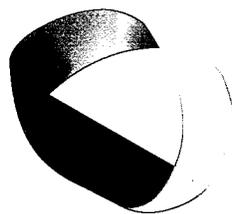


**CORPORACIÓN DEL PROYECTO ENLACE
DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE
COMMONWEALTH OF PUERTO RICO)**

**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



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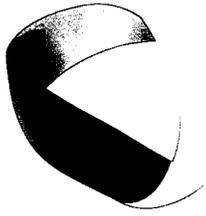
**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Corporación del Proyecto Enlace del Caño Martín Peña

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities 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, 2014, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Basis for Qualified Opinion

As more fully described in Note F to the financial statements, the Corporation has land whose exact area or its actual or appraised costs are unknown. In our opinion, the land 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.

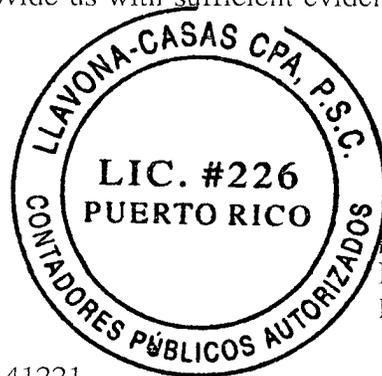
Opinion

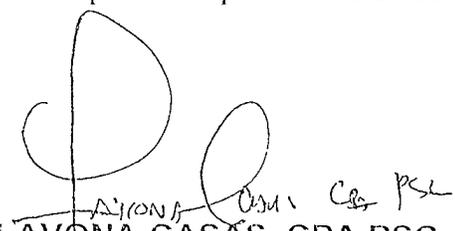
In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Corporation as of June 30, 2014, 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

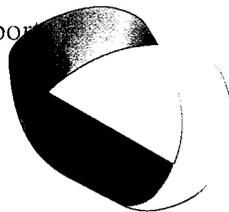
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Juan, Puerto Rico
September 8, 2014




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License 226
Expires December 1, 2015

The stamp number E-141221
was affixed to the original report.



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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 FISCAL YEAR ENDED JUNE 30, 2014**

The management of the Corporación del Proyecto Enlace del Caño Martin 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, 2014, 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 Highlights

- Total General Fund actual revenues on a budget basis (excluding other financing sources) for fiscal year 2014 amounted to \$1,348,580, representing a decrease of \$39,419 from original budgeted revenues.
- Total expenditures of \$1,428,880 represented an increase of \$220,138 or 18% from 2013 actual expenditures on a budget basis.
- The General Fund balance for fiscal year 2014 decreased by \$82,577, a 1.38% reduction in the General Fund when compared to fiscal year 2013.

Government-wide Highlights

- The Corporation reported net assets at year-end of \$3,102,550, comprised of \$3,653,959 in total assets offset by \$551,409 in total liabilities.
- The Corporation’s net assets at year end decreased by \$2,877,322 as a result of this year’s operations.
- Total liabilities at year end were \$551,409 in governmental activities.

¹ The management’s discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Corporation’s management. The independent auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. Therefore, the independent auditors did not audit such information and did not express an opinion on it.

**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- The Corporation's governmental activities had total revenues of \$4,323,610, which were less than total expenses of \$7,200,932.

General Fund Budgetary Highlights

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

MAJOR FINANCIAL ELEMENTS

Revenues

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

Expenditures

Expenditures consist principally of grants and subsidies, personal services, other services, materials and supplies, equipment purchases, capital outlays, debt service and transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) 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 provide a broad view of the Corporation's operations in a manner similar to a private sector business. The statements provide both short and long-term information about the Corporation's financial position, which assists in assessing the Corporation's economic condition at the end of the fiscal year.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenue and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related governmental requirements. The fund financial statements focus on individual parts of the Corporation government, reporting the Corporation's operations in more detail than the government-wide financial statements. All of the funds of the Corporation are classified as governmental funds.

The services provided by the Corporation are financed through governmental funds. Governmental funds are 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, the governmental fund financial statements focus on near-term inflows and outflows of expendable resources. They also focus on the balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short term view of the Corporation's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the Corporation.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Because the focus of governmental funds is narrower than that of 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 between governmental funds and the governmental activities.

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 A 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.

