

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

Basic Financial Statements and  
Required Supplementary Information

June 30, 2017

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report .....	1
Management's Discussion and Analysis.....	4
Government-Wide Financial Statements:	
Statement of Net Position .....	11
Statement of Activities and Change in Net Position .....	13
Governmental Funds:	
Balance Sheet - Governmental Funds .....	14
Reconciliation of Governmental Fund Balance to Net Position of Governmental Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds .	16
Reconciliation of the Statement Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities and Changes in Net Position .....	17
Notes to Financial Statements .....	18
Required Supplementary Information:	
Statement of Revenues and Expenditures Budgetary Comparison-General Fund .....	47
Schedule of Statutorily Required Employer Contributions Pension Plan .....	48
Schedule of Proportionate Share of the Collective Net Pension Liability .....	49
Note to Required Supplementary Information .....	50
Independent Auditors' Peer Review Report:	
Letter to the User .....	51
Peer Review Report .....	52



*De Angel & Compañía*  
COMPAÑÍA DE RESPONSABILIDAD LIMITADA  
CONTADORES PÚBLICOS AUTORIZADOS

PO Box 5460  
Caguas, Puerto Rico 00726-5460

Glasgow 1890 College Park IV  
San Juan, Puerto Rico 00921-4813  
[www.deangel.com](http://www.deangel.com)  
(787) 758-4428 • Fax 763-9386

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Corporación del Proyecto ENLACE del Caño Martín Peña** (a component unit of the Commonwealth of Puerto Rico) (the Corporation), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Corporation's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **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 governmental funds of the **Corporación del Proyecto ENLACE del Caño Martín Peña** (a component unit of the Commonwealth of Puerto Rico) as of June 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America

## **Emphasis of Matter**

### Going Concern

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. As discussed in Note 10 to the financial statements, the Corporation is highly dependent on the Commonwealth of Puerto Rico (the Commonwealth) appropriations to finance its operations. The financial difficulties experienced by the Commonwealth, including the uncertainty as to its ability to fully satisfy its obligations, raises substantial doubt the Corporation's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, during the year ended June 30, 2016, the Corporation adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No.27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to these matters.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the Corporation's statutorily required employer contributions pension plan and proportionate share of the net pension liability and notes to the required supplementary information, as listed on the table of contents, 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.

**Other Matters, (Continued)**

GASB 68 Required Supplementary Information

The Corporation did not include the Schedule of Funding Progress for Retiree Health Plan (OPEB), that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements because the final audited pension information from the Employee Retirement System of the Government of the Commonwealth of Puerto Rico is not readily available. Such missing information, although not a part of the basic financial statements, is required to be an essential part of the financial reporting by the Governmental Accounting Standards Board who considers it an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*X Angel, C.A., CPA*

License No. LLC-317  
Expires December 1, 2020

San Juan, Puerto Rico  
May 29, 2019  
2019-06-31

Stamp No.  
**E-376140**  
was affixed  
to original

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

Management Discussion and Analysis

For the Year Ended June 30, 2017

The management of the **Corporación del Proyecto ENLACE del Caño Martín Peña** ("the Corporation") provides this Management's Discussion and Analysis ("MD&A") for the readers of the Corporation's basic financial statements. This MD&A provides a narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended June 30, 2017, and is intended to serve as an introduction to the basic financial statements, which have the following components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. The MD&A is designed to: (a) assist the reader in focusing on significant financial matters; (b) provide an overview of the Corporation's financial activities; (c) identify any material changes from the original budget; and (d) highlight individual fund matters. We encourage readers to review this information together with the Corporation's basic financial statements that follow.

**Financial Highlights**

**General Fund**

- ❖ Total General Fund actual revenues on a budget basis (excluding other financing sources) for fiscal year 2017 amounted to \$1,222,187, representing an increase of \$10,798 from the final budgeted revenues.
- ❖ Total expenditures of \$1,274,781, represented an unfavorable decrease of \$63,392 from the final budget expenditures.
- ❖ The General Fund balance for fiscal year 2017 increased by \$3,373,799, a 717.6% increase in the General Fund when compared to fiscal year 2016.

**Government-Wide**

- ❖ The Corporation reported net position at year-end of \$455,874, comprised of \$7,861,044 in total assets offset by \$7,360,420 in total liabilities.
- ❖ The Corporation's net position at year end increased by \$771,043, as a result of this year's operations.
- ❖ The Corporation's governmental activities had total revenues of \$11,047,418, which were more than total expenses of \$10,276,375.

**General Fund Budgetary Highlights**

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

**Major Financial Elements**

**Revenues**

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

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

Management Discussion and Analysis

For the Year Ended June 30, 2017

**Major Financial Elements, (Continued)**

**Expenditures**

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

**Overview of the Financial Statements**

The following discussion and analysis are intended to serve as an introduction to the Corporation's basic financial statements for the fiscal year ended June 30, 2017. The Corporation's basic financial statements comprise of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains additional required supplementary information in addition to the basic financial statements themselves. These components are described below.

The basic financial statements include two kinds of financial statements that present different views of the Corporation, the government-wide financial statements and the fund financial statements. These financial statements also include the notes to the basic financial statements that explain some of the information in the financial statements and provide more detail.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Corporation's financial position is improving or deteriorating.

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

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

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

Management Discussion and Analysis

For the Year Ended June 30, 2017

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related governmental requirements. The funds of the Corporation are classified as governmental funds.

The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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



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

Management Discussion and Analysis

For the Year Ended June 30, 2017

**Notes to Basic Financial Statements**

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

**Required Supplementary Information**

The basic financial statements include a section of required supplementary information immediately following its notes. This section includes a supplemental schedule of expenditures by budget and actual budget basis-general fund, the Schedule of Statutorily Required Employer Contributions Pension Plan, and the Schedule of Proportionate Share of the Collective Net Pension Liability.

**General Fund Financial Analysis**

Total General Fund revenues for fiscal year 2017 amounted to \$1,222,187, which represents a decrease of 8.2% as compared to actual revenues for fiscal year 2016 and is in line with the estimated revenues for fiscal year 2017. Total expenditures for fiscal year 2017 amounted to \$1,274,781 and represented a decrease of 4.2% as compared to actual expenditures for fiscal year 2016.

The difference between total expenditures and total revenues in the General Fund is referred herein as "Excess of (Deficiency) Revenues over Expenditures". For fiscal year 2017, the deficiency of revenues over expenditures of \$52,594 compares unfavorably with the excess of revenues over expenditures of \$13,960 of the fiscal year 2016.

**Government-Wide Financial Analysis**

**Net Position**

Net Position may serve over time as a useful indicator of a government's financial position. Total assets and total liabilities of the Corporation at June 30, 2017 amounted to \$7,861,044 and \$7,405,170, respectively, for net position of \$455,874 compared to net position of \$(315,169) at the beginning of the current year.

A portion of the Corporation's net position reflects its investment in capital assets such as land, buildings, and equipment. The Corporation uses these capital assets to provide services to the residents; consequentially, these assets are not available for future spending.

Total assets increased by \$1,371,222 or 21.13% as compared to the prior fiscal year, while total liabilities increased by \$595,380 during the current fiscal year when compared to the prior fiscal year. The main reason for the increase in total assets was mainly due to the use of cash for current year operations.

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

Management Discussion and Analysis

For the Year Ended June 30, 2017

**Summary of Net Position**

The following schedule summarizes the Corporation's net position at June 30, 2017 and 2016:

	2017	2016	Variance	%
<b>Assets</b>				
Current Assets	\$ 4,030,922	\$ 1,252,412	\$ 2,778,510	221.85%
Capital Assets, Net of Accumulated Depreciation	1,322,218	3,125,275	(1,803,057)	-57.69%
<b>Total Assets</b>	<b>\$ 5,353,140</b>	<b>\$ 4,377,687</b>	<b>\$ 975,453</b>	<b>22.28%</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 2,497,904</b>	<b>\$ 2,112,135</b>	<b>\$ 385,769</b>	<b>18.26%</b>
<b>Liabilities and Net Assets</b>				
Current Liabilities	\$ 304,958	\$ 742,837	\$ (437,879)	-58.95%
Long Term Liabilities	6,969,840	5,966,880	1,002,960	16.81%
<b>Total Liabilities</b>	<b>7,274,798</b>	<b>6,709,717</b>	<b>565,081</b>	<b>8.42%</b>
<b>Total Deferred Outflows of Resources</b>	<b>130,372</b>	<b>100,073</b>	<b>30,299</b>	<b>30.28%</b>
<b>Net Position:</b>				
Invested in Capital Assets	1,332,218	3,125,275	(1,793,057)	-57.37%
Net Assets - Restricted	3,236,427	151,559	3,084,868	2035.42%
Net Assets - Unrestricted	(4,112,771)	(3,592,003)	(520,768)	14.50%
<b>Total Net Position</b>	<b>\$ 455,874</b>	<b>\$ (315,169)</b>	<b>\$ 771,043</b>	<b>-244.64%</b>

**Changes in Net Position**

The Corporation's net position increased by \$771,043 or 244.64% from last year's total net position. The net position increased was mainly due to this year the Corporation received \$3,426,236 or 31% in other grants from Fideicomiso de Niño and the Municipality of San Juan. Approximately 11% of the Corporation's total revenues came from legislative appropriations, while 47% resulted from joint resolutions for capital improvements. The Corporation's largest expenses were for salaries, benefits, and payroll taxes professional services.

