

**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, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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** (the Corporation), a component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Corporation 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 an opinion 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 of 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 opinion.

Basis for Qualified Opinion

As more fully described in Note 4 to the financial statements, the Corporation has land whose exact area and its actual or appraised costs are unknown. In our opinion, the real estate should be recorded at fair value to conform to accounting principles generally accepted in the United States of America. A quantification of the effects on the financial statements is not practicable.

Also more fully described in Note 5 to the financial statements, the Corporation does not disclose the cost and obligations associated with Employer Pension reported as required by GASB No. 68 "Accounting Annual Financial Reported for Pension", due the information was not provided by a third party. A quantification of the effects on the financial statements is not practicable.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Corporation as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparison for the general funds for the year then ended in conformity 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 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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.

Prior Year

The financial statements of the **Corporación del Proyecto Enlace del Caño Martín Peña** as of and for the year ended June 30, 2014, were audited by other auditors whose report is dated September 8, 2014.



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Expires December 1, 2018

San Juan, Puerto Rico
December 8, 2015
2015-12-84

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**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, 2015

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, 2015, and is intended to serve as an introduction to the basic financial statements, which have the following components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. The MD&A is designed to: (a) assist the reader in focusing on significant financial matters; (b) provide an overview of the Corporation's financial activities; (c) identify any material changes from the original budget; and (d) highlight individual fund matters. We encourage readers to review this information together with the Corporation's basic financial statements that follow.

Financial Highlights

General Fund

- ❖ Total General Fund actual revenues on a budget basis (excluding other financing sources) for fiscal year 2015 amounted to \$1,318,674, representing an increase of \$1,674 from original budgeted revenues.
- ❖ Total expenditures of \$1,293,793 represented a favorable decrease of \$23,207 from original budget expenditures.
- ❖ The General Fund balance for fiscal year 2015 decreased by \$19,869, a 3% decrease in the General Fund when compared to fiscal year 2014.

Government-Wide

- ❖ The Corporation reported net position at year-end of \$3,837,347, comprised of \$4,234,037 in total assets offset by \$396,690 in total liabilities.
- ❖ The Corporation's net position at year end increased by \$36,195 as a result of this year's operations.
- ❖ The Corporation's governmental activities had total revenues of \$3,003,684, which were more than total expenses of \$2,967,489.

General Fund Budgetary Highlights

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

Major Financial Elements

Revenues

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

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For the Year Ended June 30, 2015

Major Financial Elements. (Continued)

Expenditures

Expenditures consist principally of grants and subsidies, personal services, other services, materials and supplies, equipment purchases, capital outlays, debt service 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, 2015. The Corporation's basic financial statements comprise of three 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 Statement of Net Position presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Corporation's financial position is improving or deteriorating.

The Statement of Activities and Change in Net Position presents information showing how the Corporation's net position changed during the most recent fiscal year, using the full accrual basis of accounting. Both government-wide financial statements include functions of the entity that are principally supported by intergovernmental revenues.

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

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For the Year Ended June 30, 2015

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.

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

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

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

The Corporation adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The statement of revenue and expenditures - budget and actual - budget basis - general fund only presents the information for the general fund for which there is a legally adopted budget, as required by GAAP. See note 1 to the Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund for a reconciliation of the statement of revenue and expenditures - budget and actual - budget basis general fund with the statement of revenues, expenditures, and changes in fund balance (deficit) for the general fund.

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Management Discussion and Analysis

For the Year Ended June 30, 2015

Notes to Basic Financial Statements

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

Required Supplementary Information

The basic financial statements include a section of required supplementary information immediately following its notes. This section includes a supplemental schedule of expenditures by budget and actual budget basis-general fund.

General Fund Financial Analysis

Total General Fund revenues for fiscal year 2015 amounted to \$1,318,674, which represents a decrease of 2.2% as compared to actual revenues for fiscal year 2014 and is in line with the estimated revenues for fiscal year 2015. Total expenditures for fiscal year 2015 amounted to \$1,293,793 and represented an increase of 5.5% as compared to actual expenditures for fiscal year 2014.

The difference between total expenditures and total revenues in the General Fund is referred herein as "Excess of (Deficiency) Revenues over Expenditures". For fiscal year 2015, the excess of revenues over expenditures of \$24,881 compares unfavorably with the excess of revenues over expenditures of \$122,760 of the fiscal year 2014.