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 Revenues, Expenditures and Fund Balances of Governmental Funds to the Statement of Activities.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 2014 amounted to \$1,348,580, which represents an increase of 33% as compared to actual revenues for fiscal year 2013 and is in line with the estimated revenues for fiscal year 2014. Total expenditures for fiscal year 2014 amounted to \$1,225,820 and represented a decrease of \$162,179 or 12% of original budgeted expenditures. The total General Fund revenues exceeded the total expenditures by \$122,760, or 10%.

The difference between total expenditures and total General Fund revenues is referred to herein as “excess of revenues over expenditures”. For fiscal year 2014, the excess of revenues over expenditures of \$162,179 compares favorably with the excess of expenditures over revenues of \$182,148 of the fiscal year 2013.

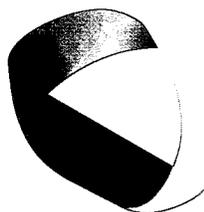
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

Net assets 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, 2014 amounted to \$3,653,959 and \$551,409, respectively, for net assets of \$3,102,550, compared to net assets of \$5,979,872 at the beginning of the current year.

A portion of the Corporation’s net assets 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 \$2,682,800 or 42% as compared to the prior fiscal year, while total liabilities increased by \$194,522 during the current fiscal year when compared to the prior fiscal year. The main reason for the decrease in total assets was due to the transfer of land in the amount of \$2,701,000 Fideicomiso de la Tierra del Caño Martin Peña (the “Fideicomiso”).



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Summary of Net Assets

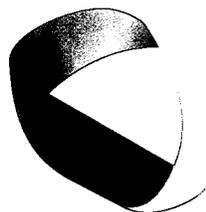
	<u>2014</u>	<u>2013</u>	<u>Variance</u>	<u>%</u>
Assets				
Current assets	\$ 1,156,305	\$ 1,108,951	\$ 47,354	4.27%
Capital assets, net of accumulated depreciation	<u>2,497,654</u>	<u>5,227,808</u>	<u>(2,730,154)</u>	-52.22%
Total assets	<u><u>\$ 3,653,959</u></u>	<u><u>\$ 6,336,759</u></u>	<u><u>\$ (2,682,800)</u></u>	-42.34%
Liabilities and Net Assets				
Current liabilities	\$ 399,780	\$ 269,849	\$ 129,931	48.15%
Long term liabilities	151,629	87,038	64,591	74.21%
Invested in capital assets	2,497,654	5,227,808	(2,730,154)	-52.22%
Net Assets - restricted	84,892	101,885	(16,993)	-16.68%
Net Assets - unrestricted	<u>520,004</u>	<u>650,179</u>	<u>(130,175)</u>	-20.02%
Total liabilities and net assets	<u><u>\$ 3,653,959</u></u>	<u><u>\$ 6,336,759</u></u>	<u><u>\$ (2,682,800)</u></u>	-42.34%

Changes in Net Assets

The Corporation's net assets decreased by \$2,877,322 or 48% from last year's total net assets. Approximately 36% of the Corporation's total revenue came from legislative appropriations, while 63% resulted from joint resolutions for capital improvements. The Corporation's largest expenses were for salaries, professional services, and acquisition and relocation.

Changes in of Net Assets

	<u>2014</u>	<u>2013</u>
Program Revenues - General Fund	\$ 1,577,474	\$ 1,008,000
Program Revenues - Capital Improvement Fund	2,742,106	3,100,178
Other Revenues	<u>4,030</u>	<u>145,573</u>
Total Revenues	4,323,610	4,253,751
Expenses	<u>4,406,187</u>	<u>4,437,085</u>
Changes in Net Assets	<u><u>\$ (82,577)</u></u>	<u><u>\$ (183,334)</u></u>



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 2014, the Corporation's governmental funds reported combined ending fund balance of \$756,525. This year, the expenditures exceeded the revenues by \$82,577, as compared to the excess of expenditures over revenue increased by \$157,493 of the prior year.

There are restricted fund balances in the amount of \$67,946 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 \$462,117. The fund balance of the Corporation's general fund decreased by \$58,316 as a result of the current fiscal year's change in financial position. This is an 8% decrease when compared to total general fund balance reported in fiscal year 2013.

CAPITAL ASSETS

The Corporation's investment in capital assets for its governmental activities as of June 30, 2014 amounts to \$2,904,347, less accumulated depreciation and amortization of \$406,693, leaving a book value of \$2,497,654. This investment in capital assets includes land, construction in progress, buildings, building improvements and equipment as infrastructure.

