

**OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES
ÁREA DE ASESORAMIENTO, REGLAMENTACIÓN E INTERVENCIÓN FISCAL
ÁREA DE ARCHIVO DIGITAL**

**MUNICIPIO DE SAN JUAN
AUDITORÍA 2014-2015**

30 DE JUNIO DE 2015

Municipality of San Juan
(Commonwealth of Puerto Rico)

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015 and
Independent Auditors' Report Thereon

Municipality of San Juan Commonwealth of Puerto Rico

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015



Prepared by:

Department of Finance
Ms. Sylvette R. Cordero Sánchez, CPA
Director

Hon. Carmen Yulín Cruz Soto
Mayor

November 30, 2015

TABLE OF CONTENTS

	Pages
I. INTRODUCTORY SECTION (UNAUDITED)	
Transmittal Letter	I
List of Principal Officials	VI
Organizational Chart	VII
II. FINANCIAL SECTION	
Independent Auditors' Report	1-4
Management's Discussion and Analysis (Unaudited)	5-22
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	23
Statement of Activities	24
Fund Financial Statements:	
Balance Sheet – Governmental Funds	25
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	27
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	28
Statement of Net Position – Proprietary Fund	29
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	30
Statement of Cash Flows – Proprietary Fund	31
Notes to Basic Financial Statements	32-73
III. REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Budgetary Comparison Schedule – General Fund	74
Notes to Budgetary Comparison Schedule – General Fund	75-76
IV. COMBINING FINANCIAL STATEMENTS	
Other Governmental Funds Descriptions	77
Combining Balance Sheet – Other Governmental Funds	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	79
V. STATISTICAL SECTION (UNAUDITED)	
Financial Trends:	
Government-Wide Information:	
Net Position by Component – Governmental Activities	81
Changes in Net Position – Governmental and Business – Type Activities	82-83
Fund Information:	
Fund Balances – Governmental Funds	84
Changes in Fund Balances – Governmental Funds (in Thousands)	85-86
Revenue Capacity:	
Property Tax Levies and Collections	87
Assessed Value of Taxable Property	88
Property Tax Rates	89
Municipal Licenses Tax Filers by Income Level	90-91

TABLE OF CONTENTS

Municipal Licenses Tax Rates	92
Debt Capacity:	
Ratios of Outstanding Debt by Type in Thousands, Except per Capita Amount	93
Ratios of General Bonded Debt Outstanding	94
Legal Debt Margin Information (In Thousands)	95
Demographic and Economic Information:	
Demographic and Economic Statistics	96
Construction and Bank Deposits	97
Operating Information:	
Number of Regular Employees by Function	98
Operating Indicators by Function	99
Capital Assets by Function (In Thousands)	100



INTRODUCTORY SECTION



Municipality of San Juan

Commonwealth of Puerto Rico

Ciudad • Patria

November 30, 2015

Honorable Mayor Carmen Yulín Cruz Soto,
Members of the Municipal Legislature and Constituents
Municipality of San Juan,
Commonwealth of Puerto Rico

We are pleased to submit this Comprehensive Annual Financial Report of the Municipality of San Juan, Commonwealth of Puerto Rico (the Municipality), as of and for the fiscal year ended June 30, 2015.

Responsibility for both, the accuracy of the data and the completeness and fairness of the presentation, including all disclosures presented in this report, rests with the Municipality's management. Unfortunately, the Employees Retirement System of the Commonwealth of Puerto Rico did not provide the Municipality the information needed to adopt a new accounting standard that changes accounting and financial reporting for pension costs, which could have a significant impact on the Municipality's financial statements, disclosures and required supplementary information. The omitted adjustments and disclosures led to a qualified opinion by our external auditors over the fairness of the Municipality's financial statements in accordance with U.S. GAAP. Except as required by the new accounting standard described before, all disclosures necessary to enable readers to gain an understanding of the Municipality's financial activities have been included.

BACKGROUND INFORMATION AND ECONOMIC OUTLOOK

The Municipality is the largest municipality, principal seaport, and main governmental, financial, academic, cultural, and tourism center of Puerto Rico.

The Municipality's government is composed of a Mayor, and a Municipal Legislature of 17 members elected in general elections every four years. The Mayor is responsible for establishing and carrying out the policy-making, for overseeing the day-to-day operations of the municipal government and for appointing the senior municipal officials of the Municipality's departments. The Municipal Legislature is responsible, among other matters, for approving ordinances and resolutions, including the annual operating budget of the Municipality.

The Municipality assumes either partial or full responsibility for providing services to its citizens related to public safety, urban affairs, culture and recreation, health and welfare, urban development, education, economic development, and other general services to its citizens.

There are approximately 395,000 inhabitants, according to the 2010 U.S. Census, with a population density of approximately 3,189 residents per square kilometer, making it the most densely populated municipality in Puerto Rico. The Municipality has land area 123.85 square kilometers; it has 18 political subdivisions, or wards, and is divided into four (4) major districts: (1) Old San Juan, (2) Hato Rey, (3) Río Piedras and (4) Santurce.

Old San Juan is a compact historic district, cultural center and major tourist attraction of Puerto Rico. Hato Rey is the main banking and financial services center of Puerto Rico having the headquarters of all major banks. Río Piedras is the transportation hub for connections with the rest of the Island and Puerto Rico's principal educational center having the main campus of the University of Puerto Rico. Santurce is a center for government and private offices.

According to statistics published by the Government Development Bank of Puerto Rico, the average family income (AFI) in San Juan was approximately \$17,700 for 2015.

Puerto Rico's Gross Domestic Product (GDP) and Gross National Product (GNP) have increased steadily over the past decade. The GDP is the total of consumer, investment and government spending, plus the value of exports minus value of imports. GNP is the GDP added to income accruing to residents with investments abroad, minus income earned in domestic markets accrued to investors living abroad. In Puerto Rico, the GDP exceeds the GNP because of the large amount of investment from the USA in the local economy. Nominal GDP and GNP according to the most recent report projected amounts to \$103.8 million and \$69.2 million, respectively.

San Juan is the most important socioeconomic center in Puerto Rico. It accounts for 9.7% of Puerto Rico's population according to the latest figures from the Bureau Census. The unemployment rate in San Juan as of June 30, 2015 was 7.7%, which compares favorably with the unemployment for Puerto Rico, which stood at 12.6% for the same period.

The economic base of the Municipality is diversified among the financial sector, wholesale and retail trade, small and medium sized business, shipping, tourism and the meetings and conventions industry.

FINANCIAL REPORTING ENTITY

The accompanying basic financial statements present, in an easily readable and efficiently organized way, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality, as of June 30, 2015, the respective changes in financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the cash flows of the proprietary fund for the fiscal year ended June 30, 2015 in conformity with accounting principles generally accepted in the United States of America (GAAP).

INTERNAL CONTROLS

The management of the Municipality is responsible for establishing and maintaining adequate internal controls to ensure that the assets of the Municipality are protected from loss, theft or misuse, and that adequate accounting data is compiled for the preparation of its basic financial statements in conformity with GAAP.

The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of an internal control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires significant estimates and judgments by management.

The Municipality receives financial assistance in the form of grants and entitlements from the governments of the United States of America and the Commonwealth of Puerto Rico (Commonwealth). Receipt of grants is generally conditioned upon compliance with several terms and conditions of the grant agreements and applicable laws and regulations, including the expenditure of resources for eligible purposes. As a

result, the Municipality is also responsible for ensuring that internal controls are in place to ensure that processes related to these financial assistance grants and entitlements are in compliance with all applicable laws and regulations.

BUDGETARY AND FISCAL POLICIES AND INITIATIVES

The fiscal year of the Municipality begins on July 1. The Mayor is required by law to submit an annual balanced budget of revenues and expenditures of its operations pursuant to Chapter 7 of the Autonomous Municipalities Law for the approval of Municipal Legislature. Appropriations made for any fiscal year shall not exceed the total estimated revenues, including available surplus, estimated for said fiscal year unless the imposition of taxes sufficient to cover said appropriations is provided by law.

Budgetary control resides at the functions/program level within the general fund. The Municipality also maintains an encumbrance accounting system as one method of maintaining budgetary control. The annual budgets include an estimate of revenues and other resources for the ensuing fiscal year under laws and regulations existing at the time the budgets are prepared.

During the fiscal year ended on June 30, 2015, this municipal administration has taken the necessary fiscal initiatives and extensive budgetary controls that allows the Municipality to finish for the third year with a surplus in the general fund.

During fiscal year 2015, the Municipality borrowed \$89.4 million from the Government Development Bank for Puerto Rico and commercial banks through the issuance of Series A of the 2014 Municipal General Obligation Notes amounting to \$53.2 million and \$36.2 million respectively, to finance the acquisition, construction, and improvement of capital assets.

The Municipality continues to be focused on various efforts to increase the Municipality's recurring revenue base. Redevelopment strategies are planned and executed in areas where economic activity and residential levels have plummeted. Initiatives include the strengthening of procedures to identify, audit and collect tax debt and prevent or detect tax evasion.

The objectives of these controls and initiatives were to stabilize the financial position, results of operations and cash flows of the Municipality while ensuring compliance with legal provisions embodied in the annual appropriated budgets approved by the Municipal Legislature.

More detailed information about the Municipality's budget and fiscal policies can be found in the accompanying management's discussion and analysis (MD&A), the notes to the basic financial statements, and the Budgetary Comparison Schedule presented in the Financial Section.

PROSPECTS FOR THE FUTURE

The Municipality is committed to pursue solutions to improve the competitive economic performance and the quality of life for its residents. The Municipality's economic development program includes initiatives aimed at producing more diversified and sustainable economic development. Five important elements of these initiatives are the following: (1) developing a world-class infrastructure, while encouraging private investment with innovative financial models and agile, effective evaluation processes; (2) accelerating the Municipality's entry into the knowledge economy by creating a center for excellence in biotechnology, engineering and computing; (3) promoting local enterprise and supporting local businesses by providing innovative financing alternatives and access to domestic and foreign markets; (4) transforming the Municipality's government, without the need to layoff or privatization, through effective consolidation of

municipal agencies and decentralization functions to offer first-class services to all citizens in a sensible, effective and agile manner; and (5) refocusing strategic projects related to the citizens' health.

CAPITAL ASSETS

The accompanying basic financial statements include the capital assets of the Municipality. A discussion and more detailed information about capital assets can also be found in the accompanying MD&A and the notes to the basic financial statements.