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, 2015 amounted to \$4,234,037 and \$396,690, respectively, for net position of \$3,837,347 compared to net position of \$3,801,152 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 \$163,274 or 3.7% as compared to the prior fiscal year, while total liabilities decreased by \$199,469 during the current fiscal year when compared to the prior fiscal year. The main reason for the decrease in total assets was mainly due to the use of cash for current year operations.

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Management Discussion and Analysis

For the Year Ended June 30, 2015

Summary of Net Position

The following schedule summarizes the Corporation's net position at June 30, 2015 and 2014:

	2015	2014	Variance	%
Assets				
Current Assets	\$ 959,034	\$ 1,156,305	\$(197,271)	-17.1%
Capital Assets, Net of Accumulated Depreciation	3,275,003	3,241,006	33,997	1.1%
Total Assets	\$ 4,234,037	\$ 4,397,311	\$(163,274)	-3.71%
Liabilities and Net Position				
Current Liabilities	\$ 210,087	\$ 444,530	\$(234,443)	-52.74%
Long Term Liabilities	186,603	151,629	34,974	23.07%
Net Position - Invested in Capital Assets	3,275,003	3,241,006	33,997	1.05%
Net Position - Restricted	414,931	84,892	330,039	388.78%
Net Position - Unrestricted	147,413	475,254	(327,841)	-68.98%
Total Liabilities and Net Position	\$ 4,234,037	\$ 4,397,311	\$(163,274)	-3.71%

Changes in Net Position

The Corporation's net position increased by \$36,195 or 1% from last year's total net position. Approximately 46% of the Corporation's total revenues came from legislative appropriations, while 54% resulted from joint resolutions for capital improvements. The Corporation's largest expenses were for salaries, benefits and payroll taxes professional services,

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Management Discussion and Analysis

For the Year Ended June 30, 2015

Results of Operations

For the fiscal years ended June 30, 2015 and 2014, the changes in net position were as follows:

	2015	2014
Program Revenues - General Fund	\$ 1,317,000	\$ 1,577,474
Program Revenues - Capital Improvement Fund	1,416,252	2,742,106
Other Revenues	270,432	4,030
Total Revenues	3,003,684	4,323,610
Expenses	2,967,489	7,200,932
Changes in Net Position	36,195	(2,877,322)
Net Position Beginning of Year, as Previously Stated	3,102,550	5,979,872
Prior Period Adjustment	698,602	-
Net Position Beginning of Year, as Restated	3,801,152	5,979,872
Net Position End of Year	<u>\$ 3,837,347</u>	<u>\$ 3,102,550</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 2015, the Corporation's governmental funds reported combined ending fund balance of \$748,947. This year, the revenues exceeded the expenditures by \$37,172, as compared to the excess of expenditures over revenue increased by \$82,577 of the prior year.

There are restricted fund balances in the amount of \$165,316 which are not available for new spending because it has already been committed for loans to small businesses.

The general fund is the chief operating fund of the Corporation. At the end of the current fiscal year, the total unassigned fund balance of the general fund was \$195,204. The fund balance of the Corporation's general fund decreased by \$19,869 as a result of the current fiscal year's change in financial position. This is a 3.1% decrease when compared to total general fund balance reported in fiscal year 2014.

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Management Discussion and Analysis

For the Year Ended June 30, 2015

Capital Assets

At June 30, 2015, the Corporation has spent the amount of \$87,829 in capital assets, including relocation properties, leasehold improvements, equipment, furniture and fixtures. During this year, the depreciation expense and accumulated depreciation amounted to \$53,832 and \$460,526, 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, 2015, the amount of \$53,832 was recorded for depreciation expense in the Statement of Activities and Change of Net Position.

Capital Outlay Acquisitions

For the fiscal year ended June 30, 2015, the total Capital Outlay amounted to \$93,594 from which \$87,829 were capitalized and recorded as assets of the Corporation. These additions to the Corporation's capital assets will be depreciated over time as described above. The net effect of the new capital assets and the current year's depreciation is an increase to capital assets in the amount of \$33,997 for the fiscal year ended June 30, 2015.