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

Management Discussion and Analysis

For the Year Ended June 30, 2017

**Results of Operations**

For the fiscal years ended June 30, 2017 and 2016, the changes in net position were as follows:

	2017	2016
Program Revenues - General Fund	\$ 1,222,187	\$ 1,330,809
Program Revenues - Capital Improvement Fund	198,495	724,769
Other Revenues	9,626,736	606,482
<b>Total Revenues</b>	<b>11,047,418</b>	<b>2,662,060</b>
<b>Expenses</b>	<b>10,276,375</b>	<b>3,062,276</b>
<b>Changes in Net Assets</b>	<b>771,043</b>	<b>(400,216)</b>
<b>Net Assets at Beginning of Year</b>	<b>(315,169)</b>	<b>3,837,347</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>(3,752,300)</b>
<b>Net Position at Beginning of Year, As Restated</b>	<b>(315,169)</b>	<b>85,047</b>
<b>Net Assets End of Year</b>	<b>\$ 455,874</b>	<b>\$ (315,169)</b>

**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 2017, the Corporation's governmental funds reported combined ending fund balance of \$3,781,003. This year, the revenues exceeded the expenditures by \$3,271,428, as compared to the deficiency of revenues over expenditures of \$239,372 in prior year.

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 (\$737,154). The fund balance of the Corporation's general fund increased by \$3,373,799 as a result of the current fiscal year's change in financial position and a transfer-in of \$3,426,393 to General Fund. This is a 717.6% increase when compared to total general fund balance reported in fiscal year 2016.

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

Management Discussion and Analysis

For the Year Ended June 30, 2017

**Capital Assets**

At June 30, 2017, the Corporation has spent the amount of \$15,760 in capital assets and transfer of land in the amount of \$1,765,511, which includes relocation properties, leasehold improvements, equipment, furniture, and fixtures. During this year, the depreciation expense and accumulated depreciation amounted to \$43,306 and \$567,865, respectively.

**Depreciation Expense**

This expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2017, the amount of \$43,306 was recorded for depreciation expense in the Statement of Activities and Change of Net Position.

**Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2017, the total Capital Outlay amounted to \$15,760 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 in capital assets in the amount of \$27,546 for the fiscal year ended June 30, 2017.

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

As of June 30, 2017, the Corporation's governmental funds reported a combined cash balance of \$3,651,924 as compared to prior year's \$783,058. The increase is mainly due to pending project not completed this year.

**Request for Information**

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the Corporation's finances. If you have questions about this report, please contact, Corporación del Proyecto Enlace del Caño Martín Peña to the following address:

**Physical Address**

Avenida Ponce de León No. 1957  
San Juan, Puerto Rico

**Postal Address**

Apartado Postal 41308  
San Juan, PR 00940-1308

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

Statement of Net Position

June 30, 2017

**ASSETS**

	<u>Governmental Activities</u>
Current Assets:	
Cash	\$ 3,651,924
Accounts Receivable	<u>378,998</u>
Total Current Assets	4,030,922
Capital Assets:	
Relocation Land	837,202
Relocation Structures	490,798
Office Equipment and Furniture	144,747
Computer and Communication Equipment	109,037
Computer Programs	166,750
Vehicles	<u>69,051</u>
	1,817,585
Less: Accumulated Depreciation	<u>(485,367)</u>
	<u>1,332,218</u>
Total Assets	5,363,140
Total Deferred Outflows of Resources:	
Contributions to Employees Retirement System	<u>2,497,904</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 7,861,044</u></u>

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

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

Statement of Net Position

June 30, 2017

**LIABILITIES AND NET ASSETS**

Current Liabilities:	
Accounts Payable	\$ 95,640
Accrued Liabilities	109,529
Current Portion of Accrued Compensated Absences	55,039
Deferred Revenues	<u>44,750</u>
Total Current Liabilities	304,958
Long Term Liabilities:	
Accrued Compensated Absences, Net of Current Portion	158,066
Net Pension Liability	<u>6,811,774</u>
Total Long Term Liabilities	<u>6,969,840</u>
Total Liabilities	7,274,798
Deferred Inflows of Resources:	
Unamortized Investment in Employees Retirement System	130,372
Net Position:	
Net, Invested in Capital Assets	1,332,218
Restricted	3,236,427
Unrestricted	<u>(4,112,771)</u>
Total Net Position	<u>455,874</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 7,861,044</u></u>

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

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

Statement of Activities and Change in Net Position

For the Year Ended June 30, 2017

		Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Operating Grants	Capital Grants	Governmental Activities
Activities:				
Governmental:				
Legislative Appropriation	\$ (3,775,165)	\$ 1,211,389	\$ -	\$ (2,563,776)
Joint Resolutions for Capital Improvements	(5,220,277)	-	5,198,495	(21,782)
Other	(1,280,933)	-	4,626,736	3,345,803
	<u>\$(10,276,375)</u>	<u>\$ 1,211,389</u>	<u>\$ 9,825,231</u>	<u>760,245</u>
General Revenues:				
Interest				10,798
Total				<u>10,798</u>
Change in Net Position				771,043
Net Position at Beginning of Year, as Previously Reported				3,437,131
Prior Period Adjustment				<u>(3,752,300)</u>
Net Position at Beginning of Year, as Restated				<u>(315,169)</u>
Net Position at End of Year				<u>\$ 455,874</u>

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

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

Balance Sheet - Governmental Funds

June 30, 2017

**ASSETS**

	General Fund	Capital Projects Fund	Other Funds	Total
Cash	\$ 3,651,924	\$ -	\$ -	\$ 3,651,924
Due from Other Fund	325,015	-	-	325,015
Accounts Receivable	57,020	-	321,978	378,998
<b>Total Assets</b>	<b>\$ 4,033,959</b>	<b>\$ -</b>	<b>\$ 321,978</b>	<b>\$ 4,355,937</b>

**LIABILITIES AND FUND BALANCES**

Accounts Payable	\$ 35,734	\$ -	\$ 59,906	\$ 95,640
Accrued Liabilities	109,529	-	-	109,529
Deferred Revenues	44,750	-	-	44,750
Due to Other Fund	-	192,385	132,630	325,015
<b>Total Liabilities</b>	<b>190,013</b>	<b>192,385</b>	<b>192,536</b>	<b>574,934</b>
Committed or Unspendable:				
Restricted	3,280,000	-	-	3,280,000
Assigned	1,301,100	-	-	1,301,100
Unassigned	(737,154)	(192,385)	129,442	(800,097)
<b>Total Fund Balance</b>	<b>3,843,946</b>	<b>(192,385)</b>	<b>129,442</b>	<b>3,781,003</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 4,033,959</b>	<b>\$ -</b>	<b>\$ 321,978</b>	<b>\$ 4,355,937</b>

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



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

Reconciliation of Governmental Fund Balance  
to Net Position of Governmental Activities

June 30, 2017

Governmental Fund Balance	\$ 3,781,003
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 Government Funds Balance Sheet:	
Cost of Capital Assets	1,817,585
Accumulated Depreciation	(485,367)
Deferred Outflows and Inflows of Resources Related to Pensions are Applicable to Future Reporting Periods and, therefore, are Not Reported in the Funds.	2,367,532
Long Term Liabilities are Included as a Liability:	
Accrued Compensated Absences	(213,105)
Net Pension Liability	<u>(6,811,774)</u>
Net Assets of Governmental Activities	<u>\$ 455,874</u>

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

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

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

For the Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Other Funds	Total
<b><u>REVENUES</u></b>				
Legislative Appropriations	\$ 1,211,389	\$ -	\$ -	\$ 1,211,389
State Grants	-	-	8,218,635	8,218,635
Federal Grants	-	-	207,601	207,601
Joint Resolutions for Capital Improvements	-	198,495	-	198,495
Interests	10,798	-	-	10,798
Contributions and Donations	-	-	1,200,500	1,200,500
Other Income	-	-	-	-
Total Revenues	1,222,187	198,495	9,626,736	11,047,418
<b><u>EXPENDITURES</u></b>				
Salaries	616,449	-	284,486	900,935
Professional Services	39,239	125,924	719,784	884,947
Insurance	30,862	-	-	30,862
Community Development Activities	14,435	37,286	1,183	52,904
Payroll Taxes	106,524	-	84,446	190,970
Benefits	373,498	-	28,213	401,711
Supplies	5,956	-	881	6,837
Vehicle	4,421	-	-	4,421
Utilities	40,482	-	-	40,482
Rent of Office Equipment	594	-	-	594
Repairs and Maintenance	16,737	6,865	5,254	28,856
Acquisition and Relocation	-	49,635	5,155,837	5,205,472
Other	25,584	567	848	26,999
Total Expenditures	1,274,781	220,277	6,280,932	7,775,990
Excess (Deficiency) of Revenues over Expenditures	(52,594)	(21,782)	3,345,804	3,271,428
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer-In	3,426,393	-	-	3,426,393
Transfer-Out	-	(170,603)	(3,255,790)	(3,426,393)
	3,426,393	(170,603)	(3,255,790)	-
Fund Balances at Beginning of Year	470,147	-	39,428	509,575
Fund Balances at End of Year	\$ 3,843,946	\$ (192,385)	\$ 129,442	\$ 3,781,003

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

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

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

For the Year Ended June 30, 2017

Net Change in Fund Balance	\$ 3,271,428
Amounts Reported for Governmental Activities in the Statements Activities are Different Because:	
Governmental Funds Reports Capital Assets Outlays as Expenditures. However, in the Statement of Activities, the Cost of those Assets is Allocated Over their Estimated Useful Lives and Reported as Depreciation Expense:	
Capital Outlays	15,760
Current Year Depreciation	(43,306)
	<u>(27,546)</u>
Contributions to the Pension Plan in the Current Fiscal Year are Deferred Outflows of Resources on the Statement of Net Position	(691,942)
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 Relocation Land and Relocation Structures	(1,765,511)
Compensated Absences	(15,386)
	<u>(1,780,897)</u>
Change in Net Assets of Governmental Activities	\$ 771,043

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

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

Notes to Financial Statements

June 30, 2017

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The **Corporación del Proyecto Enlace del Caño Martín Peña** (the Corporation) was created under Law No. 489 of September 24, 2004, as amended ("Ley para el Desarrollo Integral del Distrito de Planificación Especial del Caño Martín Peña"), hereafter Law 489-2004. The Corporation's Board of Directors consists of thirteen members, seven (7) appointed by the Governor of Puerto Rico and six (6) appointed by the Mayor of the Municipality of San Juan. The Corporation's reporting entity does not contain any component units as defined in Governmental Accounting Standard Board No. 14.