DEBT ADMINISTRATION

The Puerto Rico Municipal Financing Law of 1996 (Law 64-1996), limits the amount of debt service that can be incurred by the Municipality with respect to issued or guaranteed debt to 10 percent of the total assessed value of the property located within the Municipality, plus the balance of the ad valorem taxes in the debt service fund, for bonds payable and bond anticipation notes to be repaid with the proceeds of property taxes restricted for debt service. The Municipality is in compliance with the debt limitation requirements at June 30, 2015. See the computation of the legal debt margin in the statistical section of this report. More detailed information about long-term obligations can be found in the notes to the basic financial statements.

FINANCIAL ADVISOR AND FISCAL AGENT

The principal functions of the Government Development Bank for Puerto Rico (GDB) are to serve as financial advisor to and fiscal agent for the Municipality in connection with the issuance of bonds and notes. GDB is a component unit of the Commonwealth of Puerto Rico.

INDEPENDENT AUDIT

Chapter X of the Basic Standards Regulation issued by the Puerto Rico Municipal Affairs Commissioner requires the Municipality to have an annual financial audit of its basic financial statements performed by independent certified public accountants. This Comprehensive Annual Financial Report has the intention to fulfill such requirements.

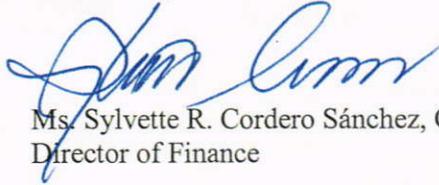
HLB Parissi, P.S.C. was selected to perform the independent audit of the Municipality's basic financial statements, as of and for the fiscal year ended June 30, 2015, in accordance with government auditing standards generally accepted in the United States of America. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Municipality for the fiscal year ended June 30, 2015 are fairly stated in accordance with GAAP. The independent auditors' report on the accompanying basic financial statements is included in the financial section of this report and includes a qualified opinion due to a GAAP departure resulting from financial information not provided by the Employees' Retirement System of the Commonwealth of Puerto Rico causing the Municipality to be unable to record and disclose the pension costs in accordance with new accounting standard related to pension costs.

ACKNOWLEDGEMENTS

The preparation of this report required the collective efforts of several municipal officials and employees of our Department of Finance, and our financial and management consultants. We sincerely appreciate the professionalism and dedication of these individuals. Due credit should also be given to the Honorable Carmen Yulín Cruz Soto, Mayor, for her unwavering support and commitment to better and improved fiscal and administrative policies.

This report confirms our commitment to maintain our basic financial statements in conformity with the highest standards of financial accountability.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Sylvette R. Cordero Sánchez', is written over the typed name.

Ms. Sylvette R. Cordero Sánchez, CPA
Director of Finance

**MUNICIPALITY OF SAN JUAN,
COMMONWEALTH OF PUERTO RICO**



ELECTED OFFICIALS

MAYOR

Hon. Carmen Yulín Cruz Soto

ELECTED MUNICIPAL LEGISLATURE

PRESIDENT

*Hon. Marco Rigau Jiménez

*Hon. Carlos R. Díaz Vélez	*Hon. Jimmy D. Zorrilla Mercado
*Hon. Adrián González Costa	*Hon. Javier Gutiérrez Aymat
*Hon. José E. Rosario Cruz	*Hon. Carlos Ávila Pacheco
*Hon. Yvette del Valle Soto	*Hon. Sara de la Vega Ramos
*Hon. Aixa Morell Perelló	*Hon. Antonia Pons Figueroa
*Hon. Claribel Martínez Marmolejos	*Hon. Elba A. Vallés Pérez
*Hon. Iván O. Puig Oliver	*Hon. Angel Ortíz Guzmán
*Hon. Aníbal Rodríguez Santos	*Hon. Yolanda Zayas Santana

APPOINTED OFFICIALS

CITY ADMINISTRATOR

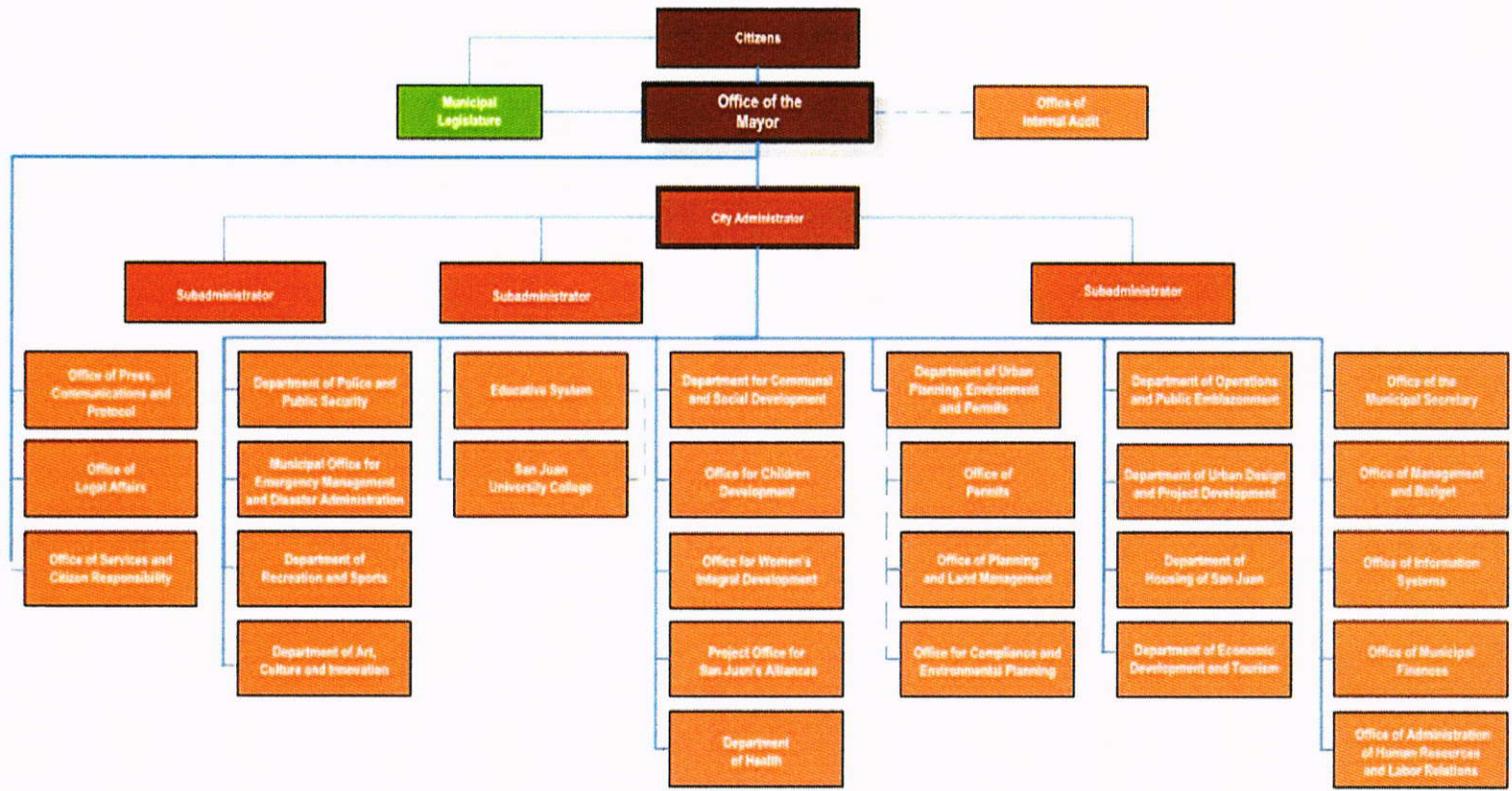
Andrés R. García Martínó

Deputy Administrator
María Burgos Figueroa

Deputy Administrator
Ada Burgos Archilla

Deputy Administrator
Noelia Y. Rosa Jaime

Municipality of San Juan
(Commonwealth of Puerto Rico)
Organizational Chart
Fiscal Year Ended June 30, 2015



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and Members of the Municipal Legislature and Constituents
Municipality of San Juan
San Juan, Puerto Rico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *Municipality of San Juan, San Juan, Puerto Rico* (the Municipality) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Municipality'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion on Governmental Activities and Note Disclosure Regarding Pensions

As discussed in Notes 1 and 12 to the basic financial statements, the Municipality has not implemented the requirements of Statement No. 68 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. Accordingly,

1. The Municipality has not been able to determine and account for its proportionate share of net pension obligation, deferred inflow of resources and deferred outflow of resources related to pension costs and,
2. The Municipality has not recognized the effect of current period changes in net pension obligation, deferred outflow of resources and deferred inflow of resources as these relate to pension costs.

Accounting principles generally accepted in the United States of America require that pension related liability, deferred outflow of resources, deferred inflow of resources, as applicable, be recognized in accordance with the parameters established by Statement No. 68, as well as the effect of current period changes of the aforementioned amounts that must be recognized in pension expense during the current period. Recognition of these amounts would increase liabilities, increase deferred outflow of resources, increase deferred inflow of resources, increase the deficit, and change the pension expenses of the governmental activities. The amounts by which this departure would affect liabilities, deferred outflow of resources, deferred inflow of resources, deficit, and expenses of the governmental activities has not been determined.

The accompanying notes to the basic financial statements do not disclose the pension cost information required by Statement No. 68. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the possible effects of the matter described above in the Basis for Qualified Opinion on Government Activities and Note Disclosure Regarding Pensions paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Municipality of San Juan as of June 30, 2015 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of San Juan as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information Omitted

The Municipality has omitted the *Schedule of the Municipality's Proportionate Share of the Net Pension Liability*, and the *Schedule of Municipality's Contributions to the Employees' Pension Plan*, information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 22 and 74 through 76 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 Information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the Municipality's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

HLB Pauss PSC

San Juan, Puerto Rico
November 30, 2015

Stamp No. E195786 was affixed
to the original of this report
License No. 88 Exp. December 1, 2017



Municipality of San Juan
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2015



The Management of the Municipality of San Juan (the Municipality) provides this discussion and analysis of the Municipality's financial position and results of operations for the fiscal year ended June 30, 2015.

Since this discussion and analysis is designed to focus on the current fiscal year activities, resulting changes and currently known facts, we suggest reading it in conjunction with the accompanying basic financial statements.

