

# PRESS RELEASE

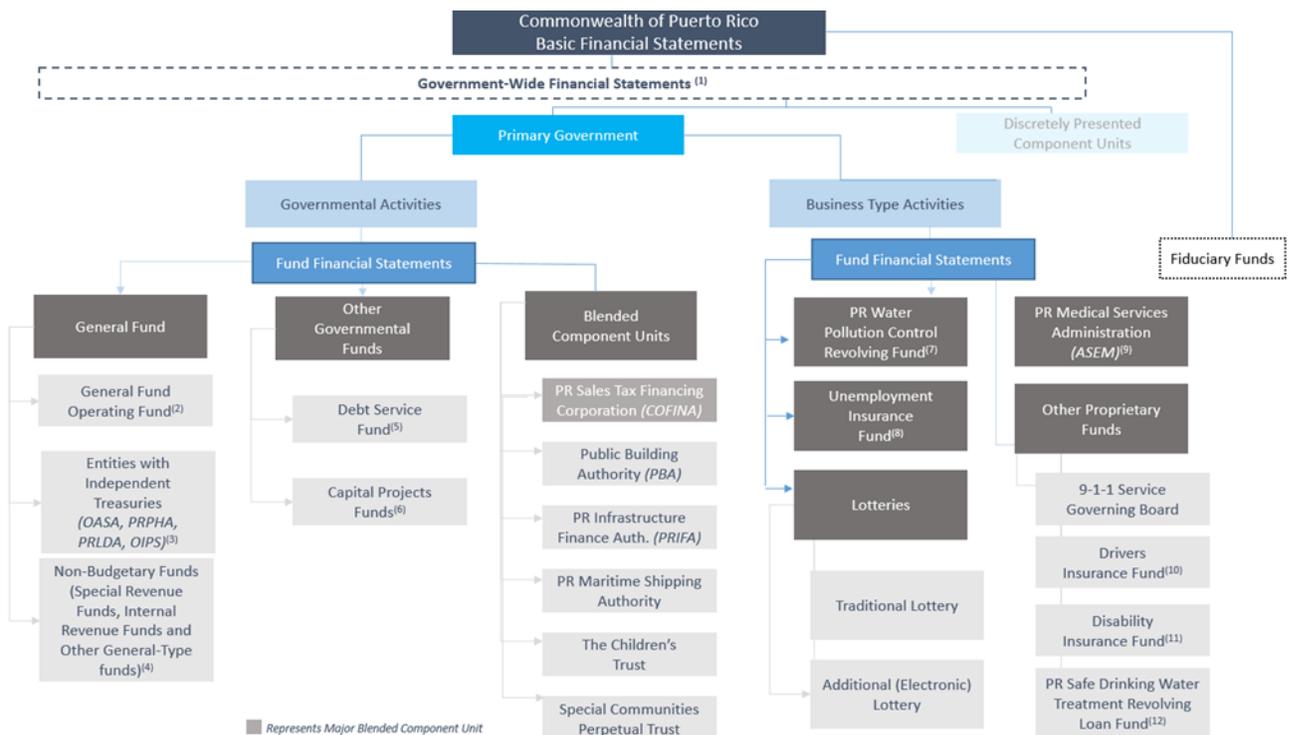


July 1, 2016  
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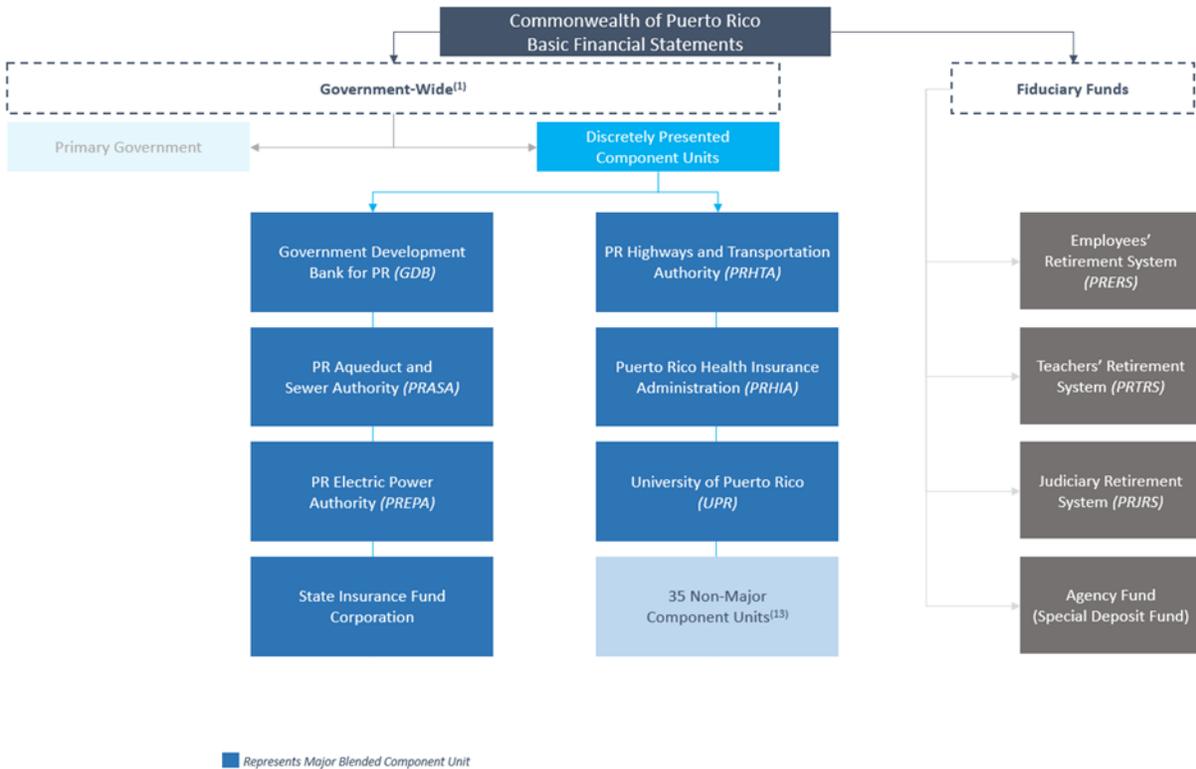
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## TREASURY DEPARTMENT ISSUES COMMONWEALTH OF PUERTO RICO AUDITED FINANCIAL STATEMENTS FOR FY 2013-2014

(San Juan, Puerto Rico) On June 30, 2016, the Commonwealth made publicly available its audited Basic Financial Statements and Required Supplementary Information for the fiscal year ended June 30, 2014 (the “2014 Financial Statements”). The 2014 Financial Statements were audited by KPMG, LLP and include a paragraph in the auditor’s opinion addressing the ability of the Commonwealth and its Component Units to continue as a going concern and the insolvency of the Retirement Systems. The 2014 Financial Statements include all 120 departments and agencies, over 100 special funds (non-budgetary funds), and approximately 70 public corporations of the Commonwealth. The following charts illustrate the structure of the Commonwealth for financial reporting purposes:



■ Represents Major Blended Component Unit



Treasury Secretary Juan Zaragoza highlighted the following financial information contained in the 2014 Financial Statements:

- The total operational deficit (excluding debt service payment) of the General Fund for the fiscal year ended June 30, 2014 was approximately \$439 million as compared to \$807 in fiscal year 2013. This reduction shows this administration's efforts to close the gap between revenues and operational expenditures.
- The total deficit (including debt service payments) for fiscal year ended June 30, 2014 was approximately \$1.2 billion as compared to \$1.8 billion for fiscal year 2013.