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

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

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

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

Financial Reporting Entity

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

The basic criteria for including a potential component unit within the reporting entity is, if potential component unit are financially accountable and other organization for which the nature and significance of their relationship with the entity are that exclusion would cause the Corporation's Financial Statement to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability.

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

Notes to Financial Statements

June 30, 2017

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

Financial Reporting Entity, (Continued)

These criteria include appointing a voting majority of an organization's governing body and (1) ability to the Corporation to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Corporation.

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

Basis of Presentation, Measurement Focus and Basis of Accounting

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

Management Discussion and Analysis

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

Basic Financial Statements

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

Government-Wide Statements

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

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

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

Notes to Financial Statements

June 30, 2017

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

Government-Wide Statements, (Continued)

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2017

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

Governmental Fund Financial Statements

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

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

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

The Corporation reports the following major governmental funds:

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

Capital Projects Fund – Accounts for the funds received in accordance with the Joint Resolution 41 of June 1, 2015, of the Legislature of Puerto Rico, which substituted Joint Resolution 116 of July 23, 2007 for the development of projects in the communities adjacent to the Martín Peña Channel.

Other Fund – Account donations received, plus interest earned with the purpose of providing micro loans to community businesses (RG Premier Bank); establishing a directory of community businesses (Citi Foundation); supporting a community based tourism initiative (Fundación Banco Popular); implementing a variety of initiatives under the AmeriCorps Program (US Corporation for National and Community Service); promoting youth leadership and build the Casa LIJAC project (Argos Puerto Rico, LLC, Common Counsel Foundation, and Fundación Banco Popular); implementing after school violence prevention and educational programs (Fundación Francisco Carvajal); complementing salaries (PR Department of Labor and Human Resources); and designing stormwater infrastructure and performing environmental studies (Urban Waters Small Grant and Brownfields Hazardous and Petroleum Grants, US Environmental Protection Agency). During FY 2017, the Corporation also received funds allocated in compliance with Law No. 63 of June 18, 2016 and in accordance with the joint resolution 60 of July 1, 2016 to match federal funds; and a donation of \$1,000,000 from the Municipality of San Juan for real estate acquisition, demolition of structures, and relocation of eligible occupants for the project Relocation of the Rexach Syphon, issued in accordance with Resolution 87-2016 of the Municipal Assembly.

Deposits

Under Commonwealth of Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal deposit insurance.

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

Notes to Financial Statements

June 30, 2017

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

**Concentration of Credit Risk**

As of June 30, 2017, the Corporation kept depository bank balances in excess of the insurance coverage provided by the Federal Deposit Insurance Corporation commonly known as FDIC by approximately \$5.9 million. In addition, this excess is uncollateralized and may also be reflected during the years.

**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 in the amount of approximately \$325,000 (i.e. the current portion of inter-fund loans).

Further, certain activity occurs during the fiscal year involving transfers of resources between funds. In GFFS these amounts are reported at gross amounts as transfers in/out. While reported in GFFS, certain eliminations are made in the preparation of the GWFS. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities' column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**Inventories**

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

**Capital Assets**

Property and equipment purchased or acquired is carried at historical cost or estimated historical cost. The Corporation's capitalization policy is to capitalize individual amounts exceeding \$500. Other cost incurred for repair and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimates useful lives:

Building	33 years
Office Equipment	10 years
Vehicles	3 years
Computer Programs	6 years
Computer Equipment	6 years

**Compensated Absences**

The Corporation accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee.



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

Notes to Financial Statements

June 30, 2017

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

Compensated Absences, (Continued)

From July 1, 2016 and until April 28, 2017, with the exceptions explained below, the Corporation employees were granted vacations and sick leave in accordance with the "*Reglamento de Personal para Empleados Gerenciales en el Servicio de Confianza de la Corporación del Proyecto ENLACE del Caño Martín Peña*" (Personnel Regulations). Law No. 66 of April 26, 2014 for Fiscal and Operational Sustainability of the Government of the Estado Libre Asociado de Puerto Rico (Law 66-2014) limited the accrual of vacation and sick leave, and the payment for excess days accrued.

Law No. 8 of February 4, 2017 for the Administration and Transformation of Human Resources in the Government of Puerto Rico (Law 8-2017) and Law 26 of April 29, 2017 for Compliance with the Fiscal Plan (Law 26-2017) established new parameters for the accrual of vacations and sick leave. Later, as per Law 32 of January 21, 2018 (Law 32-2018), the Corporation became exempt from the application of Law 8-2017 and as a consequence, the parameters for the accrual of vacation days changed.

During year 2017, the Corporation's employees were granted vacations and sick leave as follows:

Vacations

For the period between July 1, 2016 and April 28, 2017, except for employees hired between February 4 and April 28, 2017, vacations were accrued as follows:

Period of Services as Corporation Employee, per Type of Employment	Monthly Accrual	Maximum Annual Balance
<b>Regular Employment:</b>		
One (1) Year or Less	1.25 days	15 days
More than One (1), Less than Four (4) Years	1.75 days	42 days
Four (4) Years and Over	2.00 days	48 days
<b>Temporary Employment:</b>		
One (1) Year or Less	1.00 days	12 days
More than One (1) Year	1.25 days	30 days

Accrued days in excess of the maximum annual balance and up to sixty (60) days will be payed yearly.

Employees hired between February 4 and April 28, 2017, accrued two (2) days monthly during that period only, and had the right to be paid during the fiscal year for the excess of sixty (60) days accrued, only if the Corporation had sufficient funds to make such payment.

For the period between April 29, 2017 to January 20, 2018, all employees accrued 1.25 vacation days monthly, equivalent to fifteen (15) days annually, and up to a maximum of sixty (60) days. Accrued days in excess of sixty (60) days cannot be paid. Any excess of sixty (60) days accrued by employees prior to April 29, 2017 had to be used by December 31, 2017.

After January 21, 2018 and while Law 26-2017 remains in effect, vacation days are accrued as per the Personnel Regulations. However, any excess of sixty (60) days cannot be paid.

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

Notes to Financial Statements

June 30, 2017

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

Sick leave

For the period between July 1, 2016 and April 28, 2017, employees accrued sick leave as follows:

Type of Employment	Monthly Accrual	Maximum Annual Balance
Regular Employment	1.25 days	60 days
Temporary Employment	1.00 days	30 days

During this period, employees hired prior to February 3, 2017, may accrue up to sixty (60) days for regular employment and up to thirty (30) days for temporary employment, and any days accrued in excess will be paid annually only if the Corporation has sufficient funds. Employees hired between February 4 and April 28, 2017, may accrue up to ninety (90) days, and any days in excess will be paid annually only if the Corporation has sufficient funds.

After April 29, 2017 and while Law 26-2017 remains in effect, the following applies to all Corporation employees:

	Monthly Accrual	Maximum Annual Balance
Regular Employment	1.25 days	60 days
Temporary Employment	1.00 days	30 days

Days in excess of the ninety (90) day accrual limit cannot be paid.

The Corporation accrues a liability for compensated absences which meet the following criteria:

1. The Corporation's obligations relating to employee's rights to receive compensation for futures absences are attributable to employee's services already rendered.
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, 2017, amounted to \$213,105.

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

Notes to Financial Statements

June 30, 2017

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

The following is a summary of changes in the balance of compensated absences for the fiscal year ended June 30, 2017.

Balance July 1, 2016	New Issues	Retirements and Current Maturities	Balance June 30, 2017	Due within One Year	Due in More than One Year
\$ 197,719	\$ 104,587	\$ 89,201	\$ 213,105	\$ 55,039	\$ 158,066

Encumbrances

Encumbrance accounting is employed in the governmental fund types. Under the encumbrance system all purchases orders, contracts and other commitments issued for goods and services not received at the year-end, are recorded in order to reserve that portion of the applicable appropriation.

Fund Balance Categories

The GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources in governmental fund. The fund balance categories are the following:

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

Restricted - requires that inflows and outflows of resources and balances be constrained to specific purpose by enabling legislation, external parties, or constitutional provisions.