Financial Highlights

- Total assets increased \$6.5 million (0.5% increase) during the current fiscal year and amounted to \$1.23 billion at June 2015.
- Total liabilities increased \$28.6 million (2.5% increase) during the current fiscal year and amounted to \$1.18 billion at June 2015.
- Total deferred inflows of resources decreased \$8.6 million (7.9% decrease) during the current fiscal year and amounted to \$100.6 million at June 2015.
- Total net position (deficit) increased \$13.4 million (35.9% increase) during the current fiscal year and amounted to \$50.7 million (deficit) at June 2015.
- Total revenues decreased \$18.7 million (2.7% decrease) during the current fiscal year and amounted to \$665.2 million for the fiscal year ended June 2015.
- Total expenses increased \$8.8 million (1.3% increase) during the current fiscal year and amounted to \$678.6 million for the fiscal year ended June 2015.
- Total fund balances of governmental funds increased \$47.5 million (25.3% increase) during the current fiscal year and amounted to \$235.3 million at June 2015.
- Total fund balances of the general fund increased \$15.9 million (74.9% increase) during the current fiscal year and amounted to \$37.0 million at June 2015.
- During the fiscal year ended June 30, 2015, the Municipality borrowed \$36.2 million from a commercial bank and \$53.2 million from the Government Development Bank for Puerto Rico to finance the acquisition, construction, and improvement of capital assets.
- During the fiscal year ended June 30, 2015, the debt service fund transferred its total excess cash with fiscal agent amounting to \$26.2 million to the general fund.

This discussion and analysis is required supplementary information to the basic financial statements and is intended to serve as introduction to the basic financial statements of the Municipality. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to basic financial statements. This report also contains required supplementary

Municipality of San Juan
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2015

information (budgetary schedule) and additional supplementary information (combining financial statements) in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide users of the financial statements with a broad overview of the Municipality's finances using the accrual basis of accounting.

The Statement of Net Position presents information on all of the Municipality's assets and liabilities, and deferred inflows/outflows of resources and their difference reported as net position. Fluctuations in net position may serve as a useful indicator of whether the financial position of the Municipality is improving or deteriorating.

The Statement of Activities presents information showing how the Municipality's net position changed during the 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 the related cash flows. Thus, revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid. The Statement of Activities is focused on both the gross and net cost of various activities, which are funded by the government's general tax and other revenue sources. This is intended to summarize and simplify the users' analysis of cost of various governmental services.

Both of the government-wide financial statements distinguish functions of the Municipality that are mostly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are financed with debt that is secured by a pledge of the net revenues from rent service charge of the International Center. The governmental activities include general government, public safety, urban affairs, culture and recreation, health and welfare, urban development, economic development and education.

Fund Financial Statements

The fund financial statements provide detailed information about the Municipality's most significant funds, not the Municipality as a whole. The Municipality has two categories of funds.

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

Because the focus of governmental funds is narrower than that of the government wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government wide financial statements. By doing so, users of the basic financial statements may better understand the long-term impact of the Municipality's near term financial decisions. The governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2015

Proprietary fund – Proprietary funds are used to account for activities that operate more like those of business enterprises. Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There are no reconciling items between the government-wide financial statements and the proprietary fund financial statements. The only proprietary fund operated by the Municipality is the International Center. The basic proprietary fund financial statements can be found immediately following the governmental funds financial statements.

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 financial statements and the funds financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the governmental fund financial statements.

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Net Position

Condensed net position information is presented below (in thousands):

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	\$ 543,297	\$ 523,010	\$ 1,909	\$ 2,024	\$ 545,206	\$ 525,034
Capital assets	636,034	648,846	51,003	51,815	687,037	700,661
Total assets	1,179,331	1,171,856	52,912	53,839	1,232,243	1,225,695
LIABILITIES						
Current liabilities	189,187	197,380	1,794	1,757	190,981	199,137
Noncurrent liabilities	938,677	901,272	52,712	53,372	991,389	954,644
Total liabilities	1,127,864	1,098,652	54,506	55,129	1,182,370	1,153,781
DEFERRED INFLOWS OF RESOURCES	100,601	109,236	-	-	100,601	109,236
NET POSITION						
Net investment in capital assets	299,649	333,037	(2,369)	(2,167)	297,280	330,870
Restricted	55,136	104,887	-	-	55,136	104,887
Unrestricted (deficit)	(403,919)	(473,956)	775	877	(403,144)	(473,079)
Total net position	\$ (49,134)	\$ (36,032)	\$ (1,594)	\$ (1,290)	\$ (50,728)	\$ (37,322)

Municipality of San Juan
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2015

The Municipality's total assets amounted to \$1.23 billion at June 30, 2015, reflecting an increase of \$6.5 million when compared with the prior fiscal year. The increase in total assets is mainly due to the net effect of an increase of \$33.6 million in cash and cash equivalents, partially offset by decreases of \$13.8 million and \$12.4 million in capital assets and accounts receivable, respectively.

The increase of \$33.6 million in cash and cash equivalents is the net result of the current fiscal year cash inflows related to the proceeds on the issuance of notes amounting to \$89.4 million, partially offset by the current year capital outlays of \$33.6 million, the net decrease in net position of \$13.5 million, the decrease of \$3.4 million in accounts and intergovernmental payables, and the decrease of \$7.7 million in the current portion of long-term obligations.

The decrease of \$13.8 million in capital assets is due to the net effect of the current year additions of \$33.6 million and the current year depreciation expense of \$47.4 million. The current year additions are mainly related to constructions in progress of various capital projects amounting to \$17.2 million, including the reconstruction of the Luis Muñoz Marín Park, the El Señorial City Sports Complex, the Kids Zone Park, and the improvement of general infrastructure assets such as several municipal streets and roads. The current year additions also include capital outlays related to the acquisition of vehicles for the municipal police department, equipment for several municipal departments and the improvement of various buildings and sites in the aggregate amount of \$16.4 million, including those related to Paseo Las Curias, the Children's Center of Aquatic Therapy, and the Pediatric Emergency Area at the Municipal Hospital.

The decrease of \$12.4 million in accounts receivable is mainly related to the decrease in property taxes and municipal license taxes receivables of \$3.9 million and \$0.9 million, respectively, that resulted from increased collections associated with tax amnesties that were carried out and completed during the current fiscal year by the Municipality and the Municipal Revenue Collection Center. The decrease in receivables is also related to the decrease of \$4.1 million in construction excise taxes receivable that resulted from the collection of \$6.0 million pertaining to one particular construction project and the startup of the expansion of a residential project that provided collections amounting to \$3.4 million.

The Municipality's total liabilities amounted to \$1.18 billion at June 30, 2015, reflecting an increase of \$28.6 million when compared with the prior fiscal year. The increase is mainly due the net of the following:

- Bonds and notes payable increased \$26.2 million due to the issuance of \$89.4 million in new notes during the current year, partially offset by the current year debt service principal payments of bonds and notes amounting to \$63.2 million.
- Claims and judgments increased \$10.0 million due the net effect of the current year payments of \$1.2 million and the provision for losses of \$11.2 million, which include a new charge of \$9.0 million related to a case in which the Municipality is currently defendant in a legal proceeding from a contractor seeking a compensation for damages on an alleged breach of contract.
- Pension-related debt, the self-insurance claims liability and the estimated liability for municipal solid waste landfill decreased \$3.7 million, \$0.8 million, and \$0.8 million, respectively, due to the current year payments made.
- Compensated absences decreased \$1.1 million due the net effect of the current year payments of \$7.9 million offset by the current year accrual of \$6.8 million.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2015

- Accounts and intergovernmental payables decreased \$3.4 million due to the decrease in the outstanding days in accounts payable that resulted from strict budgetary adherence and improved cash flows in the current year that allowed the Municipality to accelerate payments to suppliers in comparison with prior fiscal years.

The Municipality's deferred inflows of resources amounted to \$100.6 million at June 30, 2015, reflecting a decrease of \$8.6 million when compared with prior year. The decrease is mainly due to the decrease of \$8.5 million in unearned municipal license taxes, principally those related to the volume of business of one of Puerto Rico's largest banks which was closed by the Federal Deposit Insurance Corporation on February 15, 2015 and, consequently, reduced the Municipality's unearned municipal license tax collections by approximately \$3.5 million at June 30, 2015. Unearned municipal license taxes also decreased by the current trend followed by many business taxpayers during the current fiscal year in which a significant portion of them decided to split their municipal license tax in two installments, of which the second one will be collected in January 2016, therefore, decreasing unearned municipal license taxes at June 30, 2015.

The largest portion of the Municipality's net position is the unrestricted of \$403.1 million deficit. The net position generally consists of the excess of assets and deferred outflows over related liabilities and deferred inflows that are neither externally legally restricted, nor invested in capital assets. This deficit is the consequence of previous budgets which did not provide funding for incurred long-term obligations such as compensated absences, landfill closure and post closure costs, claims and judgments and others. Historically, such obligations have been budgeted on a pay as you go basis without providing funding for their future liquidation. Consequently, the Municipality cannot draw from its existing assets to provide services to its citizens and depends on its taxing ability to continue its operations.

An additional portion of the Municipality's net position represents the net investment of \$297.3 million in capital assets such as land, infrastructure, buildings, equipment, among others, less any outstanding related debt used to acquire those assets. The Municipality uses these capital assets to provide services to its residents; consequently, these assets are not available for future spending. The amounts restricted for debt service represent another portion of the net position, and these are resources subject to external restrictions for the purposes explained above.