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, 2014, \$82,987 was recorded for depreciation expense in the statement of activities.

Capital Outlay Acquisitions

For the fiscal year ended June 30, 2014, expenditures totaling \$54,368 were capitalized and recorded as assets of the Corporation. These additions to the Corporation's capital assets will be depreciated over time as described above. The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$29,153 for the fiscal year ended June 30, 2014.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Additional information on the Corporation's capital assets can be found in note A to the basic financial statements that accompany this report.

Requests 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 ASSETS
JUNE 30, 2014**

Cash	\$ 497,783
Restricted assets:	
Cash	85,748
Accounts receivable	572,774
Capital assets:	
Land	1,073,291
Building	397,893
Relocation properties	990,601
Office equipment and furniture	113,932
Computer and communication equipment	101,073
Computer programs	159,205
Vehicles	68,352
Less: accumulated depreciation	<u>(406,693)</u>
Net capital assets	<u>2,497,654</u>
Total Assets	<u><u>\$ 3,653,959</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	297,443
Accrued liabilities	102,337
Long term liabilities - compensated absences	
Due within one year	97,580
Due in more than one year	<u>54,049</u>
Total Liabilities	<u>551,409</u>
Net assets:	
Invested in capital assets	2,497,654
Restricted	84,892
Unrestricted	<u>520,004</u>
Total Net Assets	<u>3,102,550</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,653,959</u></u>

The accompanying notes are an integral part of the basic financial statements.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

		Program Revenues		Net (expenses) revenues and changes in net assets
Activities:	<u>Expenses</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>
Governmental:				
Intergovernmental	\$ 4,448,940	\$ 1,577,474	\$ -	\$ (2,871,466)
Joint resolutions for capital improvements	<u>2,751,992</u>	<u>-</u>	<u>2,742,106</u>	<u>(9,886)</u>
	<u>\$ 7,200,932</u>	<u>\$ 1,577,474</u>	<u>\$ 2,742,106</u>	(2,881,352)
General revenues:				
Interest				2,220
Donations				<u>1,810</u>
Change in net assets				(2,877,322)
Net assets - beginning				<u>5,979,872</u>
Net assets - ending				<u>\$ 3,102,550</u>

The accompanying notes are an integral part of the basic financial statements.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 497,783	\$ -	\$ -	\$ 497,783
Due from other fund	325,015	-	-	325,015
Restricted assets:				
Cash		-	85,748	85,748
Accounts receivable	-	438,953	133,821	572,774
	<u>-</u>	<u>438,953</u>	<u>133,821</u>	<u>572,774</u>
Total Assets	<u>\$ 822,798</u>	<u>\$ 438,953</u>	<u>\$ 219,569</u>	<u>\$ 1,481,320</u>
LIABILITIES				
Accounts payable	\$ 41,560	\$ 229,622	\$ 26,261	\$ 297,443
Accrued liabilities	102,337	-	-	102,337
Due to other fund	-	192,385	132,630	325,015
	<u>-</u>	<u>192,385</u>	<u>132,630</u>	<u>325,015</u>
Total Liabilities	143,897	422,007	158,891	724,795
FUND EQUITY				
Fund balance:				
Assigned	216,784	-	-	216,784
Restricted	-	16,946	60,678	77,624
Unassigned	462,117	-	-	462,117
	<u>462,117</u>	<u>-</u>	<u>-</u>	<u>462,117</u>
Total fund balance	<u>678,901</u>	<u>16,946</u>	<u>60,678</u>	<u>756,525</u>
Total Liabilities and Fund Balance	<u>\$ 822,798</u>	<u>\$ 438,953</u>	<u>\$ 219,569</u>	<u>\$ 1,481,320</u>

The accompanying notes are an integral part of the basic financial statements.

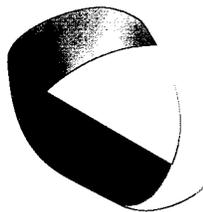


**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

Total Governmental Fund Balance		\$	756,525
Amounts reported for governmental activities in the Statements of Net Assets are different because:			
Capital assets and unamortized expenses used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet:			
Cost of capital assets	\$	2,904,347	
Accumulated depreciation		<u>(406,693)</u>	2,497,654
Long term liabilities are not due and in the current period and, therefore, are not reported in the funds:			
Compensated absences are included as a liability			<u>(151,629)</u>
Net Assets of Governmental Activities		\$	<u><u>3,102,550</u></u>

The following notes are an integral part of the financial statements.