Financial Analysis of the Corporation's Funds

As of June 30, 2015, the Corporation's governmental funds reported a combined cash balance of \$451,654 as compared to prior year's \$497,783. The reduction is mainly due to the payment of certain accounts payable during the 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, 2015

ASSETS

	<u>Governmental Activities</u>
Current Assets:	
Cash	\$ 451,654
Accounts Receivable - Restricted	507,380
Total Current Assets	<u>959,034</u>
Capital Assets:	
Land	2,012,243
Building	443,278
Relocation Properties	811,489
Office Equipment and Furniture	129,734
Computer and Communication Equipment	102,984
Computer Programs	166,750
Vehicles	69,051
	<u>3,735,529</u>
Less: Accumulated Depreciation	<u>(460,526)</u>
	<u>3,275,003</u>
Total Assets	<u><u>\$ 4,234,037</u></u>

LIABILITIES AND NET POSITION

Current Liabilities:	
Accounts Payable	\$ 88,064
Accrued Liabilities	58,273
Unearned Revenues	63,750
Total Current Liabilities	<u>210,087</u>
Long Term Liabilities - Compensated Absences:	
Due within One Year	74,397
Due in More than One Year	112,206
Total Liabilities	<u>396,690</u>
Net Position:	
Invested in Capital Assets	3,275,003
Restricted	414,931
Unrestricted	147,413
	<u>3,837,347</u>
Total Liabilities and Net Position	<u><u>\$ 4,234,037</u></u>

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

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

Statement of Activities and Change in Net Position

For the Year Ended June 30, 2015

		Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
Activities:	Expenses	Operating Grants	Capital Grants	Governmental Activities
Governmental:				
Legislative Appropriation and Other	\$(1,294,770)	\$ 1,317,000	\$ -	\$ 22,230
Joint Resolutions for Capital Improvements	(1,267,882)	-	1,416,252	148,370
Grants and Contributions	(404,837)	-	268,758	(136,079)
	\$(2,967,489)	\$ 1,317,000	\$ 1,685,010	34,521
General Revenues:				
Interest Income				1,674
Total				1,674
Change in Net Assets				36,195
Net Position at Beginning of Year, as Previously Reported				3,102,550
Prior Period Adjustment				698,602
Net Position at Beginning of Year, as Restated				3,801,152
Net Position at Ending of Year				\$ 3,837,347

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

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

Balance Sheet - Governmental Fund

June 30, 2015

ASSETS

	General Fund	Capital Projects Fund	Other Funds	Total
Cash	\$ 451,654	\$ -	\$ -	\$ 451,654
Due from Other Fund	325,015	-	-	325,015
Accounts Receivable	-	373,671	133,709	507,380
Total Assets	\$ 776,669	\$ 373,671	\$ 133,709	\$ 1,284,049

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 14,614	\$ 15,970	\$ 57,480	\$ 88,064
Accrued Liabilities	58,273	-	-	58,273
Unearned Revenues	44,750	-	19,000	63,750
Due to Other Fund	-	192,385	132,630	325,015
Total Liabilities	117,637	208,355	209,110	535,102
Restricted	-	165,316	-	165,316
Assigned	463,828	-	-	463,828
Unassigned	195,204	-	(75,401)	119,803
Total Fund Balance	659,032	165,316	(75,401)	748,947
Total Liabilities and Fund Balance	\$ 776,669	\$ 373,671	\$ 133,709	\$ 1,284,049

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

**CORPORACIÓN DEL PROYECTO ENLACE
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Reconciliation of Governmental Fund Balance
to Net Position of Governmental Activities

June 30, 2015

Governmental Fund Balance	\$	748,947
Amounts Reported for Governmental Activities in the Statement 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 Balance Sheet:		
Cost of Capital Assets, as Restated		3,735,529
Accumulated Depreciation		(460,526)
		3,275,003
Liabilities, are not due and payable in the current period and, therefore, are not reported in the funds, and consist of the following:		
Compensated Absences		(186,603)
		(186,603)
Net Position of Governmental Activities	\$	3,837,347

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 Balance - Governmental Funds

