

**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, 2010**

Llavona - Casas, CPA PSC

Certified Public Accountants and Consultants

**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**FINANCIAL STATEMENTS
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Certified Public Accountants and Consultants

Members of:
Puerto Rico Society of Certified Public Accountants
American Institute of Certified Public Accountants
Association of Certified Fraud Examiners

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities of the Corporación del Proyecto Enlace del Caño Martin Peña ("the Corporation"), a component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2010, which collectively comprise the Corporation basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Corporation. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, 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, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 5 and 21 through 22, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

San Juan, Puerto Rico
September 21, 2010



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**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Corporation's basic financial statements for the fiscal year ended June 30, 2010. The Corporation's basic financial statements comprise three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

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 Assets presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Corporation's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Corporation's net assets 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.

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. Corporación del Proyecto Enlace del Caño Martín Peña, 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 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.

**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Summary of Net Assets

The following schedule summarizes the net assets at June 30, 2010:

Assets	
Current assets	\$2,271,987
Capital assets, net of accumulated depreciation	1,472,454
Prepaid assets	<u>649</u>
Total assets	<u>\$3,745,090</u>
Liabilities and Net Assets	
Current liabilities	\$1,046,691
Net assets - restricted	34,750
Net assets - unrestricted	<u>2,663,649</u>
Total liabilities and net assets	<u>\$3,745,090</u>

Analysis of Financial Position

At the end of the first fiscal year of operation ended June 30, 2010, the Corporation's net assets are \$2,698,399. A few of the more significant factors affecting net assets during the year are discussed below:

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, 2010, \$51,319 was recorded for depreciation expense in the statement of activities.

Capital Outlay Acquisitions

For the fiscal year ended June 30, 2010, expenditures totaling \$1,333,529 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 \$1,282,210 for the fiscal year ended June 30, 2010.

**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Results of Operations

For the fiscal year ended June 30, 2010, the changes in net assets were as follows:

Program Revenues - General Fund	\$1,374,000
Program Revenues - Capital Improvement Fund	134,685
Other Revenues	<u>54,053</u>
Total Revenues	1,562,738
Expenses	<u>1,591,377</u>
Changes in Net Assets	<u>(\$ 28,639)</u>

The Corporation's revenues consist of appropriations from the Commonwealth of Puerto Rico's general fund and proceeds from joint resolutions for capital improvements in the amount of \$1,374,000 and \$134,685, respectively. On the other hand, during year ended June 30, 2010, total operating expenses amounted \$1,591,377. The most significant expenses were: salaries, \$526,784; professional services, \$643,731; payroll tax expenses \$81,729; and security, \$75,435.

Financial Analysis of the Corporation's Funds

At June 30, 2010, the Corporation's governmental funds reported a combined cash and cash equivalents balance of \$2,048,163. This is due to the collection from tenants in behalf of the Land Trust, which now owns the lands, and the collections from the Puerto Rico Highways and Transportation Authority.

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.

Capital Assets

At June 30, 2010 the Corporation has spent \$1,333,529 in capital assets, including leasehold improvements, equipment, furniture and fixtures. During this year of operation depreciation expense and accumulated depreciation amounted to \$51,319 and \$114,716, respectively.

**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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:

Centro Gubernamental Roberto Sánchez Vilella
Edificio Sur - Promenada

Postal address:

Apartado Postal 41308
San Juan, PR 00940-1308

**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**STATEMENT OF NET ASSETS
JUNE 30, 2010**

ASSETS	<u>Governmental Activities</u>
Cash	\$2,048,163
Accounts receivable	223,824
Prepaid expenses	649
Capital assets:	
Land and building	1,302,925
Office equipment and furniture	62,435
Computer and communication equipment	58,339
Computer programs	120,388
Vehicles	43,083
Less: accumulated depreciation	(114,716)
Net capital assets	<u>1,472,454</u>
TOTAL ASSETS	<u>\$3,745,090</u>
 LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	\$ 236,974
Amount due to trust	720,850
Accrued liabilities	<u>88,867</u>
Total Liabilities	<u>1,046,691</u>
Net assets:	
Invested in capital assets	1,472,454
Restricted	34,750
Unrestricted	<u>1,191,195</u>
Total Net Assets	<u>2,698,399</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$3,745,090</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
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**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

