

# PRESS RELEASE



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## **Statement from Puerto Rico Officials on the Commonwealth of Puerto Rico's Release of Unaudited Basic Financial Statements and Required Supplementary Information For Fiscal Year 2014**

San Juan, Puerto Rico – The Department of the Treasury of the Commonwealth of Puerto Rico (the “Commonwealth”) issued today a draft of the Commonwealth’s unaudited Basic Financial Statements (the “Draft”) for the fiscal year ending June 30, 2014. The Draft, available at the Department of the Treasury’s website ([www.hacienda.pr.gov/inversionistas-investors](http://www.hacienda.pr.gov/inversionistas-investors)) is still subject to completion and audit, but includes audited financial information for all public corporations and retirement systems other than the Government Development Bank for Puerto Rico, the Employees Retirement System of the Commonwealth and the Retirement System for the Judiciary of the Commonwealth. Subject to the limitations described in the disclaimer to the Draft, in the opinion of the responsible officers of the Puerto Rico Department of the Treasury, the unaudited financial information included in the Draft is a fair statement of the results for the periods reported.

The Commonwealth is making publicly available the Draft – in addition to an unparalleled amount of verifiable financial information that has been released in recent months – in order to provide the public with additional information that could be useful in evaluating Puerto Rico’s financial condition and new legislative measures to address the current fiscal crisis. The Commonwealth undergoes an economic emergency that requires an unprecedented number of audit procedures and disclosures, including substantial discussion of subsequent events that affect the financial condition presented in the Draft, irrespective of the period covered therein. Given these critical circumstances, the period required to complete this audit is reasonable.

The preliminary results for fiscal year 2014 in the Draft show that the Commonwealth’s “Primary Government” (as such term is defined in the Draft) reported an increase in its net deficit position of approximately \$2.5 billion, from \$46.7 billion as of June 30, 2013 to \$49.2 billion as of June 30, 2014. The aggregate net position of the Commonwealth’s “Discretely Presented Component Units” (as such term is defined in the Draft) decreased by approximately \$1.7 billion during the same period. The increase in the net deficit position of the Commonwealth’s Primary Government is the result of higher operating expenses than operating revenues and an increase in the Commonwealth’s liabilities, such as bonds and notes, net pension obligations, legal claims among other. Importantly, the explanatory notes to the Draft explain that there is substantial doubt as to the ability of the

Commonwealth and most of its public corporations and retirement systems to continue as going concerns in accordance with GASB Statement Number 56.

**The Secretary of the Department of the Treasury of the Commonwealth of Puerto Rico, Hon. Juan Zaragoza, authorizes the following statements:**

“The Commonwealth continues to work constructively with KPMG on a daily basis through an iterative auditing process to complete the fiscal year 2014 audit. The issuance of the audited Basic Financial Statements is expected to be completed in approximately 8 to 9 weeks from the delivery of the first draft of the financials to KPMG on January 31, 2016. However, there may be additional issues that arise during such period that require an adjustment to such timetable. As the Draft makes clear, the Commonwealth currently faces a severe fiscal and liquidity crisis, the culmination of many years of significant governmental deficits, a prolonged economic recession (which commenced in 2006), high unemployment, population decline and high levels of debt and pension obligations.”

**The Governor of the Commonwealth of Puerto Rico, Hon. Alejandro García Padilla, authorizes the following statements:**

“The Commonwealth has reiterated the critical need for Congress to provide Puerto Rico with a broad restructuring framework to address its unsustainable debt burden. The risk of Congress not providing such framework – which costs nothing to U.S. taxpayers – is condemning Puerto Rico to a legal morass that will jeopardize essential services for U.S. citizens living in Puerto Rico, further accelerate outmigration to the U.S. mainland and severely impair creditors’ ability to recover on their claims. Denying any congressional assistance to Puerto Rico on the basis that the Commonwealth has not issued audited financial statement is simply an excuse for inaction. The Commonwealth has provided an unprecedented amount of reliable and up-to-date financial information regarding the depth and imminent nature of Puerto Rico’s debt crisis.”

***Not an Offering of Securities***

This statement does not constitute, nor does it form part of, an offer to sell or purchase, or the solicitation of an offer to sell or purchase, any securities or an offer or recommendation to enter into any transaction. This presentation has been prepared for informational purposes only. Any offer or sale of any security may only be made pursuant to the relevant offering documents and binding transaction document and is subject to the detailed provisions therein, including risk considerations. Prospective purchasers should obtain a copy of the relevant offering materials prior to making any investment decisions.

***Forward-Looking Statements***

The information included in this statement contains certain forward-looking statements. These forward looking statements may relate to the fiscal and economic condition, economic performance, plans and objectives of the Commonwealth of Puerto Rico or its agencies or instrumentalities. All statements contained herein that are not clearly historical in nature are forward looking. This statement is not a guarantee of future performance and involves certain risks, uncertainties, estimates, and assumptions by the Commonwealth and/or its agencies or instrumentalities that are difficult to predict. The economic and financial condition of the Commonwealth and its agencies or instrumentalities is affected by various financial, social, economic, environmental, and political factors. These factors can be very complex, may vary from one fiscal year to the next, and are

frequently the result of actions taken or not taken, not only by the Commonwealth and/or its agencies or instrumentalities, but also by entities such as the government of the United States of America or other nations that are not under the control of the Commonwealth. Because of the uncertainty and unpredictability of these factors, their impact cannot, as a practical matter, be included in the assumptions underlying the Commonwealth's or its agencies or instrumentalities' projections.

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