For The Year Ended June 30, 2015

	General Fund	Capital Projects Fund	Other Funds	Total
<u>REVENUES</u>				
Legislative Appropriations	\$ 1,317,000	\$ -	\$ -	\$ 1,317,000
State Grants	-	-	151,305	151,305
Federal Grants	-	-	127,715	127,715
Joint Resolutions for Capital Improvements	-	1,416,252	-	1,416,252
Interests	1,674	-	-	1,674
Contributions and Donations	-	-	(10,262)	(10,262)
Total Revenues	<u>1,318,674</u>	<u>1,416,252</u>	<u>268,758</u>	<u>3,003,684</u>
<u>EXPENDITURES</u>				
Salaries	592,481	-	162,177	754,658
Professional Services	99,363	498,003	74,033	671,399
Insurance	25,423	-	-	25,423
Community Development Activities	75,996	188,707	8,886	273,589
Payroll Taxes	104,594	-	118,363	222,957
Benefits	188,954	-	37,858	226,812
Supplies	9,070	-	1,441	10,511
Vehicle	7,637	-	-	7,637
Utilities	46,280	-	-	46,280
Rent of Office Equipment	434	-	-	434
Repairs and Maintenance	22,231	-	447	22,678
Acquisition and Relocation	-	581,172	-	581,172
Capital Outlays	93,594	-	-	93,594
Other	27,736	-	1,632	29,368
Total Expenditures	<u>1,293,793</u>	<u>1,267,882</u>	<u>404,837</u>	<u>2,966,512</u>
Excess (Deficiency) of Revenues over Expenditures	<u>24,881</u>	<u>148,370</u>	<u>(136,079)</u>	<u>37,172</u>
Fund Balances at Beginning of Year, as Previously Restated	678,901	16,946	60,678	756,525
Prior Period Adjustment	(44,750)	-	-	(44,750)
Fund Balances at Beginning of Year, as Restated	<u>634,151</u>	<u>16,946</u>	<u>60,678</u>	<u>711,775</u>
Fund Balances at End of Year	<u>\$ 659,032</u>	<u>\$ 165,316</u>	<u>\$ (75,401)</u>	<u>\$ 748,947</u>

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

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

Reconciliation of the Statement Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities and Changes in Net Position

For The Year Ended June 30, 2015

Net Change in Fund Balance	<u>\$ 37,172</u>
Amounts Reported for Governmental Activities in the Statement of Activities and Changes in Net Position are Different Because:	
Governmental Funds Reports Capital Assets Outlays as Expenditures. However, in the Statement of Activities, the Cost of those Assets is Allocated Over their Estimated Useful Lives and Reported as Depreciation Expense:	
Capital Outlays	87,829
Current Year Depreciation	<u>(53,832)</u>
	33,997
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:	
Acquisition of Land for Relocation	364,000
Transfer of Land	<u>(364,000)</u>
Compensated Absences	<u>(34,974)</u>
	<u>(34,974)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 36,195</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)

Notes to Financial Statements

June 30, 2015

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"), hereinafter Law 489-2004. The Corporation's Board of Directors consists of thirteen 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 financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

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

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

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

Financial Reporting Entity

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

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.

**CORPORACIÓN DEL PROYECTO ENLACE
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Notes to Financial Statements

June 30, 2015

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

Financial Reporting Entity, (Continued)

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

Basis of Presentation, Measurement Focus and Basis of Accounting

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

Management Discussion and Analysis

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

Basic Financial Statements

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

Government-Wide Statements

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

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

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Notes to Financial Statements

June 30, 2015

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

Government-Wide Statements, (Continued)

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

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

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

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

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

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Notes to Financial Statements

June 30, 2015

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

Governmental Fund Financial Statements

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

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

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

The Corporation reports the following major governmental funds:

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

Capital Projects Fund - Accounts for the funds received in accordance with the joint resolution 116 of July 23, 2007, for the development of construction and canalization projects in the Caño Martín Peña area.

Other Fund - Account donations received, plus interest earned with the purpose of providing loans to community business; for establishing a directory of community business; to prepare a grant application under the US Department of Housing and Urban Development CDBG - National Disaster Resiliency Competition; and to develop an environmental impact project of program.

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, 2015, the Corporation kept depository bank balances in the amount of \$615,153. These amounts are in excess of the insurance coverage provided by the Federal Deposit Insurance Corporation commonly known as FDIC. In addition, this excess is uncollateralized and may also be reflected during the years.

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Notes to Financial Statements

June 30, 2015

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

Receivables

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

Due to and Due from Other Funds

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds/(i.e. the current portion of inter-fund loans).

Inventories

The purchase method is followed to account for inventory. Under this method, inventory is recorded as expenditure when purchased. The Corporation estimated that the amount of inventory of office and printing supplies on hand are immaterial; accordingly, any amount of inventory is recorded in the government-wide financial statements.

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.

The Corporation's employees are granted vacations and sick leave as follows:

Vacations

<u>Period of Services</u>	<u>Monthly Accrual</u>	<u>Maximum Annual Balance</u>
One or Less	1.25 days	15 days
More than One, Less than Four	1.50 days	36 days
Four and Over	2.00 days	48 days

Accrued days in excess of 60 days are paid.