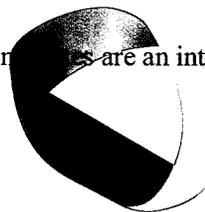
**LLAVONA
CASAS** CPA-PSC
Tus socios para el éxito

**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 YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Funds</u>	<u>Total Governmental Fund</u>
REVENUES				
Legislative appropriations	\$ 1,346,360	\$ -	\$ -	\$ 1,346,360
State grants	-	-	78,422	78,422
Federal grants	-	-	152,692	152,692
Joint resolutions for capital improvements	-	2,742,106	-	2,742,106
Interests	2,220	-	-	2,220
Donations	-	-	1,810	1,810
Total Revenues	<u>1,348,580</u>	<u>2,742,106</u>	<u>232,924</u>	<u>4,323,610</u>
EXPENDITURES				
Salaries	706,245	-	112,252	818,497
Professional services	130,962	1,219,055	96,640	1,446,657
Insurance	24,438	-	-	24,438
Community development activities	36,760	298,840	31,707	367,307
Payroll taxes	76,494	-	115,929	192,423
Benefits	136,172	-	16,957	153,129
Supplies	6,359	-	1,272	7,631
Auto	9,057	-	-	9,057
Utilities	40,669	-	-	40,669
Rent of office equipment	2,556	-	-	2,556
Repairs and maintenance	12,896	-	14,435	27,331
Acquisition and relocation	-	1,234,097	-	1,234,097
Capital outlays	25,857	-	34,446	60,303
Other	17,355	-	4,737	22,092
Total Expenditures	<u>1,225,820</u>	<u>2,751,992</u>	<u>428,375</u>	<u>4,406,187</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	122,760	(9,886)	(195,451)	(82,577)
Other Financial Sources (Uses)				
Trasfers from (to) other funds	<u>(181,076)</u>	<u>-</u>	<u>181,076</u>	<u>-</u>
Total Other Financial Sources (Uses)	<u>(181,076)</u>	<u>-</u>	<u>181,076</u>	<u>-</u>
Net Change in Fund Balance	<u>(58,316)</u>	<u>(9,886)</u>	<u>(14,375)</u>	<u>(82,577)</u>
Fund balance - beginning of year	<u>737,217</u>	<u>26,832</u>	<u>75,053</u>	<u>839,102</u>
Fund balance - ending of year	<u>\$ 678,901</u>	<u>\$ 16,946</u>	<u>\$ 60,678</u>	<u>\$ 756,525</u>

The accompanying notes are an integral part of the basic financial statements.



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**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
FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balance \$ (82,577)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds reports capital assets outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

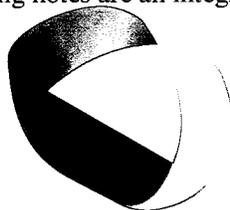
Capital outlays	54,368
Current year depreciation	(82,987)
	(28,619)

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:

Transfer of land	(2,701,000)
Compensated absences	(64,591)
Loss on disposition of capital assets	(535)
	(2,766,126)

Change in net assets of governmental activities \$ (2,877,322)

The accompanying notes are an integral part of the basic financial statements.



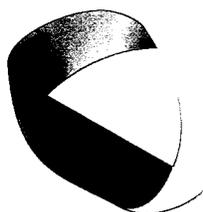
**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2014

Description	Original Budget	Final Budget	Actual	Variance
Revenues:				
Legislative appropriations	\$ 1,387,999	\$ 1,346,359	\$ 1,346,360	\$ (1)
Earnings on deposits	-	-	2,220	(2,220)
Other	-	-	-	-
Total Revenues	<u>1,387,999</u>	<u>1,346,359</u>	<u>1,348,580</u>	<u>(2,221)</u>
Expenditures:				
Salaries	716,250	716,250	706,245	10,005
Professional services	232,000	190,360	100,800	89,560
Insurance	26,870	26,870	24,438	2,432
Community development services	23,500	23,500	50,922	(27,422)
Benefits and payroll taxes	182,592	182,592	212,666	(30,074)
Supplies	5,733	5,733	9,821	(4,088)
Auto	384	384	7,815	(7,431)
Utilities	77,600	77,600	56,954	20,646
Rent of office equipment	16,000	16,000	3,618	12,382
Repairs and maintenance	15,240	15,240	25,678	(10,438)
Capital outlays	7,830	7,830	158,863	(151,033)
Other	84,000	84,000	71,060	12,940
Total expenditures	<u>1,387,999</u>	<u>1,346,359</u>	<u>1,428,880</u>	<u>(82,521)</u>
Excess of revenues (expenditures) over expenditures (revenues)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (80,300)</u>	<u>\$ 80,300</u>

The accompanying notes are an integral part of the basic financial statements.