		Program Revenues		Net (expenses) revenues and changes in net assets
Activities:	Expenses	Operating Grants	Capital Grants	Governmental Activities
Governmental:				
Legislative appropriations	\$1,451,324	\$1,374,000	\$ -	(\$ 77,324)
Joint resolutions for capital improvements	<u>140,053</u>	<u>-</u>	<u>134,685</u>	<u>(5,368)</u>
	<u>\$1,591,377</u>	<u>\$1,374,000</u>	<u>\$ 134,685</u>	(82,692)
General revenues:				
Interest				30,934
Donations				22,750
Other				<u>369</u>
Change in net assets				(28,639)
Net assets - beginning				<u>2,727,038</u>
Net assets - ending				<u>\$2,698,399</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
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**BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2010**

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 2,013,044	\$ -	\$ 35,119	\$ 2,048,163
Accounts receivable	223,824	-	-	223,824
Due from other fund	5,368	-	-	5,368
Prepaid expenses	649	-	-	649
Total Assets	<u>\$ 2,242,885</u>	<u>\$ -</u>	<u>\$ 35,119</u>	<u>\$ 2,278,004</u>
LIABILITIES				
Accounts payable	\$ 957,824	\$ -	\$ -	\$ 957,824
Accrued liabilities	51,323	-	-	51,323
Due to other fund	-	5,368	-	5,368
Total Liabilities	1,009,147	5,368	-	1,014,515
FUND EQUITY				
Fund balance:				
Encumbrances	117,325	-	-	117,325
Reserved for capital improvements	-	(5,368)	-	(5,368)
Unreserved	1,116,413	-	35,119	1,151,532
Total fund balance	<u>1,233,738</u>	<u>(5,368)</u>	<u>35,119</u>	<u>1,263,489</u>
Total Liabilities and Fund Balance	<u>\$ 2,242,885</u>	<u>\$ -</u>	<u>\$ 35,119</u>	<u>\$ 2,278,004</u>

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

**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**RECONCILIATION OF GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010**

Total Governmental Fund Balance		\$1,263,489
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	\$1,587,170	
Accumulated depreciation	(<u>114,716</u>)	1,472,454
Compensated absences are included as a liability:		
Compensated absences		(<u>37,544</u>)
Net Assets of Governmental Activities		<u>\$2,698,399</u>

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

**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Funds</u>	<u>Total Governmental Fund</u>
REVENUES				
Legislative appropriations	\$ 1,374,000	\$ -	\$ -	\$ 1,374,000
Joint resolutions for capital improvements	-	134,685	-	134,685
Interests	30,934	-	-	30,934
Donations	-	-	22,750	22,750
Other	-	-	369	369
Total Revenues	<u>1,404,934</u>	<u>134,685</u>	<u>23,119</u>	<u>1,562,738</u>
EXPENDITURES				
Salaries	526,784	-	-	526,784
Professional services	503,679	140,053	-	643,732
Security services	75,435	-	-	75,435
Insurance	13,425	-	-	13,425
Community development activities	20,851	-	-	20,851
Payroll taxes	81,729	-	-	81,729
Benefits	66,575	-	-	66,575
Supplies	11,545	-	-	11,545
Auto	2,927	-	-	2,927
Utilities	16,739	-	-	16,739
Rent of facilities	25,906	-	-	25,906
Rent of office equipment	7,610	-	-	7,610
Repairs and maintenance	11,517	-	-	11,517
Capital outlays	1,333,529	-	-	1,333,529
Other	29,239	-	-	29,239
Total Expenditures	<u>2,727,490</u>	<u>140,053</u>	<u>-</u>	<u>2,867,543</u>
Excess of revenues (expenditures) over expenditures (revenues)	(1,322,556)	(5,368)	23,119	(1,304,805)
Fund balance - beginning of year	<u>2,556,294</u>	<u>-</u>	<u>12,000</u>	<u>2,568,294</u>
Fund balance - ending of year	<u>\$ 1,233,738</u>	<u>\$ (5,368)</u>	<u>\$ 35,119</u>	<u>\$ 1,263,489</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
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**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, 2010**