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June 30, 2015

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

Sick Leave

The employee accrues one (1) day monthly, equivalent to twelve (12) days annually. The excess of forty-eight (48) accrued days is paid to the employee.

Separation from the employment prior to the use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years of services who are entitled to sick leave pay up to the maximum allowed. 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 future 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, 2015 amounted to \$186,603.

The following is a summary of changes in the balance of compensated absences for the fiscal year ended June 30, 2015.

Balance July 1, 2014	New Issues	Retirements and Current Maturities	Balance June 30, 2015	Due within One Year	Due in More than One Year
\$ 151,629	\$ 316,229	\$ 281,255	\$ 186,603	\$ 74,397	\$ 112,206

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.

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June 30, 2015

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

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.

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 assumption 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.

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Notes to Financial Statements

June 30, 2015

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

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.

New Accounting Standards Adopted

Statement No. 69, *Government Combinations and Disposal of Government Operations* was effective for fiscal year 2015 and had no impact on the basic financial statements of the Corporation.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantee* was effective for fiscal year 2015 and had no impact on the basic financial statements of the Corporation.

Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*—an amendment of GASB statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Future Adoption of Accounting Pronouncements

The GASB has issued the following accounting standard that have effective dates after June 30, 2015:

<u>GASB Statement Number</u>		<u>Adoption Required in Fiscal Year</u>
72	Fair Value Measurement and Application	2016
73	Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68	2016
74	Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	2016
75	Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	2016
76	The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments	2016

The impact of these statements has not yet been determined by the Corporation.

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Notes to Financial Statements

June 30, 2015

2. ACCOUNTS RECEIVABLE

Accounts receivable consist of grant receivables resulting from expenditures made that are pending to be reimbursed by the Puerto Rico Tax Department and by federal agencies in the amount of \$488,215 and \$11,536, respectively.

3. RESTRICTED ASSETS

Restricted assets of the Corporation included in the basic financial statements at June 30, 2015 consist of cash and receivables to be used for the following purposes:

Governmental Activities:

Capital Improvements, Donations and Programs	\$ 373,670
Urban Waters Program	25,008
Ameri Corps Program	<u>108,702</u>

Total Restricted Assets of Governmental Activities	<u><u>\$ 507,380</u></u>
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Liabilities of the Corporation payable from restricted assets consist of the following:

Governmental Activities:

Accounts Payable	\$ 73,449
Unearned Revenues	<u>19,000</u>

Liabilities Payable from Restricted Assets - Governmental Activities	<u><u>\$ 92,449</u></u>
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Restricted Net Positions of the Corporation consisted of the following:

Governmental Activities:

Restricted for Capital Improvements, Donations and Programs	\$ 395,931
Restricted from Donations	<u>19,000</u>

Total Restricted Net Position - Governmental Activities	<u><u>\$ 414,931</u></u>
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**CORPORACIÓN DEL PROYECTO ENLACE
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Notes to Financial Statements

June 30, 2015

4. CAPITAL ASSETS

The Corporation's capital assets activity for the year ended June 30, 2015, was as follows:

	Beginning Balance (Restated)	Additions	Retirements and Reclassifications	Ending Balance
Land	\$ 1,809,057	\$ 203,186	\$ -	\$ 2,012,243
Building and Building Improvements	397,893	45,385	-	443,278
Relocation Properties	998,187	168,949	(355,647)	811,489
Office Equipment and Furniture	113,932	23,026	(7,224)	129,734
Computer Equipment	101,072	8,137	(6,226)	102,984
Computer Programs	159,206	6,444	1,100	166,750
Vehicles	68,351	-	700	69,051
Total Historical Cost	3,647,698	455,127	(367,297)	3,735,529
Less: Accumulated Depreciation	(406,692)	(72,223)	18,389	(460,526)
Net Capital Assets	\$ 3,241,006	\$ 382,904	\$ (348,908)	\$ 3,275,003

Depreciation expense was charged to governmental administration function as an administrative expenditure for a total amount of \$53,832.

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 Cano Martin Pena, 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 title of lands from the Corporation to the Fideicomiso de la Tierra del Caño Martín Peña will be made as dictated by Law 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 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.

As of the date of this financial statement, the title transfer of the above mentioned lands from the Corporation to the Fideicomiso de la Tierra del de la Tierra del Cano Martin Pena is still pending for obtaining the information required to register its title 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.