Committed - are those balances with constraints imposed by the government using the highest level of decision-making authority. The constraint can only be removed or changed by the same decision-making authority taking the same type of action.

Assigned - are amounts intended for a specific purpose by a government's management (department/agency heads and other signatory authorities) and are also appropriations of existing fund balances.

Unassigned - are amounts available for any purpose. They are not precluded by a management decision, law or constitutional provision in the general fund.

Use of Estimates

The preparation of the financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basis financial statements and the reported amounts of revenues and expenses during the reporting period. Actual result count differs from those estimates.

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

Notes to Financial Statements

June 30, 2017

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

Risk Management

The Corporation is exposed to different risks of loss from torts, theft of, or damage to, and destruction of assets, error and omissions, employee injuries and illnesses, natural disasters, and other losses. Commercial insurance coverage is obtained for claims arising from such matters. The commercial insurance coverage and the premium are negotiated by the Treasury Department of the Commonwealth of Puerto Rico (the Treasury). The insurance cost is paid by Treasury and reimbursed by the Corporation.

Total Columns

Totals column on the financial statements is presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since inter-fund eliminations have not been made.

New Accounting Pronouncements

GASB has issued the following statements that the Corporation has not yet adopted:

<u>Statement Number</u>		<u>Adoption Required in Fiscal Year</u>
83	Certain Asset Retirement Obligation	2019
84	Fiduciary Activities	2020
85	Omnibus 2017	2018
86	Certain Debt Extinguishment Issue	2018
87	Leases	2021
88	Certain Disclosures related to Debt, including Direct Borrowing and Direct Placements	2018
89	Accounting for Interest Cost Incurred before the End of a Construction Period	2018
90	Majority Equity Interests-an Amendment of GASB Statement No. 14 and No. 61	2018

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

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

Notes to Financial Statements

June 30, 2017

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

Effects of New Accounting Standards

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, the requirement was effective for financial statements for period after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general-purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This statement has not been adopted by the Corporation.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, the requirement was effective for financial statements for period after June 15, 2017, the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This statement has not been adopted by the Corporation.

Statement No. 77, *Tax Abatement Disclosures*, the requirement was effective for financial statements for period beginning after December 15, 2015, established that the financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement had no impact on the basic combined financial statement of the Corporation.

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

Notes to Financial Statements

June 30, 2017

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

Effects of New Accounting Standards. (Continued)

Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, the requirements of this Statement are effective for reporting periods beginning after June 15, 2016, the objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement had no impact on the basic combined financial statement of the Corporation.

Statement No. 81, *Irrevocable Split-Interest Agreements*, the requirements of this Statement are effective for reporting periods beginning after June 15, 2016, the objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements-in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement had no impact on the basic combined financial statement of the Corporation.

Statement No 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*, The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, the objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement has not been adopted by the Corporation.

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

Notes to Financial Statements

June 30, 2017

**2. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

The Corporation has implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, - an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, in the fiscal year ended June 30, 2017. The implementation of the statement required the Corporation to allocate its proportionate share of the local Government Employees' Retirement System net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and the effects on the net position of contributions made by the Corporation during the measurement period. To adjust Net Position Proportioned Share beginning balance of July 1, 2016 to the audited amount as of June 30, 2016 of Puerto Rico Employee Retirement System Administration, the Beginning Net Position was decreased by \$3,752,300. The management of the Corporation believes that this adoption presents more appropriately the financial position of the Corporation in line with the requirements established by the adopted Statements. Also, adjustment to Net Position were made to reflect the effects of the proportioned share of net pension liability. Accordingly, the beginning net position balance was restated as follows:

Beginning Net Position, as Previously Reported, June 30, 2016		\$ 3,437,131
Net Pension Liability - Measurement Date as of June 30, 2015	\$ (5,769,161)	
Deferred Outflows - Measurement Date as of June 30, 2015	2,112,135	
Deferred Inflows - Measurement Date as of June 30, 2015	(100,073)	
Pension Payable - Measurement Date as of June 30, 2015	4,799	(3,752,300)
		<hr/>
Net Pension Liability - Measurement Date as of June 30, 2016	(1,042,613)	
Deferred Outflows - Measurement Date as of June 30, 2016	385,769	
Deferred Inflows - Measurement Date as of June 30, 2016	(30,299)	
Pension Payable - Measurement Date as of June 30, 2016	687,143	-
		<hr/>
Total Prior Period Adjustment		(3,752,300)
		<hr/>
Beginning Net Position, As Restated, July 1, 2016		<u>\$ (315,169)</u>

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consist of grant receivables resulting from expenditures made that are pending to be reimbursed by the Puerto Rico Treasury Department and by federal agencies in the amount of \$324,150 and \$54,848, respectively.

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

Notes to Financial Statements

June 30, 2017

**4. RESTRICTED ASSETS**

Donation from the Autonomous Municipality of San Juan - The donation was for \$1 million. The balance is restricted, according to the agreement with the Municipality and the corresponding municipal ordinance, for activities of property acquisition, demolition of structures (which includes studies, permits, removal of contaminants, demolition and disposal of the material), relocation of occupants eligible for the relocation project of the Rexach sanitary siphon.

The funds of RC 60-2016, which is a special allocation of \$5 million for the matching of federal funds granted to the Corporation in accordance with Law 63-2016. The Corporation has three (3) years to use the money, which expires on June 30, 2019. The balance at June 30, then, would be restricted. Note that Law 63-2016 is broader than CR 60-2016 in terms of uses for funds that are assigned to the Corporation.

Restricted assets of the Corporation included in the basic financial statements at June 30, 2017, consist of cash to be used for the following purposes:

Governmental Activities:

Capital Improvements, Donations and Programs	\$ 3,000,395
Urban Waters Program	11,533
Ameri Corps Program and other	<u>308,208</u>
Total Restricted Assets of Governmental Activities	<u>\$ 3,320,136</u>

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

Governmental Activities:

Accounts Payable	<u>\$ 83,709</u>
Liabilities Payable from Restricted Assets - Governmental Activities	<u>\$ 83,709</u>

Restricted assets of the Corporation included in the basic financial statements at June 30, 2017, consist of receivables to be used for the following purposes:

Restricted Net Positions of the Corporation consisted of the following:

Governmental Activities:

Restricted for Capital Improvements, Donations and Programs	<u>\$ 3,236,427</u>
Total Restricted Net Position - Governmental Activities	<u>\$ 3,236,427</u>



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

Notes to Financial Statements

June 30, 2017

**5. CAPITAL ASSETS**

The Corporation's capital assets activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Retirements and Reclassifications	Ending Balance
Relocation Land	\$ 1,976,379	\$ -	\$ (1,139,177)	\$ 837,202
Building and Building Improvements	443,278	-	(443,278)	-
Relocation Structures	756,352	-	(265,554)	490,798
Office Equipment and Furniture	133,050	11,770	(73)	144,747
Computer Equipment	104,974	3,990	73	109,037
Computer Programs	166,750	-	-	166,750
Vehicles	69,051	-	-	69,051
<b>Total Historical Cost</b>	<b>3,649,834</b>	<b>15,760</b>	<b>(1,848,009)</b>	<b>1,817,585</b>
<b>Less: Accumulated Depreciation</b>	<b>(524,559)</b>	<b>(43,306)</b>	<b>82,498</b>	<b>(485,367)</b>
<b>Net Capital Assets</b>	<b>\$ 3,125,275</b>	<b>\$(27,546)</b>	<b>\$ (1,765,511)</b>	<b>\$ 1,332,218</b>

Depreciation expense was charged to governmental administration function as an administrative expenditure for a total amount of \$43,306.

As established by Law No. 489-2004 and according to the regulations "Reglamento General para el Funcionamiento del Fideicomiso de la Tierra del Caño Martín Peña" and the "Reglamento para la Adquisición y Disposición de Bienes Inmuebles y el Reallojo de Ocupantes en Distrito de Planificación Especial del Caño Martín Peña," all public lands acquired by the Corporation under Law No. 489- 2004 shall be transferred to the "Fideicomiso de la Tierra del Caño Martín Peña", a private, nonprofit community land trust whose mission is to manage its assets for the benefit of the communities that comprise the District. Accordingly, the transfer of land titles from the Corporation to the "Fideicomiso de la Tierra del Caño Martín Peña" shall be made as dictated by Law No. 489-2004 for the purposes established therein, and in the regulations approved for its implementation. As the Corporation became owner of such real estate as a result of legislation, it neither has an appraisal of those properties, nor has obtained such information from the public agencies that previously owned them.

Pursuant to Article 22 of Law No. 489-2004, the "Fideicomiso de la Tierra del Caño Martín Peña" is responsible for the valuation of the lands.

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

Notes to Financial Statements

June 30, 2017

**5. CAPITAL ASSETS, (Continued)**

Although most of the titles acquired by the Corporation under Law No. 489-2004 have already been transferred to the "Fideicomiso de la Tierra del Caño Martín Peña", this is an ongoing activity. As of the date of these financial statements, the transfer some of the above mentioned land titles from the Corporation to the "Fideicomiso de la Tierra del Caño Martín Peña" is still pending, either because the Corporation continues to gather information required to register its titles in the Property Registry, or the Corporation is preparing documents to be presented to the Property Registry for the registration of the land title in favor of the Corporation.