Excess of expenditures over revenues - total governmental funds (\$1,304,805)

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	1,333,529
Current year depreciation	(51,319)
	1,282,210

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:

Compensated absences	(6,044)
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Change in net assets of governmental activities (\$ 28,639)

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

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**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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.

Comparability with reports issued in prior years is affected with the implementation of GASB No. 34. 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"; and GASB Statement No. 41 "Budgetary Comparison Schedules—Perspective Differences—an amendment of GASB Statement No. 34".

Financial reporting entity

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

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The basic criteria for including a potential component unit within the reporting entity is if potential component unit are financially accountable and other organization for which the nature and significance of their relationship with the entity are that exclusion would cause the Corporation's Financial Statement to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) ability to the Corporation to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Corporation.

The relative importance of each criteria must be 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 Assets and a Statement of Activities. These statements are prepared using the economic resources measurement focus, which concentrates on an entity or fund's net assets.

**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Statement of Net Assets incorporates all capital (long lived) assets and receivables as well as long term debt and obligations. The Statement of Activities 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.

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.

The Corporation reports the following major governmental funds:

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

**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Improvements Fund - Accounts for the funds received in accordance with the joint resolution number 379 of December 21, 2005 and joint resolution number 116 of July 23, 2007 for the development of construction and canalization projects in the Caño Martín Peña area.

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 Assets.

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.

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 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. Depreciation on all assets is provided on the straight-line basis over the following estimates useful lives:

Building	33 years
Office equipment	10 years
Vehicles	3 years
Computer programs	6 years
Computer equipment	6 years

**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

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 five	1.50 days	36 days
Five and over	2.00 days	48 days

Accrued days in excess of 60 days are paid.

Sick Leave

The employee accrued one (1) day monthly, equivalent to twelve (12) days annually. The excess of 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, 2010 amounted to \$37,544.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE B - CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2010 was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Land and building	\$ -	\$1,302,925	\$1,302,925
Office equipment	51,771	10,664	62,435
Computer equipment	58,339	-	58,339
Computer programs	100,448	19,940	120,388
Vehicles	<u>43,083</u>	<u>-</u>	<u>43,083</u>
Total Historical Cost	253,641	1,333,529	1,587,170
Less: Accumulated Depreciation	(63,397)	(51,319)	(114,716)
Net Capital Assets	<u>\$190,244</u>	<u>\$1,282,210</u>	<u>\$1,472,454</u>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

NOTE B - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental administration function as an administrative expenditure for a total amount of \$51,319.

In March 2005 and pursuant to Article 16 of Law No. 489 of September 24, 2004, the title of all the lands located in the *Caño Martín Peña Special Planning District* which at the time were owned, managed, held in custody, had dominion over, leased or owned by government agencies (including government corporations and the Municipality of San Juan) was transferred to the Corporation. Pursuant to Article 17 of Law 489, the Corporation also became owner of lands that were previously of public domain associated with the maritime terrestrial zone and which became of patrimonial domain by action of the Secretary of Natural and Environmental Resources. Law No. 489 ordered the Corporation to transfer these lands to the *Fideicomiso de la Tierra del Caño Martín Peña*.

On July 1, 2008, the Corporation owned over 200 acres of land located within the *Caño Martín Peña Special Planning District*. The exact area of the land owned by the Corporation or its actual or appraised cost is known, as it was not possible to obtain that information for all the properties; and no survey of lands was conducted at that time. However, the Corporation was able to present at the Puerto Rico Property Register the appropriate documentation that identifies it as owner of 768,617 m² (195.5572 cuerdas), according to the titles of the previous owners.