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**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporación del Proyecto Enlace del Caño Martín Peña (the "Corporation") was created under Law No. 489 of September 24, 2004 ("Ley para el Desarrollo Integral del Distrito de Planificación Especial del Caño Martín Peña"). 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 in the current fiscal year GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*".

Financial Reporting Entity

The accompanying financial statement includes the organization units governed by the Executive 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 DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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

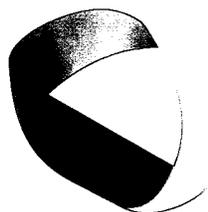
This consists of a narrative introduction and analytical overview of the Corporation's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

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 financial statements (the statement of net assets and the statement of activities) report information of all of the nonfiduciary activities of the Corporation and its component units. For the most part, the effect of interfund activity has been removed from these government wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets presents the reporting entities' nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

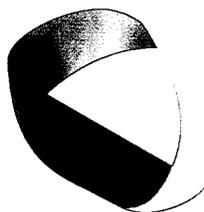
- Invested in Capital Assets, Net of Related Debt - These consist of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- Restricted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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government Wide Financial Statements - The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The appropriations from the Legislature of Puerto Rico are reflected as revenue at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include the following:

- Employees' vested annual vacation and sick leave are recorded as expenditures when utilized. The amount of accumulated annual vacation and sick leave unpaid at June 30, 2014 has been reported only in the government wide financial statements.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.

Fund Accounting

The Corporation reports its financial position and results of operations in funds, which are considered separate accounting entities, and discrete presentations of those component units, which are not required to be blended. The operations of each fund are accounted for within a set of self balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial, and contractual provisions. Major funds are determined using a predefined percentage of the assets, liabilities, revenue, or expenditures/expenses of either the fund category or the governmental and enterprise funds combined. The nonmajor funds are combined in a single column in the fund financial statements. The Corporation reports the following major governmental funds:

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

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

Other Funds - Accounts donations received, plus interests earned, with the purpose of being used for loans to community business and for establishing a directory of community business.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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

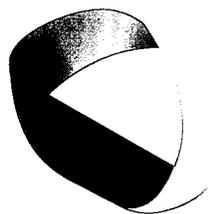
Generally, inventories are valued at cost and predominantly on the first in, first out basis. Governmental fund inventories are recorded as expenditures when purchased rather than capitalized as an asset. Only significant amounts of inventory at the end of the year are capitalized in the governmental funds. However, inventories are always capitalized in the statement of net assets of governmental activities.

Capital Assets

Property and equipment purchased or acquires 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.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government wide financial statements. Depreciation on all assets is provided on the straight-line basis over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress. The estimated useful life of capital assets is as follows:

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 (CONTINUED)
JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 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. The Corporation's employees are granted vacations and sick leave as follows:

Vacations

<u>Period of Service</u>	<u>Monthly Accrual</u>	<u>Maximum Annual Balance</u>
One or less	1.25 days	15 days
More than one, less than four	1.75 days	42 days
Four and over	2.00 days	48 days

Accrued days in excess of 60 days are paid.

Sick Leave

The employee accrue one point twenty five (1.25) days monthly, equivalent to fifteen (15) days annually. The excess of 48 accrued days is paid to the employee. The excess of 60 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.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014 amounted to \$151,629.

Reclassifications

Certain reclassifications have been made to the information presented in the financial statements in conformity with GAAP.

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.

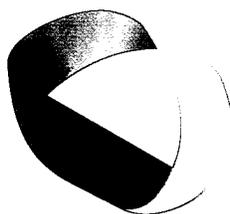
Net assets and Reservations of Fund Balance

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislations of other governments that relate to specific projects of the Corporation. Net assets not reported as invested in capital assets, net of related debt or as restricted, are reported as unrestricted.