**6. RETIREMENT PLAN**

The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the ERS) is a trust created by the Legislature of the Commonwealth of Puerto Rico (the Commonwealth) pursuant to Act No. 447 on May 15, 1951 (Act No. 447), as amended, to provide pension and other benefits to retired employees of the Commonwealth, its public corporations and municipalities of Puerto Rico.

The System administers different benefit structures pursuant to Act No. 447, as amended, including a cost-sharing, multi-employer, defined benefit program, a defined Contribution program (System 2000 program) and a contributory hybrid program. Benefit provisions vary depending on a member's date of hire. Substantially all full-time employees of the Commonwealth and its instrumentalities (73 Commonwealth agencies, 78 municipalities, and 55 public corporations, including the System) are covered by the System. Membership is mandatory for all regular, appointed, and temporary employees of the Commonwealth and the Commonwealth's public corporation at the date of employment. Membership is optional for the Governor of the Commonwealth, Commonwealth secretaries, head of public agencies and instrumentalities, among others.

The benefits provided to members of the System are established by Commonwealth law and may be amended only by the Legislature with the Governor's approval. Act No. 3 of April 4, 2013 (Act No. 3), in conjunction with other recent funding and design changes, provided for a comprehensive reform of the System.

Certain provisions are different for the three groups of members who entered the System prior to July 1, 2013 as described below:

- Members of Act No. 447 are generally those members hired before April 1, 1990.
- Members of Act No. 1 of February 16, 1990 (Act No. 1) are generally those members hired on or after April 1, 1990 and on or before December 31, 1999.
- Members of Act No. 305 of September 24, 1999 (Act No. 305 or System 2000) are generally those members hired on or after January 1, 2000 and on or before June 30, 2013.

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

Notes to Financial Statements

June 30, 2017

**6. RETIREMENT PLAN, (Continued)**

All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit program and the System 2000 program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013.

The assets of the defined benefit program, the defined contribution program and the Contributory Hybrid Program are pooled and invested by the System. Future benefit payments will be paid from the same pool of assets.

***Service Retirement Eligibility Requirements***

Eligibility for Act No 447 Members: Act No. 447 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447 members could retire upon (1) attainment of age 55 with 25 years of credited service, (2) attainment of age 58 with 10 years of credited service, (3) any age with 30 years of credited service, (4) for Public Officers in High Risk Positions (the Commonwealth Police and Firefighter Corps, the Municipal Police and Firefighter Corps and the Custody Office Corps), attainment of age 50 with 25 years of credited service, and (5), for Mayors of municipalities, attainment of age 50 with 8 years of credited service as a Mayor. In addition, No. 447 members who attained 30 years of credited service by December 31, 2013 are eligible to retire at any time.

Act No. 447 members who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire upon attainment of the retirement eligibility age shown in the table below with 10 years of credited service.

<b>Date of Birth</b>	<b>Attained Age as of June 30, 2013</b>	<b>Retirement Eligibility Age</b>
July 1, 1957 or Later	55 or less	61
July 1, 1956 to June 30, 1957	56	60
Before July 1, 1956	57 and up	59

Eligibility for Act No 1 Members: Act No. 1 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1 members could retire upon (1) attainment of age 55 with 25 years of credited service or (2) attainment of age 65 with 10 years of credited service.

Eligibility for System 2000 Members: System 2000 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 55 for Public Officers in High Risk Positions and attainment of age 60 otherwise.

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

Notes to Financial Statements

June 30, 2017

**6. RETIREMENT PLAN, (Continued)**

System 2000 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 55 for Public Officers in High Risk Positions and upon attainment of the retirement eligibility age shown in the table below otherwise:

Date of Birth	Attained Age as of June 30, 2013	Retirement Eligibility Age
July 1, 1957 or Later	55 or less	65
July 1, 1956 to June 30, 1957	56	64
July 1, 1955 to June 30, 1956	57	63
July 1, 1954 to June 30, 1955	58	62
Before July 1, 1954	59 and up	61

Eligibility for Members Hired after June 30, 2013: Attainment of age 58 if a Public Officer in a High Risk Position and attainment of age 67 otherwise.

***Service Retirement Annuity Benefits***

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447 and Act No. 1 members, the accrued benefit determined as of June 30, 2013. If the balance in the hybrid contribution account is \$10,000 or less, it shall be paid as a lump sum instead of as an annuity.

Accrued Benefit as of June 30, 2013 for Act No. 447 Members - The accrued benefit as of June 30, 2013, shall be determined based on the average compensation, as defined, for Act No. 447 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

If the Act No. 447 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 66% of average compensation if the member was under age 55 as of June 30, 2013, or 75% of average compensation if the member was at least age 56 as of June 30, 2013. For participants selecting to coordinate with social security (the Coordination Plan), the benefit is re-calculated at the Social Security Retirement Age (SSRA), as defined, as 1.6% of average compensation up to \$6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of \$6,600.

If the Act No. 447 member had less than 30 years of credited service as of June 30, 2013, and attains 30 years of credited service by December 31, 2013, the accrued benefit equals 55% of average compensation if the member was under age 55 as of June 30, 2013, or 60% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit is re-calculated at SSRA as 1 of average compensation up to \$6,600 multiplied by years of credited service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of \$6,600. Member contributions received from Act No. 447 members eligible for this transitory benefit during the period beginning July 1, 2013, and ending upon the attainment of 30 years of credited service are considered pre-July 1, 2013, contributions; the contributions to the hybrid contribution account begin after the member attains 30 years of credited service.

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

Notes to Financial Statements

June 30, 2017

**6. RETIREMENT PLAN, (Continued)**

If the Act No. 447 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equals 1 of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. Maximum benefit is 75% of average compensation. The benefit is actuarially reduced for each year payment commences prior to age 58. For participants selecting the Coordination Plan, the basic benefit is re-calculated at SSRA as 1% of average compensation up to \$6,600 multiplied by years of credited service up to 20 years, plus 1 of average compensation up to \$6,600 multiplied by years of credited service in excess of 20 years, plus 1.50/0 of average compensation in excess of \$6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of \$6,600 multiplied by years of credited service in excess of 20 years. The benefit is actuarially reduced for each year payment commences prior to age 58.

Accrued Benefit as of June 30, 2013 for Act No. 1 Members - The accrued benefit as of June 30, 2013, shall be determined based on the average compensation for Act No. 1 members, the years of credited service, and the attained age of the member all as of June 30, 2013. The accrued benefit equals 1 of average compensation multiplied by years of credited service. The benefit is actuarially reduced for each year payment commences prior to age 65.

**Contributions**

Member Contributions - Effective July 1, 2013, contributions by members are 10% of compensation. However, for Act No. 447 members who selected the Coordination Plan, the member contributions are 8.5% of compensation up to \$6,600 plus 10% of compensation in excess of \$6,600 during the 2013-2014 fiscal year and 8.5% of compensation up to \$6,600 plus 10% of compensation in excess of \$6,600 during the 2013-2014 fiscal year. Members may voluntarily make additional contributions to their hybrid contribution account.

Employer Contributions - Effective July 1, 2011, employer contributions are 9.275% of compensation. For the next four fiscal years effective July 1, employer contributions will increase annually by 1% of compensation. For the five fiscal years thereafter, employer contributions will increase annually by 125% of compensation, reaching an employer contribution rate of 20.525% of compensation effective July 1, 2020.

Supplemental Contributions from the Commonwealth's General Fund - Effective July 1, 2013, the System will receive a supplemental contribution of \$2,000 (of which \$800 corresponds to the pension plan and \$1,200 corresponds to the post employment healthcare benefits plan) each fiscal year for each pensioner (including beneficiaries receiving survivor benefits) who was previously benefitting as an Act No. 447 or Act No. 1 member while an active employee. This supplemental contribution will be paid by the Commonwealth's General Fund for former government and certain public corporations without own treasuries employees or by certain public corporations with own treasuries or municipalities for their former employees.

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

Notes to Financial Statements

June 30, 2017

**6. RETIREMENT PLAN, (Continued)**

Additional Uniform Contribution - The additional uniform contribution will be certified by the external actuary of the System each fiscal year from 2014-2015 through 2032-2033 as necessary to avoid having the projected gross assets of the System, during any subsequent fiscal year, to fall below \$1 billion. The additional uniform contribution is to be paid by the Commonwealth's General Fund, public corporations with their own treasuries, and municipalities. The additional uniform contribution determined for fiscal years 2014-2016 was \$120 million and for fiscal year 2017 was \$596 million, payable at the end of each fiscal year. The additional uniform contribution was eliminated in June 2017.

In June 2012, the GASB issued Statement No. 68, "*Accounting and financial Reporting for Pensions*", effective for the Corporation fiscal year beginning July 1, 2014. This Statement revises existing standards for measuring and reporting pension liabilities for pension plans provided by the Corporation to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position.

The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plans assets are not available.

The actuarial valuation of the Basic System Benefits and System Administered Benefits as of June 30, 2016, (most recently available) reflects a fiduciary net position (deficit) of \$1,265,885,000, total pension liability of \$36,432,873,000 and a net pension liability of \$37,698,758,000.

At June 30, 2017, the Corporation reports a liability of \$6,811,774 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date performed by KPMG, LLP for the Retirement Board of the Government of Puerto Rico and the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico. The Corporation's proportion of the Net Pension Liability was based on a projection of the Corporation's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Corporation's proportion was 0.01807%.

ERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in September 2016. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, ERS expects to continue using a discount rate net of administrative expenses for GASBS' No. 67 and 68 calculations through at least the 2016-2017 fiscal years. ERS will continue to check the materiality of the difference in calculation until such time as actuarial have changed his methodology.

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

Notes to Financial Statements

June 30, 2017

**6. RETIREMENT PLAN, (Continued)**

For the year ended June 30, 2017, the Corporation recognized pension expense of \$969,505, including the effect of the application of GASB No. 68 and a Net Pension Liability of \$6,811,774, as established in the KMPB, LLP actuarial valuation, determined as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Proportional Share</u>
Beginning Balance	\$ 32,669,162,000	\$ (668,273,000)	\$ 33,337,435,000	\$ 6,023,728
Change for the year:				
Service Cost	496,732,000	-	496,732,000	89,754
Interest on Total Pension Liability	1,230,798,000	-	1,230,798,000	222,392
Effect of Plan Changes	-	-	-	-
Effect of Economic/Demographic (Gains) of Losses	(249,935,000)	-	(249,935,000)	(45,161)
Effect of Assumptions Changes or Inputs	3,853,693,000	-	3,853,693,000	696,323
Benefit Payments	(1,567,577,000)	(1,567,577,000)	-	-
Administrative Expenses	-	(27,670,000)	27,670,000	5,000
Other Expenses	-	(9,401,000)	9,401,000	1,699
Costs of Bonds	-	(196,211,000)	196,211,000	35,453
Member Contributions	-	333,633,000	(333,633,000)	(60,284)
Net Investment Income	-	90,137,000	(90,137,000)	(16,287)
Employer Contributions	-	779,477,000	(779,477,000)	(140,843)
Ending Balance	<u>\$ 36,432,873,000</u>	<u>\$ (1,265,885,000)</u>	<u>\$ 37,698,758,000</u>	<u>\$ 6,811,774</u>

The Corporation is a "sui generis" entity with a reduce organizational structure and minimum income.

- a. As per Law 489-2004, the Corporation has a maximum life of 25 years, starting on 2004 which can be extended for another five (5) years through an executive order issued by the Governor of Puerto Rico. Thus, the Corporation has 10 years to implement the core aspects of the Comprehensive Development and Land Uses Plan for the Caño Martín Peña Special Planning District.
- b. The majority of its employees does not benefit from the retirement plan for public employees. As of June 30, 2017, the Corporation had 31 job positions available, from which 26 were filled.
  - All of the job positions were in the trust service, as defined by the government.
  - 7, or 27% of the employees had fixed term, one-year appointments, mainly because their salaries came totally or partially from donations and grants or constituted in-kind matching contribution for donations and grants.
  - 17 or 65% of the employees had 5 years or less in the public service. Even if they continued working until the Corporation ceased to exist, they will not qualify to receive any kind of retirement benefit other than their savings.

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

Notes to Financial Statements

June 30, 2017

**6. RETIREMENT PLAN, (Continued)**

- Only 2, or 7% of the employees, had 10 years or more in the public service. Both are employees of the Puerto Rico Highway and Transportation Authority in license without pay.
  - None of the employees will have 40 years of service in 2029 or 2034.
- c. The Corporation joined the Employees Retirement System through a Board of Director's Resolution, not as a legal requirement.

Considering all these factors, Management believes that the Net Pension Obligation will be significantly reduced when the audit of the Retirement System for the year 2018 is available. The Corporation will adjust its books accordingly to that audit report once issued by the external auditors of the Retirement System.

***Deferred Outflows of Resources and Deferred Inflows of Resources***

At June 30, 2017, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 5,569	\$ 93,515
Changes of Assumptions	1,039,006	-
Net Difference Between Projected and Actual Investments		
Earnings on Pension Plan Investments	1,453,329	36,587
	<u>\$ 2,497,904</u>	<u>\$ 130,102</u>



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

Notes to Financial Statements

June 30, 2017

**6. RETIREMENT PLAN, (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions at June 30, 2016 will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 509,051
2018	509,051
2019	531,328
2020	537,046
2021	281,056
	<u>\$ 2,367,532</u>

***Actuarial Methods and Assumptions***

The total pension liability was determined by an actuarial valuation as of July 1, 2015, calculated based on the discount rate and actuarial assumptions shown below and was then projected forward to June 30, 2016. The significant actuarial assumptions used to determine the standardized measure of the pension benefits obligation as of June 30, 2016 are summarized below.

- Investment Return: 6.55% per annum, net of investment expenses. Based on the System's investment policy, including target asset allocation and expectations regarding the loan portfolio, and Milliman's capital market assumptions as of June 30, 2016.
- Municipal Bond Rate: 2.85% per annum (Bond Buyer General Obligation 20-Bond Municipal Bond Index)
- GASB 67 discount rate: 2.85% per annum
- Compensation Increases: 3.0% per year. No compensation increases are assumed until July 1, 2021 as a result of the Act 3-2017 four-year extension of the Act 66-2014 salary freeze and the current general economy. Based on professional judgment and System input.
- Defined Contribution Hybrid Contribution Account: Member contributions to the Defined Contribution Hybrid Contribution Account are assumed to be 10.0% of Compensation. Defined Contribution Hybrid Contribution Accounts are assumed to grow prospectively using a 5.24% annual investment return (80% of the net investment return assumption as shown above).
- Basis for demographic assumptions: The post-retirement health and disabled mortality assumptions used were based on a study of plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. Most other demographic assumptions used were based on a 2009 experience study using data as of June 30, 2003, June 30, 2005, and June 30, 2007. Certain demographic assumptions (e.g. termination and retirement) were impacted by the Act 3 pension reforms and were revised based on the new retirement eligibility and expected future experience.

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

Notes to Financial Statements

June 30, 2017

**6. RETIREMENT PLAN, (Continued)**

- Termination: Withdrawal rates vary by employment category, age, and service.
- Retirement: Rates of retirement vary by employment category, Act, age and years of Creditable Service, and whether the member was eligible to retire as of June 30, 2013 for Act 447, Act 1, and System 2000 members.
- Disability: Rates are based on the six-month elimination period rates in the 1987 Commissioners Group Disability Table, as adjusted. 100% of disabilities occurring while in active service are assumed to be occupational for members covered under Act 127.
- Pre-retirement Mortality: For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2016 from the 2006 base year and projected forward using MP-2016 on generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2016 from the 2006 base year and projected forward using MP-2016 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date. 100% of deaths while in active service are assumed to be occupational only for members covered under Act No. 127.
- Post-retirement Healthy Mortality: Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. These base rates are projected using Mortality Improvement Scale MP-2016 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
- Post-retirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the CIP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. These base rates are projected using Mortality Improvement Scale MP-2016 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
- Marriage: 100% of current active members covered under Act 127 who die in service or become disabled are assumed to have qualifying beneficiaries receiving the maximum benefits possible, which are approximated by a spouse with males 4 years older than females.
- Actuarial Cost Method: The plan's actuarial cost method is the entry age normal method.
- Asset Value Method: Market value of assets.
- Inflation Rate: 2.50%

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

Notes to Financial Statements

June 30, 2017

**6. RETIREMENT PLAN, (Continued)**

***Illiquid Assets***

The Act No. 32 AUC calculation is based on the objective of maintaining a \$1.0 billion gross asset buffer at all times. It is important to note that a material portion of ERS assets are illiquid in nature. Thus, if the Act No. 32 AUC is not paid in full and the \$1.0 billion buffer is not maintained, the ERS will run into liquidity issues and may be forced to sell illiquid assets, potentially at significant loss to the further detriment of the ERS. As of June 30, 2016, ERS had approximately \$997 million in illiquid assets, comprised primarily of loans to ERS members and the COFINA investment. This projection assumes that these illiquid assets will be converted to liquid assets when needed. The AUC has increased markedly from the initial \$140 million estimate prepared in 2013.

The tax-free municipal bond index of 2.85% as of June 30, 2016, was used as the discount rate in the determination of the Total Pension Liability as of June 30, 2016.

<b>Net Pension Liability</b>	<b>Total</b>	<b>Proportional Share</b>
Total Pension Liability	\$ 36,432,873,000	\$ 6,583,042
Fiduciary Net Position	(1,265,885,000)	(228,732)
Total Net Pension Liability	37,698,758,000	6,811,774
Fiduciary Net Position as a % of Total Pension Liability	-3.47%	-3.47%
Covered Payroll	3,344,382,000	604,295
Net Pension Liability as a % of Covered Payroll	1127.23%	1127.23%

***Discount Rate***

The ERS's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the single equivalent rate that result in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the ERS's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the ERS's fiduciary net position is not projected to be sufficient. (Refer to Puerto Rico Government Employees Retirements System, June 30, 2016 Actuarial Valuation Report.)

The discount rate at June 30, 2015 and 2016, was as follow:

	<b>June 30, 2015</b>	<b>June 30, 2016</b>
Discount Rate	3.80%	2.85%
Long-term Expected Rate of Return Net of Investment Expense	6.55%	6.55%
Municipal Bond Rate*	3.80%	2.85%

\* Bond Buyer General Obligation 20-Bond Municipal Bond Index

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

Notes to Financial Statements

June 30, 2017

**6. RETIREMENT PLAN, (Continued)**

***Discount Rate, (Continued)***

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability.