This space was intentionally left blank

Municipality of San Juan
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2015

Changes in Net Position

The condensed changes in net position information are presented below (in thousands):

	Governmental activities		Business-type activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 54,093	\$ 50,100	\$ 3,221	\$ 2,529	\$ 57,314	\$ 52,629
Operating grants and contributions	121,797	101,103	-	-	121,797	101,103
Capital grants and contributions	3,551	12,100	-	-	3,551	12,100
General revenues:						
Property taxes	219,949	254,451	-	-	219,949	254,451
Municipal license taxes	128,370	124,654	-	-	128,370	124,654
Sales and usages taxes	63,843	62,341	-	-	63,843	62,341
Construction excise taxes	30,356	26,056	-	-	30,356	26,056
Intergovernmental grants and contributions, not restricted to specific programs	30,120	40,180	-	-	30,120	40,180
Interests on deposits	4,841	6,048	-	-	4,841	6,048
Miscellaneous revenues and transfers	4,012	1,397	1,017	2,904	5,029	4,301
Total revenues	660,932	678,430	4,238	5,433	665,170	683,863
Expenses:						
Program expenses:						
General government	130,663	114,752	-	-	130,663	114,752
Public safety	58,695	60,840	-	-	58,695	60,840
Urban affairs	134,053	139,051	-	-	134,053	139,051
Culture and recreation	25,297	24,640	-	-	25,297	24,640
Health and welfare	193,816	200,710	-	-	193,816	200,710
Urban development	9,678	6,882	-	-	9,678	6,882
Economic development	22,917	22,510	-	-	22,917	22,510
Education	57,369	53,965	-	-	57,369	53,965
Interests on long-term debt	41,546	40,908	-	-	41,546	40,908
International Center	-	-	4,542	5,549	4,542	5,549
Total expenses	674,034	664,258	4,542	5,549	678,576	669,807
Change in net position	(13,102)	14,172	(304)	(116)	(13,406)	14,056
Net position, at beginning of fiscal year	(36,032)	(50,204)	(1,290)	(1,174)	(37,322)	(51,378)
Net position, at end of fiscal year	\$ (49,134)	\$ (36,032)	\$ (1,594)	\$ (1,290)	\$ (50,728)	\$ (37,322)

The Municipality's total revenues decreased by approximately \$18.7 million representing a 2.7% decrease for the fiscal year ended June 30, 2015. Approximately, 66.5% (68.4% in 2014) of the Municipality's total revenue came from taxes, while approximately 23.4% (22.5% in 2014) resulted from intergovernmental grants and contributions, including federal financial assistance. Charges for services provided approximately 8.6% (7.7% in 2014) of the total revenues.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2015

Revenues from taxes decreased by approximately \$25.0 million (5.3% decrease) mainly for the following reasons:

- Property taxes decreased by \$34.5 million (13.6% decrease) mainly because during the prior fiscal year the Municipal Revenue Collection Center (CRIM, by its Spanish acronym), carried out a property tax amnesty that provided \$12.5 million in non-recurring property tax revenues, while during the current year the Municipality collected only \$3.4 million in non-recurrent property tax amnesty revenues.

In addition, during the current fiscal year, CRIM reduced the Municipality's property tax revenues by \$7.5 million in order to collect such amount in relation to property tax advances made to the Municipality in excess of actual property tax collections made by CRIM from previous fiscal years.

Furthermore, a portion of the decrease in property tax revenues amounting to \$17.9 million is related to the overall current economic conditions of the Commonwealth in which various significant business taxpayers have ceased or reduced operations, including one of Puerto Rico's largest banks which was closed by the Federal Deposit Insurance Corporation on February 15, 2015.

The effect of the economic conditions of the Commonwealth caused an additional reduction of \$1.9 million in the property tax remittances received from CRIM during the current fiscal year in comparison with the prior fiscal year.

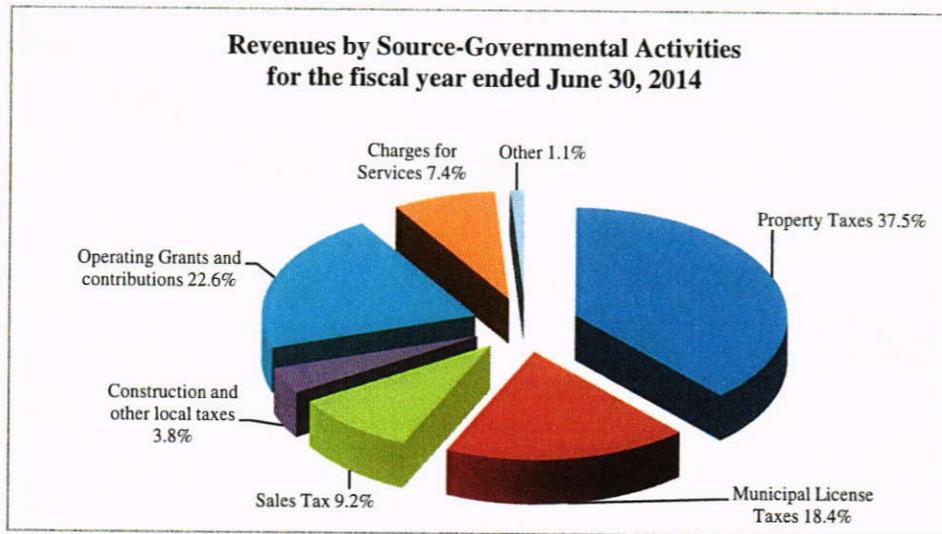
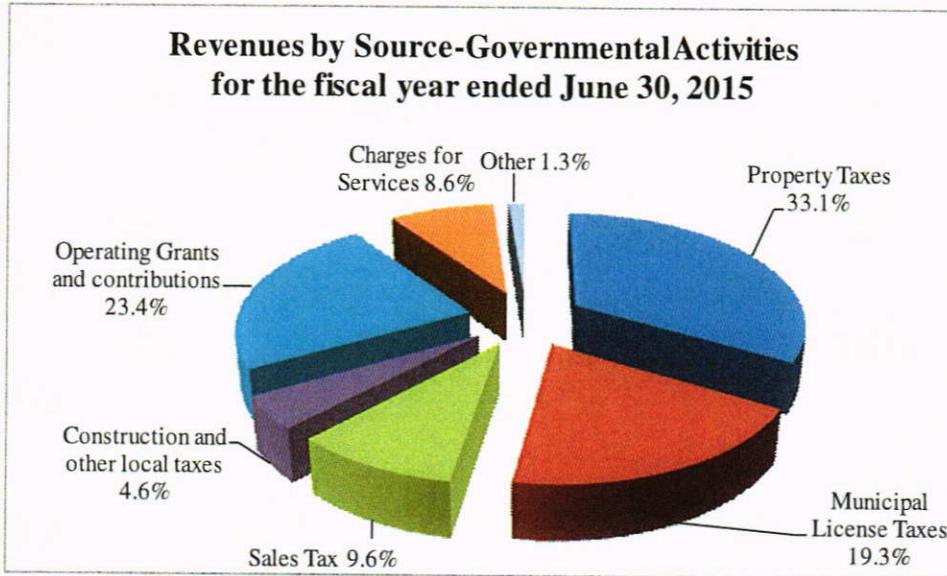
- Municipal license tax revenues increased by \$3.7 million (3.0% increase) due to the net effect of a municipal license tax amnesty carried out by the Municipality during the current fiscal year that provided approximately \$7.2 million in additional non-recurring tax revenues, partially offset by a reduction of \$3.5 million in municipal license tax revenues related to the reduced volume of business of several business taxpayers due to the current condition of the local economy, including the bank referred to above that ceased operations during the current fiscal year.
- Construction excise tax revenues increased by \$4.3 million (16.5% increase) mainly due to collections received by the Municipality from the startup of the expansion of a large residential project that provided collections amounting to \$3.4 million in additional tax revenues.

Charges for services increased \$4.7 million (9.9% increase) due to the increase of \$4.2 million or 13.3% increase in the collections from health insurance companies for medical services provided in the municipal hospital and other medical facilities.

This space was intentionally left blank.

Municipality of San Juan
 (Commonwealth of Puerto Rico)
 Management's Discussion and Analysis (Unaudited)
 Fiscal Year Ended June 30, 2015

The following charts summarize the Municipality's revenues by sources for the governmental activities for the fiscal years ended June 30, 2015 and 2014:



The Municipality's total expenses amounted to \$678.6 million and \$669.8 million for the fiscal years ended June 30, 2015 and 2014, respectively, for an increase of \$8.8 million (1.3% increase).

General government expenses increased by \$15.9 million (13.9% increase) in comparison with the prior fiscal year mainly due to a new charge of \$9.0 million related to a legal case in which the Municipality is currently defendant from a contractor seeking a compensation for damages on an alleged breach of contract. In addition, the increase in general government expenses is also related to the increase of \$1.7 million in the Municipality's net cost of the employees' Christmas bonuses.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2015

Education expenses increased \$3.4 million (6.2% increase) in comparison with the prior fiscal year mainly because during the current fiscal year the Municipality carried out several construction, remodeling and maintenance projects in 18 schools that are property of the Commonwealth. In addition, during the current fiscal year the Municipality carried out the first ever summer camp for severely disabled young adults.

Urban development expenses increased by \$2.8 million (40.6% increase) in comparison with the prior fiscal year due to several new projects implemented by the Municipality to promote development in urban areas such as the reconstruction of Barcelo Square, the Luis Muñoz Marín Park, the El Señorial City Sports Complex, the Kids Zone Park, and many others.

Health and welfare expenses, urban affairs expenses and and public safety expenses decreased by \$6.8 million (3.4% decrease), \$5.0 million (3.6% decrease), and \$2.1 million (3.5% decrease), respectively, in comparison with the prior fiscal year due to significant cost control and strict budgetary management policies adopted in these activities.

Among those new and expanded initiatives in health and welfare, during the current fiscal year, the Municipality added four (4) new medical specialties to its services. In addition, the Municipality acquired new medical equipment, including a new CT scanning machine, and remodeled the pediatric emergency area and forty-five (45) patient rooms in several areas of the Municipal Hospital. Furthermore, during the current fiscal year the Municipal Hospital and the Municipality's nine (9) diagnostic and treatment centers were accredited for the first time by the Joint Commission.