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.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 department of Treasury of the Commonwealth of Puerto Rico. The cost is paid by the Department of Treasury of Puerto Rico 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 (CONTINUED)
JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards Adopted

The following new accounting standards was adopted by the Corporation effective July 1, 2013:

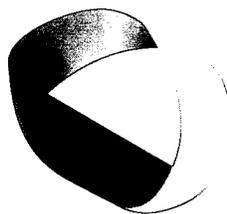
- GASB Statement No. 66, *Technical Corrections 2012 - an Amendment of GASB Statements No. 10 and No. 62*. This statement is effective for periods beginning after December 15, 2012.

Future Adoption of Accounting Pronouncements

The GASB has issued the following accounting standard that have effective dates after June 30, 2014:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This statement is effective for fiscal years beginning after June 15, 2014.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

The impact of these statements on the Corporation's basic financial statements has not yet been determined.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE B - BUDGET PROCESS AND BUDGETARY BASIS OF ACCOUNTING

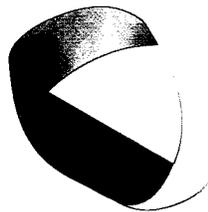
The statement of revenue and expenditures - budget and actual - budget basis - general fund only presents the information for the general fund for which there is a legally adopted budget, as required by GAAP. It presents comparisons of the legally adopted budget with actual data on a budget basis.

The Corporation's budget is prepared for the 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 is generally recognized when cash is received. Expenditures include encumbrances and amounts classified by GAAP as other financing uses and are generally recorded when the related expenditure is incurred or encumbered. The unencumbered balance of any appropriation of the general fund at the end of the fiscal year lapses immediately. Appropriations, other than in the general fund, are continuing accounts for which the Legislature has authorized that an unspent balance from the prior year be carried forward and made available for current spending.

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. On the other hand, under the statutory basis of accounting, the Corporation uses encumbrance accounting to record the full amount of purchase orders, contracts, and other commitments of appropriated resources as deductions from the appropriation prior to actual expenditure. In the governmental funds, encumbrance accounting is a significant aspect of budgetary control.

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. Because accounting principles applied for purposes of developing data on a budget basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of entity, timing, and basis differences in the excess (deficiency) of revenue and other financing sources over expenditures and other financing uses for the year ended June 30, 2014 is presented below for the general fund:

Actual amounts (budgetary basis) charged to appropriations	\$ 1,428,880
Adjustment for encumbrances	(216,784)
Current year expenditures charged to prior year encumbrances	<u>13,724</u>
Total expenditures as reported on the statment of revenues, expenditures, and changes in fund balance	<u>\$ 1,225,820</u>



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE C - DEPOSITS

The Corporation is authorized to deposit only on institutions approved by the Department of Treasury of the Commonwealth of Puerto Rico, and its deposits in commercial banks are collateralized up to \$250,000 per institution by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2014 the Corporation maintained cash deposited in excess of the insurance from the FDIC in the amount of \$543,455.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable consists of grants receivable resulting from expenditures made that are pending to be reimbursed by the Puerto Rico Treasury Department and by federal agencies in the amount of \$493,252 and \$79,522, respectively.

NOTE E - RESTRICTED ASSETS

Restricted assets of the Corporation included in the basic financial statements at June 30, 2014 consist of cash and receivables to be used for the following purposes:

Governmental activities:	
Capital improvements, donations and programs	\$ 579,000
Urban Waters Program	11,533
Ameri Corps Program	<u>67,989</u>
Total restricted assets of governmental activities	<u><u>\$ 658,522</u></u>

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

Governmental activities:	
Accounts payable	\$ 255,883
Due to other funds	<u>325,015</u>
Liabilities payable from restricted assets - governmental activities	<u><u>\$ 580,898</u></u>

Restricted net assets of the Corporation consist of the following:

Governmental activities:	
Restricted for capital improvements, donations and programs	\$ 9,678
Restricted for donations	<u>67,946</u>
Total restricted net assets - governmental activities	<u><u>\$ 77,624</u></u>