**CORPORACIÓN DEL PROYECTO ENLACE
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Notes to Financial Statements

June 30, 2015

5. RETIREMENT PLAN

Plan Description

Regular employees of the Corporation contribute to a cost sharing multiple employer defined benefit retirement plan, administered by the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). ERS covers all regular full time public employees working for the central government, the municipalities of Puerto Rico and certain public corporations not having their own retirement system. The system provides retirement pensions, death and disability benefits.

Retirement benefits depend upon age at retirement and number of years of credited service. Disability retirement benefits are available to members of occupational and no occupational disabilities. Benefits vest after ten years of plan participation. The system was created under Act 447, approved on May 15, 1951, as amended, and became effective on January 1, 1952. Retirement benefits are determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation is computed based on the highest 36 months of compensation recognized by ERS. The annuity, for which a plan member is eligible, is limited to a minimum of \$200 per month and a maximum of 75% of the average compensation. ERS issues a publicly financial report that includes financial statements and required supplementary information of the Plan, which may be obtained from the ERS.

Law No. 305 of September 24, 1999, amended the Act No. 447 of 1951 and was enacted with the purpose of establishing a new pension program (System 2000). The new pension program became effective on January 1, 2000. Employees participating in the current system as of December 31, 1999, may elect either to stay in the defined benefit plan or transfer to the new program. Persons joining the government on or after January 1, 2000, will only be allowed to become members of the new program.

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. There will be a pool of pension assets, which will be invested by the System, together with those of the current defined benefit plan. Benefits at retirement age will not be guaranteed by the State government and will be subjected to the total accumulated balance of the savings account.

The annuity will be based on a formula, which assumes that each year the employee's contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (2) earn a rate equal to 90% of the return of the System's investment portfolio (net of management fees), or (3) earn a combination of both alternatives.

If savings accounts balance is \$10,000 or less at time of retirement, the balance will be distributed by the System to the participant as a lump sum. Participants receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions are not been granted under the new program. The employer contributions (9.275% of the employee's salary) will be used to increase the system's level of assets, reduce the actuarial deficit and improve the system's capacity to comply with future obligations. Under System 2000, the retirement age is reduced from 65 years to 60 for those employees who joined the current plan on or after April.

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Notes to Financial Statements

June 30, 2015

5. RETIREMENT PLAN, (Continued)

Plan Description, (Continued)

On July 1, 2013 became effective Act No. 3 of April 4, 2013, which represents a comprehensive reform of the ERS. Act No. 3 amends the provisions of the different benefits structures under the ERS, including, but not limited, to the following:

- For active participants of the contributory defined benefit programs under Act No. 447 of 1951 and Act No. 1 of 1990, all retirement benefits accrued through June 30, 2013 will be frozen, and thereafter, all future benefits will accrue under the defined contribution formula used for System 2000 participants, and will be paid at retirement through a lifetime annuity.
- Increases the minimum pension for current retirees from \$400 to \$500 per month.
- The retirement age for Act No. 447 participants will be gradually increased from age 58 to age 61.
- The retirement age for current System 2000 participants is increased gradually from age 60 to age 65.
- Eliminates the "Merit Annuity" available to participants who joined the ERS prior to April 1, 1990.
- The retirement age for new employees is increased to age 67, except for new State and Municipal police officers, firefighters, and custody officers, which will be age 58.
- The employee contribution rate will increase from 8.275% to 10%.
- The employer contribution rate will increase 1% per year until fiscal year 2016 and 1.25% per year until final year 2021.
- For System 2000 participants, the retirement benefits will no longer be paid as a lump sum distribution, instead, they will be paid through a lifetime annuity.
- Eliminates or reduces various retirement benefits previously granted by special laws, including Christmas and Summer Bonuses. The Christmas bonus payable to current retirees is reduced from \$600 to \$200 and is eliminated for future retirees. The Summer Bonus will be eliminated.
- Disability benefits will be eliminated and substituted for a mandatory disability insurance policy.
- Survivor benefits will be modified.

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Notes to Financial Statements

June 30, 2015

5. RETIREMENT PLAN, (Continued)

Plan Description, (Continued)

In addition, the Commonwealth has proposed incremental annual contributions from the General Fund of \$140 million per year, for the next 20 years, to increase the liquidity and solvency of the ERS. An appropriation for such annual contribution has been included in the Commonwealth's proposed budget for the fiscal year 2015.

Based on current census data, expectations of market conditions and other actuarial information provided by consulting actuaries, the changes instituted by Act No. 3-2013, along with the additional annual contributions of \$140 million to be received from the Commonwealth during the next 20 years, will be sufficient to cover the System's current and future obligations.