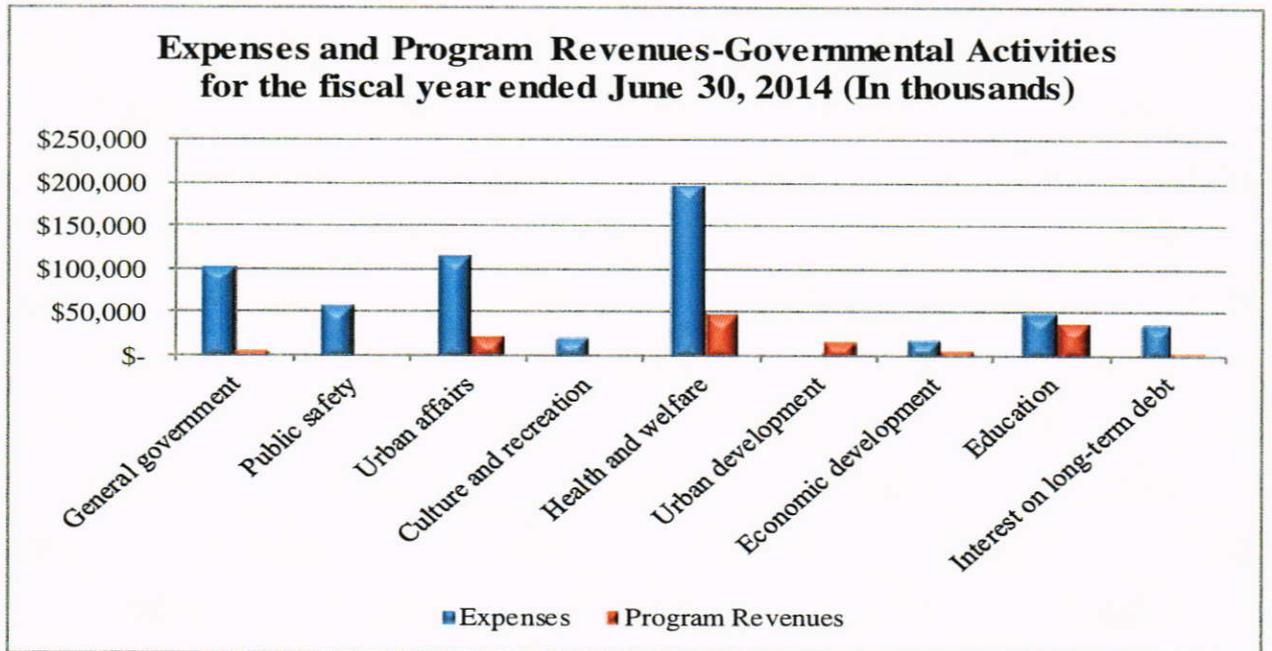
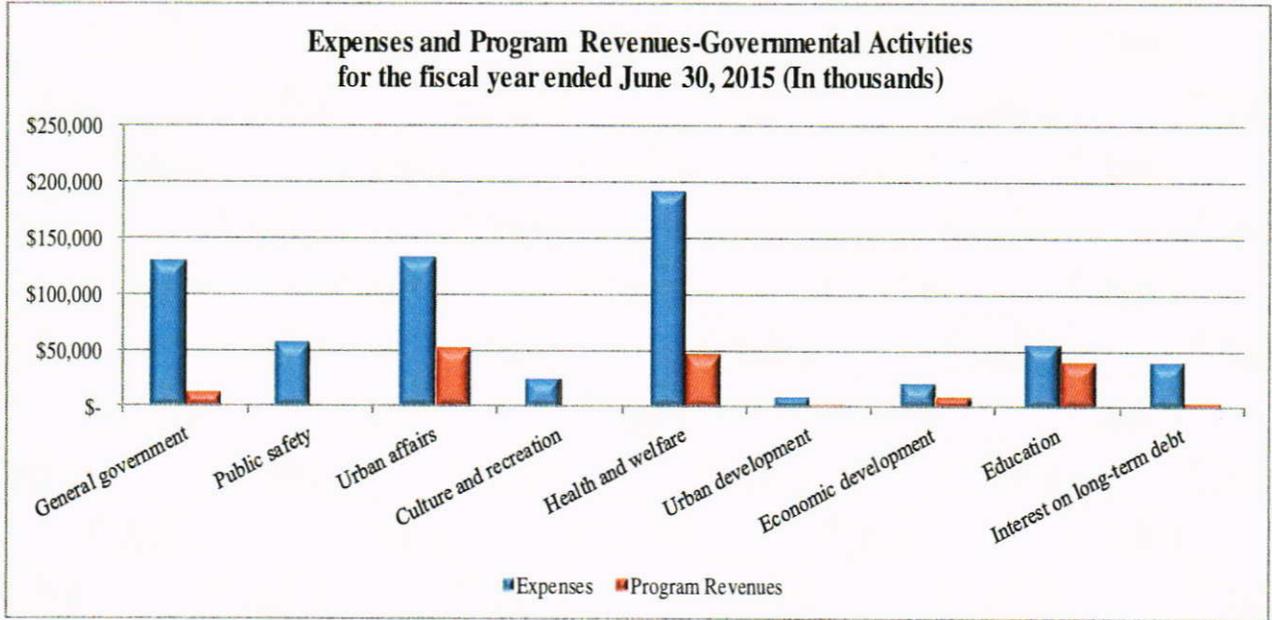
In the case of urban affairs, during the current fiscal year the Municipality invested an additional amount of \$23.3 million to carry out the most comprehensive cleaning, ornate, waste management and recycling program. The Municipality used 18.8 million pounds of asphalt to repair many municipal roads, approximately 271,000 lineal feet of pluvial infrastructure were subject to continued maintenance efforts, 1.5 million pounds of waste were recycled to minimize the environmental impact and several ornate projects were completed throughout the Municipality.

In the case of public safety, effective January 1, 2015, the Municipality granted the first salary increase to the police force in fourteen (14) years. Overtime compensation of the police members were also paid in full in January 2015. In addition, the Municipality invested approximately \$5.0 million in new police equipment, including forty-three (43) vehicles, thirty-five (35) bicycles, and three (3) trained dogs for the detection of drugs and explosives. Furthermore, during the current fiscal year, four (4) new mobile police stations were established in Miramar, Santa Rita, Hato Rey and Condado. Finally, an animal protection special police unit was created during the current fiscal year.

This space was intentionally left blank.

Municipality of San Juan
 (Commonwealth of Puerto Rico)
 Management's Discussion and Analysis (Unaudited)
 Fiscal Year Ended June 30, 2015

The following chart summarizes the Municipality's program revenues compared to program expenses for the governmental activities for the fiscal years ended June 30, 2015 and 2014:



FINANCIAL ANALYSIS OF THE MUNICIPALITY'S INDIVIDUAL FUNDS

As noted earlier, the Municipality uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Municipality's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Municipality's financing requirements. In addition, fund balance for governmental funds provide classifications that comprise a hierarchy based primarily on the extent to which the Municipality is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

As of the end of the current fiscal year, the Municipality's governmental funds reported combined fund balances of \$235.3 million, a net increase of \$47.5 million in comparison with the prior year. The combined fund balances include nonspendable fund balances amounting to \$4.9 million at June 30, 2015. This is the portion of fund balances that cannot be spent readily with cash or is legally or contractually required not to be spent in the other governmental funds or they are not expected to be converted in cash soon enough to affect the current period. There are restricted fund balances amounting to \$203.7 million. This is the portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions to pay for specific program purposes (\$18.2 million); to pay for capital projects (\$141.7 million); and to pay for debt services (\$43.8 million).

General Fund

The general fund is the main operating fund of the Municipality. At June 30, 2015 and 2014, the fund balance of the general fund amounted to \$37.0 million and \$21.2 million, respectively. The total expenditures of the general fund exceeded total revenues by only \$6.2 million for the current fiscal year, therefore, the increase of \$15.9 million in the fund balance is mainly due to the net effect of the following transfers among the general fund and other governmental funds:

- A routine transfer of the total excess cash with fiscal agent amounting to \$26.2 million from the debt service fund to the general fund, as permitted by the Municipal Financing Act of the Commonwealth of Puerto Rico.
- A non-routine transfer of \$1.0 million from the debt service fund to the general fund to cover the interest debt service payment on certain notes payable for which debt service is accounted for in the general fund.
- A routine transfer of \$0.1 million from the debt service fund to the general fund representing the interest income earned by the deposits held in the debt service fund, as permitted by the Municipal Financing Act of the Commonwealth of Puerto Rico.
- A routine transfer of resources, amounting \$7.2 million from the general fund to other governmental funds, to cover the operating costs of several federally and state funded programs.

Debt Service Fund

The fund balance of the debt service fund as of June 30, 2015 and 2014 amounted to \$39.3 million and \$71.0 million, respectively. The decrease of \$31.7 million in the fund balance of the Debt Service Fund in comparison with the prior fiscal year is mainly due to various transfers made by the debt service fund to the general fund in the aggregate amount of \$27.3 million, as previously discussed.

The total revenues of the debt service fund decreased by \$16.9 million in comparison with the prior fiscal year. This decrease in total revenues is related to the decrease of \$16.3 million the special ad valorem property tax, which decreased because during the prior fiscal year CRIM carried out a property tax amnesty that provided significant amounts of the special ad valorem property taxes that were not applicable in the current fiscal year.

Furthermore, a portion of the decrease in the special ad valorem property taxes is related to the deterioration the current economic conditions of the Commonwealth in which various significant business taxpayers have ceased or reduced operations, including one of Puerto Rico's largest banks which was closed by the Federal Deposit Insurance Corporation on February 15, 2015.

Capital Projects Fund

The fund balance of the capital projects fund as of June 30, 2015 and 2014 amounted to \$141.8 million and \$79.1 million, respectively. The increase of \$62.7 million in the fund balance of the capital projects fund in comparison with the prior fiscal year is mainly due to the following borrowings recorded in the capital projects fund in the aggregate amount of \$89.4 million:

- On August 31, 2014, the Municipality borrowed \$36.2 million from a commercial bank through the issuance of Series A of the 2014 Municipal General Obligation Note. Such note was issued for the purpose of construction of major capital assets. The note bears interest at a rate of 1.5% over prime rate (4.80% at June 30, 2015). The note is payable in eight (8) annual installments ranging from \$760 thousand to \$30.0 million, plus interests, through July 1, 2022. The outstanding balance as of June 30, 2015 amounts to \$36.2 million.
- On August 7, 2014, the Municipality borrowed \$53.2 million from GDB for the purpose of construction of major capital assets. The notes bear interests at variable rates (7.00% at June 30, 2015). The notes are payable in twenty-five annual installments ranging from \$730 thousand to \$4.6 million, plus interests, through July 1, 2039. The outstanding balance as of June 30, 2015 amounts to \$53.2 million.

The increase in fund balance of the capital projects fund caused by the borrowing referred to above was partially offset by the current year capital outlays amounting to \$27.0 million. The current year capital outlays are mainly related to constructions in progress of various capital projects, including the reconstruction of the Luis Muñoz Marín Park, the El Señorial City Sports Complex, the Kids Zone Park, and the improvement of general infrastructure assets such as several municipal streets and roads. The current year additions also include capital outlays related to the acquisition of vehicles for the municipal police department, equipment for several municipal departments and the improvement of various buildings and sites, including those related to Paseo Las Curias, the Children's Center of Aquatic Therapy, and the Pediatric Emergency Area at the Municipal Hospital.

Other Governmental Funds

The fund balance of other governmental funds as of June 30, 2015 and 2014 amounted to \$17.2 million and \$16.6 million, respectively, for an increase of \$0.7 million during the current fiscal year. The total expenditures of other governmental funds exceeded total revenues by \$6.5 million for the current fiscal year, therefore, the increase of \$0.7 million in the fund balance is mainly due to the transfers of resources, amounting \$7.2 million from the general fund to cover the accumulated deficit of various special revenue funds and to cover the operating costs of various municipal programs.

Proprietary Fund

The proprietary fund financial statements present the financial position, results of operations and cash flows of the International Center fund, which accounts for the leasing operations and maintenance of a real estate property.