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE F - CAPITAL ASSETS

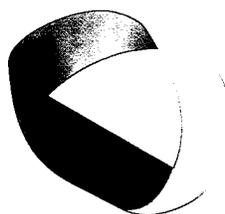
The capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 3,774,291	\$ -	\$ (2,701,000)	1,073,291
Building	397,893	-	-	397,893
Relocation properties	990,601	-	-	990,601
Office equipment and furniture	114,060	1,304	(1,432)	113,932
Computer and communication equipment	80,150	24,552	(3,630)	101,072
Computer programs	130,694	28,512	-	159,206
Vehicles	69,852	-	(1,500)	68,352
Total Historical Cost	<u>5,557,541</u>	<u>54,368</u>	<u>(2,707,562)</u>	<u>2,904,347</u>
Less: Accumulated Depreciation	<u>(329,733)</u>	<u>(82,987)</u>	<u>6,027</u>	<u>(406,693)</u>
Net Capital Assets	<u>\$ 5,227,808</u>	<u>\$ (28,619)</u>	<u>\$ (2,701,535)</u>	<u>\$ 2,497,654</u>

Depreciation expense was charged to governmental administration function as an administrative expenditure for a total amount of \$82,987.

Pursuant to Law No. 489 of September 24, 2004, as amended by Law No. 104 of August 14, 2013, hereinafter Law No. 489-2004, during the year ended June 30, 2004 the Corporation acquired title of the following real estate located within the area designated as the Caño Martín Peña Special Planning District:

- All public lands that were transferred to the Corporation pursuant to Article 16 of the original Law No. 489 of September 24, 2004 which by July 24, 2009 had not been transferred to the Fideicomiso de la Tierra del Caño Martín Peña, except for those validly transferred to third persons under Law No. 32 of July 24, 2009, and those subject to liens such as mortgages, bonds or any other guarantee or collateral.
- All public lands that after March 3, 2005 were owned by government agencies, except those subject mortgages, bonds or any other guarantee or collateral.



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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE F - CAPITAL ASSETS (CONTINUED)

As established by Law No. 489-2004 and according to the regulations “*Reglamento General para el Funcionamiento del Fideicomiso de la Tierra del Caño Martín Peña*” and the “*Reglamento para la adquisición y disposición de bienes inmuebles y el realojo de ocupantes en Distrito de Planificación Especial del Caño Martín Peña,*” all public lands acquired by the Corporation under Law No. 489-2004, shall be transferred to the Fideicomiso de la Tierra del Caño Martín Peña, a private, non profit 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 lands, 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.

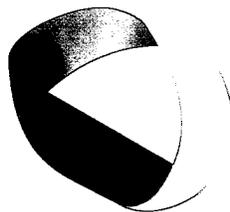
As of the date of this financial statement, the title transfer of the above mentioned lands from the Corporation to the Fideicomiso de la Tierra del de la Tierra del Caño Martín Peña is still pending for obtaining the information required to register its title in the Property Registry, or the Corporation is preparing documents to be presented to the Property Registry for the registration of the land title in favor of the Corporation.

NOTE G - LONG TERM LIABILITIES

Compensated Absences

The compensated absences balance includes accrued vacation, sick leave and other benefits and represents the Corporation's commitment to fund such costs from future assignments. The following summarizes the activity of the compensated absences obligations for the fiscal year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental activities:					
Compensated absences	\$ 87,038	\$ 85,186	\$ 20,595	\$ 151,629	\$ 97,581
	<u>\$ 87,038</u>	<u>\$ 85,186</u>	<u>\$ 20,595</u>	<u>\$ 151,629</u>	<u>\$ 97,581</u>



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE H - RETIREMENT PLAN

Plan Description

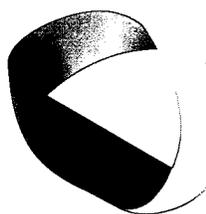
Regular employees of the Corporation contribute to a cost sharing multiple employer defined benefit retirement plan, administered by the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). ERS covers all regular full time public employees working for the central 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. The ERS, as a governmental retirement plan, is excluded from the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Retirement benefits depend upon age at retirement and number of years of credited service. Disability retirement benefits are available to members of occupational and non 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.



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE H - RETIREMENT PLAN (CONTINUED)

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. 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 (10.275% 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.

