended June 30, 2022, was as follows:

|   | <u>6/30/2021</u>     |                  | Retirements<br>and<br>Adjustment | <u>6/30/2022</u>    |
|---|----------------------|------------------|----------------------------------|---------------------|
|   | Beginning<br>Balance | Additions        |                                  | Ending<br>Balance   |
| <b><u>Capital Assets Not Being Depreciated:</u></b> |                      |                  |                                  |                     |
| Relocation Land                                     | \$ 1,117,309         | -                | -                                | \$ 1,117,309        |
| Relocation Structures                               | 994,355              | -                | -                                | 994,355             |
| <b>Total Capital Assets Not Being Depreciated</b>   | <b>2,111,664</b>     | <b>-</b>         | <b>-</b>                         | <b>2,111,664</b>    |
| <b><u>Capital Assets Being Depreciated:</u></b>     |                      |                  |                                  |                     |
| Office Equipment and Furnitures                     | 181,835              | 17,013           | -                                | 198,848             |
| Computer Equipment                                  | 224,318              | -                | -                                | 224,318             |
| Computer Programs                                   | 166,750              | -                | -                                | 166,750             |
| Misc Equipment                                      | 20,026               | 19,613           | -                                | 39,639              |
| Vehicles  | 101,017              | 27,171           | -                                | 128,188             |
| <b>Total Capital Assets Being Depreciated</b>       | <b>693,946</b>       | <b>63,797</b>    | <b>-</b>                         | <b>757,743</b>      |
| Less: Accumulated Depreciation                      | 561,924              | 39,788           |                                  | 601,712             |
| <b>Capital Assets, Net</b>                          | <b>\$ 2,243,686</b>  | <b>\$ 24,009</b> | <b>\$ -</b>                      | <b>\$ 2,267,695</b> |

Depreciation expense was charged as an administrative expenditure under general government activities for a total amount of \$39,788 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 Reallojo 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, 2022

**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, 2022, are composed as follows:

| <b>Buy and Sale Agreement</b> | <b>Involuntary Expropriation</b> | <b>Buy and Sell, and Deposit</b> | <b>Construction and other</b> | <b>Total</b> |
|-------------------------------|----------------------------------|----------------------------------|-------------------------------|--------------|
| \$820,545                     | \$ 425,000                       | \$587,475                        | \$5,393,421                   | \$ 7,226,441 |

**6. RETIREMENT PLAN**

The Corporation’s employees have historically participated in the Employees Retirement System (ERS) of the Commonwealth of Puerto Rico. As of June 30, 2022 no pension liability is recognized since the Corporation does not have retired employees in the Commonwealth retirement system. Therefore, no payments of the Pay Go pension reform was required by the Retirement System Administration to the Corporation for the year then ended.

**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, 2022

**6. RETIREMENT PLAN (CONTINUED)**

**PayGo Pension Reform (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. 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 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 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.



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

Notes to Financial Statements  
June 30, 2022

**7. 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 due, nor does it generate any sort of benefit or income from these funds.

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

Notes to Financial Statements  
June 30, 2022

**8. 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, 2022.

**9. UNCERTAINTY**

The Corporation had a net change position of approximately (\$4 million) as of June 30, 2022. 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 \$4 million for the year ended June 30, 2022. 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.

**10. 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 April 12, 2023 the Corporation signed a Subrecipient Agreement with the Puerto Rico Department of Housing that awarded \$46 million in Community Development Block Grant – Mitigation (CDBG-MIG) funds for the construction of new housing in the Caño Martín Peña special planning district. The performance period these funds end is April 12, 2026. The housing construction project is an essential part of the Corporation's workplan, which includes the relocation of families living within footprint of the dredging area surrounding the body of water. These relocations are carried out according to the Uniform Relocation Act and all applicable local legislation.

The Corporation evaluated its subsequent events until April 19, 2023, 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, 2022, that require being recorded or require additional disclosures in the financial statements.