During fiscal year 2009, the Corporation transferred 768,617 m² of lands to the *Fideicomiso*, as set forth in public deeds and other titles. Also, Law 32 of June 23, 2009 amended Article 16 of Law 489 to, retroactively, revert the lands transferred under Law 489 to the Corporation, to the previous owners or title holders. The constitutionality of Law 32 was questioned by the *Fideicomiso*, through a Complaint for Declaratory Relief, Temporary Restraining Order, Preliminary and Permanent Injunction. By November 2009 this complaint was dismissed without prejudice by the Federal Court in Puerto Rico. The *Fideicomiso* appealed the decision to the United States District Court in Boston who after analyzing the case ordered the dismissal of the complaint by April 2010.

NOTE C - 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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

NOTE C - RETIREMENT PLAN (CONTINUED)

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 (CONTINUED)
JUNE 30, 2010**

NOTE C - RETIREMENT PLAN (CONTINUED)

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 9.275% of gross salary. During this year of operation the plan benefit contribution from the corporation amounted to \$31,525.

NOTE D – CONTINGENCIES

The Puerto Rico Transportation and Highways Authority (PRTHA) transferred the programs, funds, assets, liabilities and files to the Corporation, corresponding to the functions for the development of the Caño Martin Peña Special Planning District. This included \$201,183 in estimated interests earned from the legislative appropriations that were deposited in the bank accounts of the PRTHA before the transition. The new administration of the PRTHA claims that the estimated interests are overstated because it was computed using the monthly rate of return for Treasury Bills with maturities of six months, while the funds related to the legislative appropriations were not necessarily invested in such kind of investment. Notwithstanding, the PRTHA has not provided a written formal claim nor an alternative method to compute the estimated interests. Accordingly, an estimate of the possible loss cannot be made.

NOTE E – SUBSEQUENT EVENTS

In accordance with FASB ASC 855, the Corporation evaluated its subsequent events until September __, 2010, date on which the financial statements were ready for issuance. The Corporation's management understands that no material events occurred subsequent to June 30, 2010 that requires being recorded or required additional disclosures in the financial statements.

**CORPORACIÓN DEL PROYECTO ENLACE DEL CAÑO MARTÍN PEÑA
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**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2010

Description	Original Budget	Final Budget	Actual	Variance
Revenues:				
State Services	\$ 1,386,000	\$ 1,386,000	\$ 1,374,000	\$ (12,000)
Earnings on deposits	-	-	30,934	30,934
Total Revenues	<u>1,386,000</u>	<u>1,386,000</u>	<u>1,404,934</u>	<u>18,934</u>
Expenditures:				
Salaries	435,000	429,000	526,784	(97,784)
Professional services	439,000	439,000	503,679	(64,679)
Insurance	45,000	13,000	13,425	(425)
Payroll taxes	34,000	41,000	81,729	(40,729)
Benefits	65,000	64,000	66,575	(2,575)
Supplies	7,000	7,000	11,545	(4,545)
Auto	2,000	2,000	2,927	(927)
Utilities	16,000	16,000	16,739	(739)
Rent of facilities	25,000	41,000	25,906	15,094
Repairs and maintenance	5,000	1,000	11,517	(10,517)
Capital outlays	5,000	5,000	1,333,529	(1,328,529)
Other	308,000	328,000	133,135	194,865
Total expenditures	<u>1,386,000</u>	<u>1,386,000</u>	<u>2,727,490</u>	<u>(1,341,490)</u>
Excess of expenditures over revenues	-	-	(1,322,556)	(1,322,556)
Fund Balance - beginning of year	<u>2,556,294</u>	<u>2,556,294</u>	<u>2,556,294</u>	<u>-</u>
Fund Balance - end of year	<u>\$ 2,556,294</u>	<u>\$ 2,556,294</u>	<u>\$ 1,233,738</u>	<u>\$ (1,322,556)</u>

See accompanying notes to this schedule.

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2010**

NOTE A – 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.