- The total debt obligations (bonds and notes) of the Commonwealth and its Public Corporations as of June 30, 2014 amounted to \$67.8 billion as compared to \$66.5 billion as of June 30, 2013.
- The unfunded pension liabilities (actuarial deficit) of Commonwealth Government Employees Retirement System, Judiciary Retirement System and Teachers Retirement System as of June 30, 2014 amounted approximately \$33.7 billion.
- The auditor's opinion includes a paragraph addressing the ability of the Commonwealth and its Public Corporations to meet their obligations as they become due (going concern).
- Note 2 to the 2014 Financial Statements states that the Commonwealth lacks sufficient funds to meet its debt payment due on July 1, 2016 and further debt payments. On June 30, 2016 the Governor issued a series of executive orders suspending payment obligations and providing relief to the Commonwealth pursuant to the provisions of Act 21-2016, as amended.

- The 2014 Financial Statements include all relevant events and financial information from fiscal year 2014 up to June 30, 2016. Such events are disclosed in Note 22 to the 2014 Financial Statements.

“The 2014 Financial Statements make clear that the Commonwealth currently faces a severe fiscal and liquidity crisis, the culmination of many years of significant governmental deficits, a prolonged economic recession that began in 2006, high unemployment, record outmigration and high levels of debt and pension obligations.”

“The depth of our debt crisis has been extensively disclosed. Our debt is unsustainable and a broad restructuring of our debt is needed in order to restore fiscal balance and lay the groundwork for the resumption of economic growth.”