At June 30, 2015, the total assets of the proprietary fund amounted to \$52.9 million of which \$51.0 million represents capital assets, net of accumulated depreciation, while \$1.9 million represents cash in commercial banks. The total liabilities at year-end amounted to \$54.5 million, consisting of revenue bonds payable of \$53.4 million and interest payable of \$1.1 million.

Revenues of the leased facilities amounted to \$3.2 million for the current fiscal year and have decreased during the last two fiscal years as the former tenant declared bankruptcy, and has defaulted in rent payments. The Municipality is currently under negotiations with new potential tenants to increase the rent revenue and use of the facilities.

Although the total revenues of the proprietary fund decreased, the operating activities of the proprietary fund provided \$1.9 million during the current fiscal year, however, in order to meet its revenue bond debt service requirements amounting to \$2.9 million, during the current fiscal year, the general fund made a transfer of \$1.0 million to the proprietary fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Municipality approved an original budget for the General Fund of \$476.6 million. During the year, there were various amendments to reclassify appropriations among different activities that were identified during the course of the fiscal year based on current developments that affected the Municipality's finances. In addition, there were transfers of appropriations between the original and final budget due to changes in departments' budgeted expenditures. On the budgetary basis, actual revenues of the general fund amounted to \$491.3 million while actual expenditures were \$462.7 million for the current fiscal year, resulting in a total positive variance of \$28.5 million.

The total net positive variance in revenues of \$14.7 million is mainly related to the net effect of the positive variances in construction excise tax revenues and transfers from other governmental funds of \$10.3 million and \$11.2 million, respectively, and a negative variance of \$7.7 million in charges for services.

The positive variance of \$10.3 million in construction excise tax revenues resulted mainly from the collection of \$6.0 million from one major construction project and the startup of the expansion of a major residential project that provided collections amounting to \$3.4 million.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2015

The positive variance of \$11.2 million in transfers from other governmental funds is mainly related to a transfer of the total excess cash with fiscal agent amounting to \$26.2 million from the debt service fund to the general fund, as permitted by the Municipal Financing Act of the Commonwealth of Puerto Rico, and a transfer of \$1.0 million from the debt service fund to the general fund to cover the interest debt service payment on certain notes payable for which debt service is accounted for in the general fund.

The negative variance of \$7.7 million in charges for services is mainly related to a shortfall in the collections from fines and forfeitures of \$4.1 million due to a change in the process of how traffic fines collections were transferred from the Commonwealth to the Municipality during the current year and the unpredictability nature of this revenue stream that does not follow any trends from year to year as this revenue stream depends on the conduct and decision-making of citizens.

The total net positive variance in expenditures of \$13.9 million is mainly related to the net effect of the positive variances in general government and health and welfare expenditures of \$12.0 million and \$10.6 million, respectively, and a negative variance of \$8.2 million in transfers to other governmental funds. These variances result from budgetary controls.

The negative variance of \$8.2 million in transfers to other governmental funds is mainly related to a transfer of resources, amounting \$7.2 million from the general fund to other governmental funds, to cover the accumulated deficit of various special revenue funds and the operating costs of several municipal programs.

The positive variances in general government and health and welfare expenditures of \$12.0 million and \$10.6 million, respectively, are mainly due to significant cost control and strict budgetary management policies adopted in these activities by the Municipality even though the Municipality carried out significant new and expanded initiatives to improve its services to the people of San Juan in each of these categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Municipality's investment in capital assets as of June 30, 2015 and 2014 amounted to approximately \$687.0 million and \$700.9 million, respectively, net of accumulated depreciation. This investment in capital assets includes land, buildings, site, improvements, equipment, intangibles, infrastructure, works of art, vehicles and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the Municipality, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

This space was intentionally left blank.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2015

	Governmental		Business-type		Totals (in thousands)	
	activities (in thousands)		activities (in thousands)			
	2015	2014	2015	2014	2015	2014
Land and improvements	\$123,271	\$ 123,271	\$ 18,600	\$18,600	\$ 141,871	\$ 141,871
Works of art and historical treasures	2,224	2,224	-	-	2,224	2,224
Buildings and building improvements	207,557	220,965	32,304	33,214	239,861	254,179
Site improvements	51,363	57,007	-	-	51,363	57,007
Infrastructure	198,739	187,692	-	-	198,739	187,692
Equipment and vehicles	23,347	20,617	98	-	23,445	20,617
Construction in progress	29,533	37,252	-	-	29,533	37,252
Total	\$636,034	\$ 649,028	\$ 51,002	\$51,814	\$ 687,036	\$ 700,842

The decrease of \$13.8 million in capital assets is due to the net effect of the current year additions of \$33.6 million and the current year depreciation expense of \$47.4 million. The current year additions are mainly related to constructions in progress of various capital projects amounting to \$17.2 million, including the reconstruction of the Luis Muñoz Marín Park, the El Señorial City Sports Complex, the Kids Zone Park, and the improvement of general infrastructure assets such as several municipal streets and roads. The current year additions also include capital outlays related to the acquisition of vehicles for the municipal police department, equipment for several municipal departments and the improvement of various buildings and sites in the aggregate amount of \$16.4 million, including those related to Paseo Las Curias, the Children's Center of Aquatic Therapy, and the Pediatric Emergency Area at the Municipal Hospital.

The Municipality finances a significant portion of its construction activities through bond issuances. The proceeds from bond issuances designated for construction activities are committed in its entirety for such purposes and cannot be used for any other purpose. As of June 30, 2015 and 2014, the Municipality has approximately \$152.8 million and \$93.9 million, respectively, of unexpended proceeds from bond and note issuances that are restricted or committed to future construction activities.

Additional details regarding the Municipality's capital assets can be found in Note 7 to the financial statements.

Debt Administration

The Puerto Rico Legislature has established a limitation for the issuance of general obligation municipal bonds and notes for the payment of which the good faith, credit and taxing power of each municipality may be pledged.

Based on the estimated total net assessed valuation of real and personal property in San Juan of approximately \$26.6 billion at June 30, 2015, the legal debt limit margin of the Municipality was \$189.3 million at the end of the current fiscal year, as calculated by the Government Development Bank for Puerto Rico (GDB).

The applicable law also requires that in order for a municipality to be able to issue additional general obligation bonds and notes, such municipality must have sufficient "payment capacity." Law No. 64 of July 3, 1996, as amended, provides that a municipality has sufficient "payment capacity" to incur additional general obligation debt if the deposits in such municipality's Debt Service Fund and the annual amounts

Municipality of San Juan
 (Commonwealth of Puerto Rico)
 Management's Discussion and Analysis (Unaudited)
 Fiscal Year Ended June 30, 2015

collected with respect to such municipality's Special Additional Tax (as defined below), as projected by GDB, will be sufficient to service to maturity the Municipality's outstanding general obligation debt and the additional proposed general obligation debt (payment capacity). The rating assigned is BBB by Standard & Poor's Investor Services.

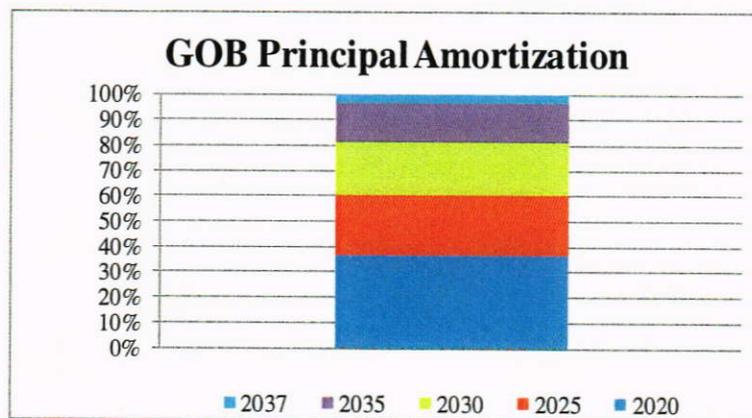
The Municipality is required under applicable law to levy the Special Additional Tax in such amounts as shall be required for the payment of its general obligation municipal bonds and notes. In addition, principal of and interest on all general obligation municipal bonds and notes and on all municipal notes issued in anticipation of the issuance of general obligation bonds issued by the Municipality constitute a first lien on the Municipality's Basic Tax revenues. Accordingly, the Municipality's Basic Tax revenues would be available to make debt service payments on general obligation municipal bonds and notes to the extent that the Special Additional Tax levied by the Municipality, together with moneys on deposit in the Municipality's Debt Service Fund, are not sufficient to cover such debt service. It has never been necessary to apply basic taxes to pay debt service on general obligation debt of the Municipality.

During fiscal year 2015, the Municipality issued bonds amounting to \$89.4 million to provide for construction projects of the Municipality. General obligation debt includes bonds, notes and mortgage as shown in the table below, in thousands:

	Governmental activities		Business-type activities		Totals	
	2015	2014	2015	2014	2015	2014
Bonds payable	\$ 399,783	\$ 436,591	\$ -	\$ -	\$ 399,783	\$ 436,591
Notes payable	506,193	442,056	-	-	506,193	442,056
Revenue bonds	-	-	53,372	53,982	53,372	53,982
Mortgage payable	2,144	2,622	-	-	2,144	2,622
Total	\$ 908,120	\$ 881,269	\$ 53,372	\$ 53,982	\$ 961,492	\$ 935,251

At June 30, 2015, the Municipality had \$399.8 million of general obligation bonds outstanding.

As can be seen in the following chart, approximately 81.3% of the Municipality's outstanding general obligation bonds will be retired within the next fifteen (15) years.



Municipality of San Juan
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2015

The Municipality has various outstanding notes payable amounting to \$506.2 million at June 30, 2015. Those notes payable were mainly issued for the acquisition, construction or improvement of capital assets and for working capital purposes. These outstanding notes payable will be paid with unrestricted property tax revenues and financial resources arising from sales and usage taxes recorded in the debt service fund.

During the current fiscal year, total bonds and notes payable increased \$26.2 million due to the issuance of \$89.4 million in new notes during the current year, partially offset by the current year debt service principal payments of bonds and notes amounting to \$63.2 million.

Additional details regarding the Municipality's long-term debt can be found in Note 11 to the financial statements.

CURRENTLY KNOWN FACTS

Failure to Implement Requirements of New Accounting Standard for Pensions

As disclosed in Note 12 to the basic financial statements, the Municipality was not able to implement the requirements of Statement No. 68 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pension*, (GASB 68). The Municipality's inability to implement the requirements of GASB 68 resulted from the unavailability of the required information that was expected to be provided by The Employee Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS), a pension trust fund of the Commonwealth, which is not under the Municipality's management and control. Therefore, as of the date of this report, it is not known when the required information shall be provided to enable the Municipality to implement the requirements GASB 68 and, therefore, the Municipality is not able to determine the possible impact on its basic financial statements. This situation resulted in the expression of a qualified opinion from our external auditors, on the governmental activities of the Municipality.