The successful implementation of these measures cannot be assured, as it is dependent upon future events and circumstances whose outcome cannot be anticipated.

In June 2012, the GASB issued Statement No. 68, "*Accounting and financial Reporting for Pensions*", effective for the Corporation fiscal year beginning July 1, 2014. This Statement revises existing standards for measuring and reporting pension liabilities for pension plans provided by the Corporation to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. However, as of June 30, 2015, the Corporation was unable to obtain the corresponding support of the unfunded pension liability, net pension liability and related deferred inflows/outflows of resources related to the Puerto Rico Retirement System due to the information was not provided by the third party. Therefore, these financial statements does not considered the effect of the implementation of GASB No. 68.

The financial statements and required supplementary information for the Retirement System is available by writing to Administrator-Employees' Retirement system of the Commonwealth of Puerto Rico, PO Box 42003, Minillas Station, Santurce, PR 00940.

Funding Policy

The Act No. 447, as amended, is the authority under which obligations to contribute to the Plan by the Plan members, employers and other contributing entities are established or may be amended. Plan members are required to contribute 8.275% up to 10% of gross salary. The Corporation is required to contribute 13.275% of gross salary. During this year, the plan benefit contribution from the Corporation amounted to \$104,801.

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Notes to Financial Statements

June 30, 2015

6. UNEARNED REVENUES

Unearned revenues include appropriations from which the Corporation had received from prior fiscal years not used and or consumed this year. As of June 30, 2015, the Corporation reported the following amounts:

Ford Foundation	\$	19,000
Citi Foundation		22,750
RG Micro-prestanos		12,000
John and Wendy Meu		10,000
		10,000
	\$	63,750

7. 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 were created under Law No. 489-2004:

- The Corporation that was created as a public corporation and an entity and political subdivision of the Commonwealth of Puerto Rico with juridical personality independent and separate from its officials and any other public agency or government instrumentality. It was charged with the responsibility for the coordination and implementation of the “Proyecto ENLACE del Caño 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.
- The transfer 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 Cano Martín Peña*”. These regulations were adopted by the Corporation as established under Law No. 489-2004 and Law 170, August 12, 1988, as amended, known as “*Ley de Procedimiento Administrativo Uniforme*”. The Fideicomiso was created as a private entity with separate juridical personality and at perpetuity. Since the land is collectively owned by the communities by means of the Fideicomiso, this entity has the responsibility to prevent the involuntary displacement of such communities and is an instrument to help overcome poverty. The corpus of the Fideicomiso comprises, among others, the lands transferred to the Corporation pursuant to Law No. 489-2004, and later transferred by the Corporation to the Fideicomiso for the purposes established by Law No. 489-2004 and the regulations approved for its implementation.

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

Notes to Financial Statements

June 30, 2015

7. RELATED PARTY TRANSACTIONS, (Continued)

During the years ended June 30, 2015, the Corporation transferred, as restricted funds, land with a market value of \$364,000 to the Fideicomiso.

8. LEGAL PROCEEDINGS

The Corporation is a defendant in certain lawsuits arising in the normal course of the operation. This 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, 2015.

9. RESTATEMENT

Beginning of net position have been adjusted to correct an understatement in capital assets mainly due to certain properties transferred to the Fideicomiso were not completed as of June 30, 2014, waiting for final transmittal. In addition, there were donations received not accounted for as unearned revenues. After the adjustments made, the net position as of June 30, 2014, have increased by \$698,602. The following balance sheet balances were adjusted, as follows:

	Debit	Credit
Increase in Capital Assets	\$ 743,352	
Increase in Unearned Revenues		\$ 44,750
Increase in Net Position, Net		\$ 698,602

10. SUBSEQUENT EVENTS

In accordance with FASB ASC No. 855, the Corporation evaluated its subsequent events until December 8, 2015, date on which the financial statements were ready for issuance. The Corporation's management understands that no material events occurred subsequent to June 30, 2015, that requires being recorded or required additional disclosures in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(See Independent Auditors' Report)

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

(A Component Unit of the Commonwealth of Puerto Rico)