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

1. 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.
2. Increases the minimum pension for current retirees from \$400 to \$500 per month.
3. The retirement age for Act No. 447 participants will be gradually increased from age 58 to age 61.
4. The retirement age for current System 2000 participants is increased gradually from age 60 to age 65.
5. Eliminates the "merit annuity" available to participants who joined the ERS prior to April 1, 1990.
6. 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.
7. The employee contribution rate will increase from 8.275% to 10%.
8. 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.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE H - RETIREMENT PLAN (CONTINUED)

9. 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.
10. Disability benefits will be eliminated and substituted for a mandatory disability insurance policy.
11. Survivor benefits will be modified.

Funding Policy

The Act 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 10.275% of gross salary, an additional 1% annually for each of the next four years, and 1.25% annually for each of the five years thereafter, reaching an aggregate contribution rate of 20.525% effective July 1, 2020. During this year of operation the plan benefit contribution from the Corporation amounted to \$120,252.

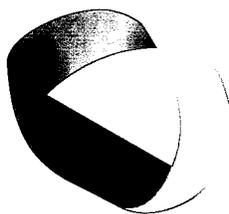
The ERS issue financial reports, which are publicly available and include the basic financial statements, the required trend information, and any other required supplementary information. These reports may be obtained by written request to the corresponding retirement system administrator at P.O. Box 42003 - Minillas Station, San Juan, PR 00940-2203.

NOTE I - FUND BALANCE

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the classification of Fund Balance is based on the extent to which the Corporation is bound to observe constraints imposed upon the use of resources in the governmental funds. The classifications are as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints requiring such amounts to remain intact.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors (such as through debt covenants), laws or regulations of other governments, or constrained due to constitutional provisions or enabling legislation.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE I - FUND BALANCE (CONTINUED)

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Corporation's formal action at the highest level of decision making authority and does not lapse at year-end. The highest level of decision authority for Corporation is the Administrator.

Assigned - includes fund balance amounts that are constrained by the Corporation's management and are intended to be used for specific purposes that are neither considered restricted or committed.

Unassigned - is the residual classification for the General Fund. In a governmental fund other than the General Fund, a negative amount indicates that the expenditures incurred for a specific purpose exceeded the amounts in the fund that are restricted, committed and assigned to that purpose.

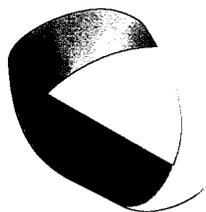
The Corporation uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available, unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, unless required by law or agreement, the Corporation would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Corporation does not have a formal minimum fund balance policy.

NOTE J - RELATED PARTY TRANSACTIONS

Law No. 489 of September 24, 2004, as amended, establishes the comprehensive development of the area designated as Caño Martín Peña Special Planning District as one of the Commonwealth of Puerto Rico public policy. In order to accomplish that public policy, the following entities were created under Law No. 489:

the Corporation, that was created as a public corporation with independent juridical personality. 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, the Corporation shall transferred lands to the Fideicomiso de la Tierra del Caño Martín Peña 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 from the Corporation to the Fideicomiso de la Tierra del Caño Martín Peña is made as stated by Law 489 and for the purposes established therein, and accordingly to the regulations approved for its implementation.



**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

NOTE J - RELATED PARTY TRANSACTIONS (CONTINUED)

- The transfer of lands from the Corporation to the Fideicomiso de la Tierra is executed under the regulations of the “*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 el Distrito de Planificación Especial del Caño Martín Peña*”. These regulations were adopted by the Corporation as established under Law No. 489 and Law 170, August 12, 1988, as amended, known as “*Ley de Procedimiento Administrativo Uniforme.*” the Fideicomiso de la Tierra del Caño Martín Peña, that was created as a private nonprofit entity with separate juridical personality and at perpetuity. Since the land is collectively owned by the Caño communities by means of the Fideicomiso de la Tierra, 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 de la Tierra comprises, among others, the lands transferred to the Corporation pursuant to Law No. 489, and later transferred by the Corporation to the Fideicomiso de la Tierra for the purposes established by Law No. 489 of September 24, 2004 and the regulations approved for its implementation.

During the years ended June 30, 2014 and 2013 the Corporation transferred, as restricted funds, land with a market value of \$2,701,000 and \$314,000, respectively, to the Fideicomiso.

NOTE K - SUBSEQUENT EVENTS

In accordance with FASB ASC 855, the Corporation evaluated its subsequent events until September 8, 2014, date on which the financial statements were ready for issuance. The Corporation’s management understands that no material events occurred subsequent to June 30, 2014 that requires being recorded or required additional disclosures in the financial statements.