***Sensitivity of The Corporation Proportionate Share of The Net Pension Asset to Changes in The Discount Rate***

The following presents the Corporation proportionate share of the net pension asset calculated using the discount rate of 2.85 percentage, as well as what the Corporation's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage lower (1.85 percent) or one percentage point higher (3.85 percent) than the current rate:

	<b>R</b>		
	At 1 Percent Decrease (1.85%)	At Current Discount Rate (2.85%)	At 1 Percent Increase (3.85%)
Net Pension Liability	\$ 7,812,836	\$ 6,811,774	\$ 5,996,707

***Fiscal Plan for Puerto Rico***

The Fiscal Plan for Puerto Rico was approved by the Oversight Board of PROMESA on March 13, 2017. The approval was conditioned on the Puerto Rico government and the Board reaching an agreement to reduce benefit payments of the following systems by 10% in the aggregate:

- Puerto Rico Government Employees Retirement System
- Puerto Rico Judiciary Retirement System
- Puerto Rico Teachers Retirement System

The details of the reduction methodology, which will determine how the reductions impact each system, are not final at this time. A multi-year delay in implementation is also anticipated. These potential reductions are not reflected in the June 30, 2016 valuation. Also, note that the Fiscal Plan does not anticipate future payment of the Act 3-2013 AUC (shown earlier as \$776 million for fiscal year 2016-2017 and \$685 million per year for fiscal years 2017-2018 through 2032-2033) contained in current law. Rather, the Fiscal Plan anticipates that ERS will be funded on a pay-as-you-go basis once assets are exhausted.

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

Notes to Financial Statements

June 30, 2017

**6. RETIREMENT PLAN, (Continued)**

***Pay-As-You-Go Funding***

Operating a retirement system on a "pay-go" charge basis may be conceptually simple but can be very difficult in practice when the plan sponsor's current funds and ability to rely on reserves are limited. While the valuation of ERS liabilities for financial reporting purposes is conducted on an annual basis in arrears, statutory contributions and benefit payments vary continuously and respond instantaneously to emerging events.

At a basic level, ERS will need to hold some level of operating cash to account for any ongoing timing issues between receipt and disbursement of funds. The "pay-go" funding needed in a given year is the difference between actual contributions and actual disbursements:

- Contributions to ERS are primarily based on statutory percentage of payroll.
- Disbursements are comprised of benefit payments, administrative expenses, and Pension Obligation Bond debt service.

Contributions and disbursements will experience natural variation due to emerging demographic experience; it can also be greatly impacted by specific management decisions, such as an early retirement incentive program or other workforce reduction. A major issue that needs to be addressed by ERS and the Commonwealth is determining what the process of ERS budgeting for "pay-go" funding will be. While the ERS can set an expected "pay-go" amount at the time of budgeting for an upcoming fiscal year, both actual contributions and disbursements can vary from expectations during the fiscal year.

- If the budget is set based on expected contributions and disbursements, in the event of adverse experience during the fiscal year, should provide for additional funds from the sponsoring employers.
- If the ERS be permitted to develop a budget request of a "pay-go" amount for the fiscal year that includes a margin to provide a buffer against adverse outcomes.
- And how would the impacts of specific management decisions be handled.

There are certainly many more operational details to be considered. "Pay-go" operation is a complex issue that requires careful thought and planning, constant monitoring, and the ability to respond to emerging events quickly.

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

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

Notes to Financial Statements

June 30, 2017

**7. UNEARNED REVENUES**

Unearned revenues include appropriations from which the Corporation had received from prior fiscal years not used and or consumed this year. As of June 30, 2017, the Corporation reported the following amounts:

Citi Foundation	\$ 22,750
RG Micro-prestos	12,000
John and Wendy Meu	<u>10,000</u>
	<u>\$ 44,750</u>

**8. RELATED PARTY TRANSACTIONS**

Law No. 489-2004, as amended, establishes the comprehensive development of the area designated as "*Caño Martin Peña Special Planning District*" (Special Planning District) as one of the Commonwealth of Puerto Rico priorities. In order to accomplish that public policy, the following entities were created under Law No. 489-2004:

- The Corporation that was created as a public corporation and an entity and political subdivision of the Commonwealth of Puerto Rico with juridical personality independent and separate from its officials and any other public agency or government instrumentality. It was charged with the responsibility for the coordination and implementation of the "Proyecto ENLACE del Caño Martin Peña". As required by Law No. 489-2004, the Corporation shall transfer lands and real properties to the "Fideicomiso de la Tierra del Caño Martin Peña" (Fideicomiso) in order for the Fideicomiso to administer them for the benefit of the communities of the Special Planning District. Accordingly, the transfer of title of lands and real properties from the Corporation to the Fideicomiso is made as stated by Law No. 489-2004 and for the purposes established therein, and accordingly to the regulations approved for its implementation.
- The transfers of lands from the Corporation to the Fideicomiso is executed under the regulations of "*Reglamento general para el Funcionamiento del Fideicomiso de la Tierra del Caño Martin Peña*" and "*Reglamento para la Adquisición y Disposición de Bienes Inmuebles y el realojo de ocupantes en el Distrito de Planificación Especial del Caño Martin Peña*". These regulations were adopted by the Corporation as established under Law No. 489-2004 and Law 170, August 12, 1988, as amended, known as "*Ley de Procedimiento Administrativo Uniforme*". The Fideicomiso was created as a private entity with separate juridical personality and at perpetuity. Since the land is collectively owned by the communities by means of the Fideicomiso, this entity has the responsibility to prevent the involuntary displacement of such communities and is an instrument to help overcome poverty. The corpus of the Fideicomiso comprises, among others, the lands transferred to the Corporation pursuant to Law No. 489-2004, and later transferred by the Corporation to the Fideicomiso for the purposes established by Law No. 489-2004 and the regulations approved for its implementation.

During the year ended June 30, 2017, the Corporation transferred, as restricted funds, relocation land and structures with a market value of \$1,765,511 to the Fideicomiso.

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

Notes to Financial Statements

June 30, 2017

**9. LEGAL PROCEEDINGS**

The Corporation is a defendant in certain lawsuits arising in the normal course of the operation. These claims were managed by the attorneys of the other governmental instrumentalities. In the opinion of management, with the advice of its legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the financial position and the results of operations of the Corporation as of June 30, 2017.

**10. GOING CONCERN**

The discussion in the following paragraphs regarding the Corporation financial and liquidity risks provides the necessary background and support for management's evaluation as to whether there is substantial doubt about the Corporation ability to continue as a going concern for 12 months beyond the date of the financial statements or for an extended period if there is currently known information that may raise substantial doubt shortly thereafter. GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance" contained in the AICPA Statement on Auditing Standards, establishes that the continuation of a legally separate governmental entity as a going concern is assumed in financial reporting in the absence of significant information to the contrary. Information that may significantly contradict the going concern assumption would relate to a governmental entity's inability to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of governmental operations, restructuring of debt, submission to the oversight of a separate fiscal assistance authority or financial review board, or similar actions. Indicators such as negative trends in operating losses and negative cash flows, possible financial difficulties such as nonpayment or default or debt and/or restructurings or noncompliance with capital or reserve requirement, and internal or external matters impacting the governmental entity's ability to meet its obligations as they become due, are factors that are considered in this evaluation. The Corporation faces significant risks and uncertainties, including liquidity risk, which is the risk of not having sufficient liquid financial resources to meet obligations when they come due. The risks and uncertainties facing the Corporation together with other factors further described below, have led management to conclude that there is substantial doubt as to the ability of the Corporation to continue as a going concern in accordance with GASB Statement No. 56.

The Corporation had a net change position of approximately \$1.2 million as of June 30, 2017. However, the Corporation is highly dependent on the Commonwealth appropriations to finance its operations and has historically relied on the Government Development Bank (GDB) for liquidity. Approximately 58% of the Corporation's total revenues are derived from the Commonwealth's appropriations which amounted to approximately \$6.4 million for the year ended June 30, 2017. Moreover, the Corporation has limited ability to raise operating revenues due to the economic and political challenges of Puerto Rico. The Corporation ability to continue receiving similar operational support and financing from the Commonwealth is uncertain.

The Commonwealth's recurring deficits, negative financial position, further deterioration of its economic condition, and inability to access the credit markets raise substantial doubt about the Commonwealth's ability to continue as a going concern. The significant financial difficulties being experienced by the Commonwealth is likely to have a significant adverse impact on the Corporation, given its reliance on Commonwealth appropriations.