Statements of Revenues, Expenditures and Changes in
Fund Balance Budgetary Comparison-General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance
<u>REVENUES</u>				
State Services	\$ 1,317,000	\$ 1,317,000	\$ 1,317,000	\$ -
Earnings on Deposits	-	-	1,674	1,674
Total Revenues	1,317,000	1,317,000	1,318,674	1,674
<u>EXPENDITURES</u>				
Salaries	724,564	686,214	592,481	(93,733)
Professional Services	130,000	119,500	99,363	(20,137)
Insurance	27,025	18,525	25,423	6,898
Community Development Services	40,196	65,988	75,996	10,008
Benefits and Payroll Taxes	225,501	230,164	293,548	63,384
Supplies and Rent Office Equipment	4,860	3,122	9,504	6,382
Vehicle	12,495	12,495	7,637	(4,858)
Utilities	58,600	52,120	46,280	(5,840)
Repairs and Maintenance	22,519	21,992	22,231	239
Capital Outlays	45,000	63,603	93,594	29,991
Other	26,240	43,277	27,736	(15,541)
Total Expenditures	1,317,000	1,317,000	1,293,793	(23,207)
Excess of Expenditures Over Revenues	\$ -	\$ -	\$ 24,881	\$ 24,881

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

(A Component Unit of the Commonwealth of Puerto Rico)

Note to Statements of Revenues, Expenditures and Changes in
Fund Balance Budgetary Comparison-General Fund

For the Year Ended June 30, 2015

1. BUDGET PROCESS AND BUDGETARY BASIS OF ACCOUNTING

The Corporation's budget is prepared for Governmental Fund following state requirements. Budget amendments are approved by the Board of Directors. The budget is prepared on a budgetary (statutory) basis of accounting, which is different from GAAP. Revenues include amounts classified by GAAP as other financing sources and expenditures include encumbrances and amounts classified by GAAP as other financing uses. On a GAAP basis, encumbrances outstanding at year end are reported in the governmental funds statements as a reservation of fund balance since they do not constitute expenditures or liabilities while on a budgetary basis encumbrances are recorded as expenditures of current year.

The presentation of the budgetary data excludes long-term obligations such as compensated absents and depreciation charges for capital assets. Historically, those obligations have been budgeted on a "pay as you go" basis. The budgetary comparison schedule presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.



De Angel & Compañía
CORPORACIÓN PROFESIONAL
CONTADORES PÚBLICOS AUTORIZADOS

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December 8, 2015

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

The stockholders and staff of De Angel & Compañía, CPA, CSP, are pleased to announce the successful completion of an independent peer review of our accounting and auditing practice. This review was undertaken as a condition of membership in the American Institute of Certified Public Accountants (AICPA), the national organization of CPAs in public practice, industry, government and education.

In 1988, the members of the AICPA overwhelmingly approved a proposal to require members in public practice to participate in a practice-monitoring program. With the adoption of this proposal, the AICPA implemented a peer review program of unprecedented scope in the CPA profession or any other. Our participation in peer review demonstrates our firm's desire to measure up to the profession's high standards of professionalism and our commitment to maintaining and improving the quality of our practice.

In August 2000, the Puerto Rico Society of CPAs (PRSCPA) adopted a voluntary peer review program, which follows the lead established by the AICPA.

Our peer review was conducted by Torres Llompert Sánchez Ruíz, CPA, an independent firm (the Reviewer). The Reviewer first determined that we have an adequate quality control system, and then checked to see that professional's standards were followed in a representative sample of our accounting and auditing engagements.

After thorough study of our policies and procedures, the Reviewer concluded our firm complies with the stringent quality control standards established by the AICPA and the PRSCPA. Our firm is committed to periodic peer review to foster quality performance.

Bankers, bonding agents, investors, suppliers, legal advisors and others use the financial statements our firm audits, reviews, or compiles. We think those people, our clients, and our own staff deserves independent quality assurance that our firm provides quality services. We are proud of our peer review results and would be happy to answer any questions you might have.

Sincerely,

Carlos De Ángel Ramírez
President



Carlos de Ángel, CPA
Partner
De Ángel & Compañía, CPA, PSC
San Juan, Puerto Rico

SYSTEM REVIEW REPORT

We have reviewed the system of quality control for the accounting and auditing practice of De Ángel & Compañía, CPA, PSC (the firm) in effect for the year ended April 30, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all materials respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of De Ángel & Compañía, CPA, PSC in effect for the year ended April 30, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*; *pass with deficiency(ies)* or *fail*. De Ángel & Compañía, CPA, PSC has received a peer review rating of *pass*.

December 6, 2012
License No. 10
San Juan, Puerto Rico

Stamp number E42872 was affixed
to the original of this report.