RECENT LEGISLATION RELATED TO MUNICIPAL SALES AND USAGE TAXES

On January 24, 2014, Act No.18, known as *Municipal Administration Fund Act* (Act No. 18), and Act No. 19, known as *Municipal Finance Corporation Act* (Act No. 19) were enacted to, among other things, amend Sections 4020.01, 4020.02 and 6080.14 of Act No. 1 of January 31, 2011, known as *Internal Revenue Code for a New Puerto Rico*.

Effective July 1, 2014, Act No. 18 reduced the statutory municipal sales and usage tax rate of all municipalities from one point five percent (1.5%) to one point zero percent (1.0%). Simultaneously, Act No.19 created the *Municipal Finance Corporation* (MFC), an affiliated public company of GDB, which is authorized to issue bonds and use other financing mechanisms to directly or indirectly pay or refinance all or part of the municipal long-term debt incurred by the Municipality in previous fiscal years, that are payable from or backed by the municipal sales and usage taxes.

In order to mitigate the effects of the reductions in the municipal sales and usage tax rate referred to above, Act No. 18 established the mechanisms to protect the financial stability of the Municipality by allowing the it to continue receiving the economic benefits lost as a consequence of the reduction in the statutory municipal sales and usage tax rate referred to above. For these purposes, effective July 1, 2014, Act No. 18 requires that an amount equal to zero point five percent (0.5%) of the state sales and usage taxes collected

by the Commonwealth of Puerto Rico be deposited in a special fund to be known as *Municipal Administration Fund* (MAF) in the name and for the benefit of the Municipality.

Accordingly, since July 1, 2014, the Commonwealth of Puerto Rico has made advances from the collections arising from the zero point five percent (0.5%) of the state sales and usage taxes to the MAF of the Municipality. The advances have been made and distributed to the Municipality on a monthly basis as follows in accordance with Section 4050 of Act No. 1, as amended:

- i.* Forty percent (40%) of the amounts transferred has been available to cover general operating expenses of the *General Fund* of each municipality;
- ii.* Forty percent (40%) of the of the amounts transferred has been available and restricted in the MFC's redemption fund to guarantee the repayment of any municipal loan, bond, note, or other evidence of debt whose repayment source is the monies deposited therein under the custody of GDB.
- iii.* Twenty percent (20%) of the amounts transferred has been available and restricted in the capital projects fund to finance the acquisition, construction and improvement of major capital assets.

Significant Legal Contingencies

The Municipality is a defendant in a legal proceeding from a contractor seeking a compensation for damages on an alleged breach of contract. The Municipality, under the advice of its legal counselors, has concluded that the probable loss on this case would be approximately \$9 million.

With respect to the aforementioned legal proceeding and all other pending and threatened litigation, the Municipality has reported liabilities of approximately \$14.3 million at year-end, for possible anticipated unfavorable judgments. These amounts were included in the financial statements and represent the amounts estimated as probable liabilities, which may require future available financial resources for its payment. Management believes that any unfavorable outcome in relation to pending or threatened litigation, in excess of reported amounts would not be significant, if any.

FINANCIAL CONTACT

The Municipality's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Municipality's finances and to demonstrate the Municipality's accounting. If you have questions about the report or need additional financial information, contact the Municipality's Finance Director on the 5th floor of the Municipal Tower, 160 Chardón Avenue, San Juan, Puerto Rico 00919 or visit our website at www.sanjuanciudadpatria.com.



Municipality of San Juan
(Commonwealth of Puerto Rico)
Statement of Net Position
June 30, 2015

	Governmental activities	Business- type activities	Total
ASSETS			
Cash and cash equivalents in commercial banks	\$ 126,890,859	\$ -	\$ 126,890,859
Cash with fiscal agent	24,000,000	-	24,000,000
Accounts receivable:			
Property taxes	44,099,149	-	44,099,149
Municipal license taxes	9,000,290	-	9,000,290
Sales and usage taxes	7,798,464	-	7,798,464
Construction excise taxes	886,041	-	886,041
Intergovernmental grants and contributions	8,875,180	-	8,875,180
Miscellaneous receivables	6,067,254	-	6,067,254
Loans receivable, net of allowance for loan losses	3,744,269	-	3,744,269
Other unrestricted assets	1,166,195	-	1,166,195
Restricted assets:			
Cash in commercial banks	70,811,496	1,909,601	72,721,097
Cash with fiscal agent	239,958,157	-	239,958,157
Capital assets not being depreciated	155,029,143	18,600,000	173,629,143
Capital assets being depreciated, net of accumulated depreciation	481,004,690	32,402,525	513,407,215
Total assets	<u>1,179,331,187</u>	<u>52,912,126</u>	<u>1,232,243,313</u>
LIABILITIES			
Accounts payable and accrued liabilities	97,907,874	-	97,907,874
Intergovernmental payables	4,112,129	-	4,112,129
Accrued interests on bonds and notes	19,315,078	1,134,153	20,449,231
Noncurrent liabilities:			
Due within one fiscal year	67,852,351	660,000	68,512,351
Due in more than one fiscal year	938,676,737	52,711,940	991,388,677
Total liabilities	<u>1,127,864,169</u>	<u>54,506,093</u>	<u>1,182,370,262</u>
DEFERRED INFLOWS OF RESOURCES			
Municipal license taxes	88,690,478	-	88,690,478
Intergovernmental grants and contributions	11,911,000	-	11,911,000
Total deferred inflows of resources	<u>100,601,478</u>	<u>-</u>	<u>100,601,478</u>
NET POSITION			
Net investment in capital assets	299,649,066	(2,369,415)	297,279,651
Restricted for:			
Debt service	37,832,683	-	37,832,683
Other purposes	17,302,967	-	17,302,967
Unrestricted (deficit)	(403,919,176)	775,448	(403,143,728)
Total net position	<u>\$ (49,134,460)</u>	<u>\$ (1,593,967)</u>	<u>\$ (50,728,427)</u>

See notes to basic financial statements.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Statement of Activities
Fiscal Year Ended June 30, 2015

Functions/Programs	Program revenues				Net expenses and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
<i>Governmental activities</i>							
General government	\$ 130,662,801	\$ 4,059,293	\$ 9,481,422	\$ 1,621,117	\$ (115,500,969)	\$ -	\$ (115,500,969)
Public safety	58,695,185	737,787	1,238,777	425,485	(56,293,136)	-	(56,293,136)
Urban affairs	134,053,425	110,504	53,185,536	718,096	(80,039,289)	-	(80,039,289)
Culture and recreation	25,297,116	1,274,013	465,310	-	(23,557,793)	-	(23,557,793)
Health and welfare	193,815,634	35,625,896	12,863,272	-	(145,326,466)	-	(145,326,466)
Urban development	9,677,735	3,206,055	239,957	611,839	(5,619,884)	-	(5,619,884)
Economic development	22,917,216	5,217,082	5,689,082	127,083	(11,883,969)	-	(11,883,969)
Education	57,369,271	3,862,512	38,381,169	47,387	(15,078,203)	-	(15,078,203)
Interests on long-term debt	41,545,870	-	252,072	-	(41,293,798)	-	(41,293,798)
Total governmental activities	674,034,253	54,093,142	121,796,597	3,551,007	(494,593,507)	-	(494,593,507)
<i>Business-type activities</i>							
International Center	4,541,837	3,220,589	-	-	-	(1,321,248)	(1,321,248)
Total	\$ 678,576,090	\$ 57,313,731	\$ 121,796,597	\$ 3,551,007	(494,593,507)	(1,321,248)	(495,914,755)
<i>General revenues:</i>							
Property taxes					219,949,411	-	219,949,411
Municipal license taxes					128,369,500	-	128,369,500
Sales and usage taxes					63,843,053	-	63,843,053
Construction excise taxes					30,356,038	-	30,356,038
Intergovernmental grants and contributions, not restricted to specific programs					30,120,078	-	30,120,078
Interests on deposits					4,840,942	-	4,840,942
Miscellaneous revenues					5,029,747	-	5,029,747
Transfers					(1,017,641)	1,017,641	-
Total general revenues					481,491,128	1,017,641	482,508,769
Change in net position					(13,102,379)	(303,607)	(13,405,986)
Net position, at beginning of fiscal year					(36,032,081)	(1,290,360)	(37,322,441)
Net position, at end of fiscal year					\$ (49,134,460)	\$ (1,593,967)	\$ (50,728,427)

See notes to basic financial statements.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Balance Sheet - Governmental Funds
June 30, 2015

	General fund	Debt service fund	Capital projects fund	Other governmental funds	Total
ASSETS					
Cash and cash equivalents in commercial banks	\$ 126,890,859	\$ -	\$ -	\$ -	\$ 126,890,859
Cash with fiscal agent	24,000,000	-	-	-	24,000,000
Accounts receivable:					
Property taxes	28,192,744	15,906,404	-	-	44,099,148
Municipal license taxes	9,000,290	-	-	-	9,000,290
Sales and usage taxes	7,798,464	-	-	-	7,798,464
Construction excise taxes	886,041	-	-	-	886,041
Intergovernmental grants and contributions	1,763,223	-	18,000	7,093,957	8,875,180
Due from other governmental funds	13,612,948	-	-	9,434,380	23,047,328
Charges for medical services	5,423,208	-	-	-	5,423,208
Other miscellaneous	319,176	10,703	-	314,167	644,046
Loans receivable, net of allowance for loan losses	-	-	-	3,744,269	3,744,269
Other unrestricted assets	176,327	-	-	989,868	1,166,195
Restricted assets:					
Cash in commercial banks	13,726,960	-	38,919,241	18,165,295	70,811,496
Cash with fiscal agent	5,058,063	108,598,203	113,838,992	12,462,899	239,958,157
Total assets	<u>\$ 236,848,303</u>	<u>\$ 124,515,310</u>	<u>\$ 152,776,233</u>	<u>\$ 52,204,835</u>	<u>\$ 566,344,681</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 69,992,289	\$ -	\$ 5,164,765	\$ 5,554,872	\$ 80,711,926
Intergovernmental payables	4,112,129	-	-	-	4,112,129
Due to other governmental funds	-	10,141	5,880,816	17,156,371	23,047,328
Bonds payable	-	38,708,000	-	-	38,708,000
Notes payable	-	11,300,000	-	-	11,300,000
Interests payable	-	19,299,890	-	15,188	19,315,078
Total liabilities	<u>74,104,418</u>	<u>69,318,031</u>	<u>11,045,581</u>	<u>22,726,431</u>	<u>177,194,461</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes	28,192,745	15,906,404	-	-	44,099,149
Municipal license taxes	91,662,714	-	-	-	91,662,714
Sales and usage taxes	1,804,408	-	-	-	1,804,408
Construction excise taxes	802,380	-	-	-	802,380
Charges for medical services	1,731,808	-	-	-	1,731,808
Intergovernmental grants and contributions	1,511,503	-	-	12,267,161	13,778,664
Total deferred inflows of resources	<u>125,705,558</u>	<u>15,906,404</u>	<u>-</u>	<u>12,267,161</u>	<u>153,879,123</u>
FUND BALANCE					
Nonspendable	176,327	-	-	4,739,832	4,916,159
Restricted	8,332,507	39,290,875	141,730,652	14,373,494	203,727,528
Unrestricted	28,529,493	-	-	(1,902,083)	26,627,410
Total fund balance	<u>37,038,327</u>	<u>39,290,875</u>	<u>141,730,652</u>	<u>17,211,243</u>	<u>235,271,097</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 236,848,303</u>	<u>\$ 124,515,310</u>	<u>\$ 152,776,233</u>	<u>\$ 52,204,835</u>	<u>\$ 566,344,681</u>