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

Notes to Financial Statements

June 30, 2017

**11. SUBSEQUENT EVENTS**

On August 23, 2017, the Legislature Enacted Act No. 106 to establish the "Law to Guarantee the Payment to Our Pensioners and Establish a New Plan of Defined Contributions for Public Servants", for the purpose of reforming the Retirement System of the Employees of the Government of Puerto Rico and the Retirement System for Teachers, in accordance with the economic and fiscal reality of Puerto Rico and the provisions of the Fiscal Plan for Puerto Rico, certified according to the provisions of Public Law 114-187, known as Puerto Rico Oversight, Management, and Economic Stability Act, or "PROMESA", for its acronym in English; to establish that the General Fund, through the "pay as you go" system, assumes the payments that the Retirement System of the Employees of the Government of Puerto Rico, the Retirement System for Teachers and the Retirement System for the Judiciary do not can perform; to arrange for the three Retirement Systems to continue to fulfill their obligations towards their beneficiaries and pensioners by providing the General Fund with their available funds and funds from the liquidations of their assets; establish the New Defined Contribution Plan and provide for its administration; create the Retirement Board, delegate faculties and duties; amend Section 2 of Act No. 12 of October 19, 1954, as amended, known as the "Judiciary Withdrawal Act"; to amend Sections 1-1.04 and 4-101, to repeal Sections 11 and 12 and to renumber Sections 13, 14 and 15 as Sections 11, 12 and 13, respectively, of Section 4-103 of Act No. 447 of May 15 of 1951, as amended, known as the "Retirement System for Employees of the Government of the Commonwealth of Puerto Rico Act"; amend Articles 1.1, 2.3 and repeal Sections 2.4, 2.5 and 2.6 of Act 160-2013, as amended, known as the "Retirement System Act for Teachers of the Commonwealth of Puerto Rico"; amend Section 1081.01 of Act 1-2011, as amended, known as the "Internal Revenue Code for a New Puerto Rico"; to repeal Act 211-2015, as amended, known as the "Voluntary Grant Program Act", to guarantee the benefits to the Prerequisites and to provide for employees who have requested such benefits to complete the process; to authorize the Financial Advisory Authority and Fiscal Agency of Puerto Rico to design, implement and supervise an incentive separation program for the public service of the employees of the Executive Branch; and for other related purposes. It is declared as public policy of the Government of Puerto Rico the protection of the pensions of all retirees of the public service who were Participants in the three Retirement Systems mentioned above. Therefore, as of July 1, 2017, pursuant to the Joint Resolution of Chamber No. 188 of 2017, as certified by the Fiscal Supervision Board on July 13, 2017, the Government of Puerto Rico became the direct payer of the pensions of our retirees. Given the weight that this implies on the General Fund, which is estimated at billions of dollars a year, the employer's contributions to the three Retirement Systems were eliminated, as well as the Additional Uniform Contribution, according to the provisions of the Joint Resolutions No. Chamber. 186, 187 and 188 of 2017.

Retirement Systems must provide their available funds and the net proceeds from the liquidation of its assets to the General Fund to help pay the Accrued Pension, excepting the headquarters building of the Retirement System for Teachers, known as the Capital Center Building, North Tower, located in Hato Rey, Puerto Rico, which will not have to be settled. Once Retirement Systems exhaust their assets, account for the payment of accrued pensions, which will draw heavily on the General Fund, as provided in this Act, shall assume and guarantee the payment of accrued pension as established in this Act. However, the municipalities, the Legislative Branch, public corporations, the government and the administration of the courts are obliged to pay the fee "pay-Go" as appropriate for each to nourish the account for payment of the Accumulated Pensions.



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

Notes to Financial Statements

June 30, 2017

**11. SUBSEQUENT EVENTS. (Continued)**

Likewise, it is declared as public policy to protect the future of our public servants. Through this Act we ensure that they can have a dignified retirement, free of uncertainty, segregating their personal contributions, guaranteeing them and setting a new defined contribution plan, trust or similar instrument that will enable them to protect and guarantee their contributions to separate accounts.

On June 27, 2017, the Treasury Department issued Circular Letter No. 1300-46-17 in order to convey to the central government agencies, public corporations and municipalities the new implementation procedures to adopt, effective July 1, 2017, a new "pay-as-you-go" (PayGo) mechanism for the System.

Subsequently, on August 23, 2017, the Governor signed into law the "Act to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants" (Act No. 106), which reformed the Commonwealth Retirement Systems. Act No. 106 terminated the previously existing pension programs for the System's participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017 are now enrolled in a new defined contributions program. Act No. 106 also established by law the PayGo mechanism for the payment of accumulated pension benefits and eliminated employers' contributions and other analogous contributions. Approximately \$2 billion was allocated for the payment of PayGo benefits in each of the budgets for fiscal year 2018 and fiscal year 2019.

On September 20, 2017, Hurricane Maria directly hit Puerto Rico, severely affecting Island's infrastructure. The Corporation evaluate the physical damages to the Corporation's assets, including equipment, force account labor (debris removal) and subcontractors for debris removal. The total claim made to FEMA amounted to \$58,511. This claim was received on March 20, 2018.

Effective March 23, 2018, Government Development Bank ceased its operation.

In accordance with FASB ASC No. 855, the Corporation evaluated its subsequent events until date on which the financial statements were ready for issuance. As of, the Corporation has collected \$173,135 or 46% of the total accounts receivable. In addition, the Corporation has paid the amount of \$51,939 or 54% of the total accounts payable as of June 30, 2017.

The Corporation evaluated its subsequent events until May 29, 2019, date on which the financial statements were ready for issuance. The Corporation's management understands that no other material events occurred subsequent to June 30, 2017, that requires being recorded or required additional disclosures in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**  
(See Independent Auditors' Report)

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

Statement of Revenues and Expenditures  
Budgetary Comparison-General Fund

For the Year Ended June 30, 2017

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b><u>REVENUES</u></b>				
State Services	\$ 1,274,000	\$ 1,211,389	\$ 1,211,389	\$ -
Earnings on Deposits	-	-	10,798	10,798
Total Revenues	1,274,000	1,211,389	1,222,187	10,798
<b><u>EXPENDITURES</u></b>				
Salaries	665,439	632,736	616,449	(16,287)
Professional Services	81,000	77,019	39,239	(37,780)
Insurance	30,200	28,716	30,862	2,146
Community Development Services	-	-	14,435	14,435
Benefits and Payroll Taxes	324,787	308,825	480,022	171,197
Supplies	13,570	12,903	5,956	(6,947)
Auto	14,100	13,407	4,421	(8,986)
Utilities	61,480	58,459	40,482	(17,977)
Repairs and Maintenance	22,154	21,065	17,331	(3,734)
Capital Outlays	39,000	37,083	-	(37,083)
Other	22,270	21,176	25,584	4,408
Total Expenditures	1,274,000	1,211,389	1,274,781	63,392
Excess of Expenditures Over Revenues	\$ -	\$ -	\$ (52,594)	\$ (52,594)

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

Schedule of Statutorily Required Employer Contributions Pension Plan

June 30, 2017

	(a)	(b)	(a)-(b)	(c)	(b/c)
<b>Year Ended June 30</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to Statutorily Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Corporation's Covered Payroll</b>	<b>Contributions as a Percent of Covered Payroll</b>
2017	\$ 293,038	\$ 293,038	\$ -	\$ 604,295	48.49%

Fiscal year 2017 was the first year that the new requirements of GASB 68 were implemented at the Corporation. This schedule is required to illustrate 10-years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

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

Schedule of Proportionate Share of the Collective Net Pension Liability

June 30, 2017

	(a)	(b)	(c)	(b/c)	Plan Fiduciary
Year Ended June 30	Corporation's Proportion of the Net Pension Liability	Corporation's Proportion of Share of the Net Pension Liability	Corporation's Covered Payroll	Corporation's Proportion of Share of the Net Pension Liability as a Percentage of its Covered Payroll	Net Position (Deficit) as a Percentage of Total Pension Liability
2017	0.01807%	\$ 6,811,774	\$ 604,295	1127.23%	-3.47%

Fiscal year 2017 was the first year that the new requirements of GASB 68 were implemented at the Corporation. This schedule is required to illustrate 10-years of information. However, until a 10-year trend has been completed, information is presented only for the years for which the required supplementary information is available.

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

Note to Required Supplementary Information

For the Year Ended June 30, 2017

**1. BUDGET PROCESS AND BUDGETARY BASIS OF ACCOUNTING**

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

**2. EMPLOYEES' RETIREMENT SYSTEM (ERS)**

Basis of Presentation

The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived from a report issued by KPMG dated November 2, 2018. The full report is available by the Employees' Retirement System. Such preparation requires management of ERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.



*De Angel & Compañía*  
COMPAÑÍA DE RESPONSABILIDAD LIMITADA  
CONTADORES PÚBLICOS AUTORIZADOS

PO Box 5460  
Caguas, Puerto Rico 00726-5460

Glasgow 1890 College Park IV  
San Juan, Puerto Rico 00921-4813  
[www.deangel.com](http://www.deangel.com)  
(787) 758-4428 • Fax 763-9386

May 29, 2019

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

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

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

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

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

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

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

Sincerely,

Carlos De Ángel Ramírez  
President

## **Report on the Firm's System of Quality Control**

January 28, 2019

To the Partners of De Angel & Compañía, CPA, LLC  
and the Peer Review Committee of the Puerto Rico Society of CPAs.

We have reviewed the system of quality control for the accounting and auditing practice of De Angel & Compañía, CPA, LLC (the firm) in effect for the year ended April 30, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Review established by Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### **Firm's Responsibility**

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### **Peer Reviewer's Responsibility**

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.



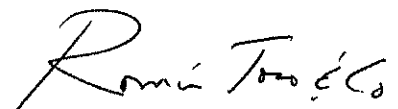
## Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit, and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

## Opinion

In our opinion, the system of quality control for the accounting and auditing practice of De Angel & Compañía, CPA, LLC, in effect for the year ended April 30, 2018 has been suitable designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firm can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. De Angel & Compañía, CPA, LLC, has received a peer review rating of *pass*.



ROMAN TORO & CO., CPA, P.S.C.  
LICENSE #35 - IN FORCE  
Expires December 1, 2020

Stamp Number E358129 was  
affixed to the original of this report