(continued)

Municipality of San Juan
(Commonwealth of Puerto Rico)
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
June 30, 2015

Total fund balances of governmental funds \$ 235,271,097

Capital assets used in governmental activities are not considered current available financial resources, therefore, are not reported as assets in the governmental funds financial statements. 636,033,833

The following unavailable revenue streams are considered revenues for government-wide financial reporting in the statement of activities, while are reported as deferred inflows of resources in the governmental funds financial statements:

Property taxes	44,099,149
Municipal license taxes	2,972,236
Sales and usage taxes	1,804,408
Construction excise taxes	802,380
Charges for medical services	1,731,808
Intergovernmental grants and contributions	1,867,664
Total	<u>53,277,645</u>

Except for those reported on the debt service fund, the following long-term liabilities are not due and payable (mature) in the current period, therefore, are not reported as liabilities in the governmental funds:

Installment payments over accounts payable balance not yet due	(7,996,697)
Accrued employees' Christmas bonuses	(9,199,250)
Bonds payable	(361,075,000)
Mortgage payable	(2,144,226)
Notes payable	(494,892,756)
Compensated absences	(59,787,383)
Claims and judgments	(14,266,966)
Self-insurance claim liability	(9,627,243)
Estimated liability for municipal solid waste landfill postclosure care costs	(14,727,514)
Total	<u>(973,717,035)</u>

Total net position of governmental activities \$ (49,134,460)
(concluded)

See notes to basic financial statements.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds
Fiscal Year Ended June 30, 2015

	General fund	Debt service fund	Capital projects fund	Other governmental funds	Total
REVENUES:					
Property taxes	\$ 150,718,060	\$ 73,171,240	\$ -	\$ -	\$ 223,889,300
Municipal license taxes	133,668,521	-	-	-	133,668,521
Sales and usage taxes	55,616,712	9,040,783	-	-	64,657,495
Construction excise taxes	33,970,047	-	-	-	33,970,047
Charges for services	54,186,340	-	-	-	54,186,340
Interests on deposits	1,733,800	103,162	2,988,990	14,990	4,840,942
Intergovernmental grants and contributions:					
Federal	-	-	-	118,720,601	118,720,601
Local	30,398,558	-	611,839	5,923,440	36,933,837
Miscellaneous revenues	4,395,303	-	-	634,444	5,029,747
Total revenues	<u>464,687,341</u>	<u>82,315,185</u>	<u>3,600,829</u>	<u>125,293,475</u>	<u>675,896,830</u>
EXPENDITURES:					
Current:					
General government	113,683,054	-	56,199	9,246,307	122,985,560
Public safety	55,913,729	-	19,485	978,761	56,911,975
Urban affairs	68,783,715	-	18,387	53,828,862	122,630,964
Culture and recreation	12,952,449	-	57,406	465,310	13,475,165
Health and welfare	172,785,937	-	23,242	13,602,608	186,411,787
Urban development	8,461,096	-	795	239,957	8,701,848
Economic development	10,970,994	-	22,251	5,997,452	16,990,697
Education	15,934,749	-	52,542	39,474,124	55,461,415
Capital outlays	3,469,003	-	27,048,141	2,939,168	33,456,312
Debt service:					
Principal	3,538,022	50,008,000	-	4,603,143	58,149,165
Interests	4,439,429	36,710,988	-	395,453	41,545,870
Total expenditures	<u>470,932,177</u>	<u>86,718,988</u>	<u>27,298,448</u>	<u>131,771,145</u>	<u>716,720,758</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(6,244,836)</u>	<u>(4,403,803)</u>	<u>(23,697,619)</u>	<u>(6,477,670)</u>	<u>(40,823,928)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of notes payable	-	-	89,360,000	-	89,360,000
Transfers from other governmental funds	30,309,626	-	-	7,183,878	37,493,504
Transfers to other governmental funds	(7,183,878)	(27,270,584)	(2,986,664)	(52,378)	(37,493,504)
Transfers to proprietary fund	(1,017,641)	-	-	-	(1,017,641)
Total other financing sources (uses), net	<u>22,108,107</u>	<u>(27,270,584)</u>	<u>86,373,336</u>	<u>7,131,500</u>	<u>88,342,359</u>
NET INCREASE (DECREASE) IN FUND BALANCE	15,863,271	(31,674,387)	62,675,717	653,830	47,518,431
FUND BALANCE, AT BEGINNING OF FISCAL YEAR	<u>21,175,056</u>	<u>70,965,262</u>	<u>79,054,935</u>	<u>16,557,413</u>	<u>187,752,666</u>
FUND BALANCE, AT END OF FISCAL YEAR	<u>\$ 37,038,327</u>	<u>\$ 39,290,875</u>	<u>\$ 141,730,652</u>	<u>\$ 17,211,243</u>	<u>\$ 235,271,097</u>

(continued)

See notes to basic financial statements.

OT
16/02/2015

Municipality of San Juan

(Commonwealth of Puerto Rico)

**Reconciliation of the Statements of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2015**

Net increase in fund balances as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds. \$ 47,518,431

Amounts for governmental activities reported in the governmental funds financial statements differ from the amounts reported in the statement of activities for the following reasons:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized allocated over their estimated useful lives through depreciation expense. The following is the excess of capital outlays over depreciation expense:

Capital outlays expenditures - capitalizable assets	33,456,312
Depreciation expense	<u>(46,450,985)</u>
Total	<u>(12,994,673)</u>

The proceeds from issuance of notes payable provide current available financial resources and, accordingly, are recorded as other financing sources in the governmental funds. However, such proceeds increase the outstanding balance of notes payable in the statement of net position. (89,360,000)

The repayment or deductions of the following long-term obligations are recorded as expenditures in the governmental funds, however, are recorded as reductions of their respective liabilities in the statement of net position:

Bonds and notes payable	57,671,022
Mortgage payable	<u>478,143</u>
Total	<u>58,149,165</u>

The following is the net change in deferred inflows of resources of revenue streams that are reported as revenues for government-wide reporting in the statement of activities while are deferred in the governmental funds as considered unavailable under the modified accrual basis of accounting:

Property taxes	(3,939,889)
Municipal license taxes	(5,299,021)
Sales and usage taxes	(814,442)
Construction excise taxes	(3,614,009)
Miscellaneous receivables - charges for medical services	(93,198)
Intergovernmental grants and contributions	<u>(186,756)</u>
Total	<u>(13,947,315)</u>

Some expenses reported in the statement of activities do not require the use of current available financial resources and, therefore, are not reported as expenditures in the governmental funds. Those expenses are related to the net change in the following liabilities and long-term obligations:

Accounts payable and accrued liabilities	1,141,227
Claims and judgments	(9,962,988)
Self-Insurance claim liability	796,191
Pension-related debt	3,690,106
Estimated liabilities for municipal solid waste landfill postclosure care cost	736,376
Compensated absences	<u>1,131,101</u>
Total	<u>(2,467,987)</u>

Net decrease in net position-governmental activities \$ (13,102,379)
(concluded)

See notes to basic financial statements.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Statement of Net Position – Proprietary Fund
June 30, 2015

	<u>International Center</u>
ASSETS	
Current assets:	
Restricted cash in commercial banks	\$ 1,909,601
Noncurrent assets:	
Capital assets not being depreciated	18,600,000
Capital assets being depreciated, net	<u>32,402,525</u>
Total noncurrent assets	<u>51,002,525</u>
Total assets	<u><u>\$ 52,912,126</u></u>
LIABILITIES	
Current liabilities:	
Accrued interests payable on revenue bonds	<u>\$ 1,134,153</u>
Noncurrent liabilities:	
Due within one year	660,000
Due in more than one year	<u>52,711,940</u>
Total noncurrent liabilities	<u>53,371,940</u>
Total liabilities	<u><u>54,506,093</u></u>
NET POSITION (DEFICIT)	
Net investment in capital assets	(2,369,415)
Unrestricted	<u>775,448</u>
Deficit	<u><u>\$ (1,593,967)</u></u>

See notes to basic financial statements.

Municipality of San Juan

(Commonwealth of Puerto Rico)

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund

Fiscal Year Ended June 30, 2015

	<u>International Center</u>
Operating revenues - rental income and related charges	\$ 3,220,589
Operating expenses:	
General, maintenance and administrative	1,352,628
Depreciation expense	<u>920,902</u>
Total operating expenses	<u>2,273,530</u>
Operating income	<u>947,059</u>
Non-operating revenues (expenses):	
Transfers from general fund	1,017,641
Interests on revenue bonds	<u>(2,268,307)</u>
Non-operating revenues (expenses), net	<u>(1,250,666)</u>
Net change in net position	(303,607)
Net position, at beginning of fiscal year	<u>(1,290,360)</u>
Net position, at end of fiscal year	<u>\$ (1,593,967)</u>

See notes to basic financial statements.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Statement of Cash Flows - Proprietary Fund
Fiscal Year Ended June 30, 2015

	<u>International Center</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Rent collected from tenants	\$ 2,724,265
Other collections from tenants	496,324
Payments to suppliers	<u>(1,352,628)</u>
Net cash provided by operating activities	<u>1,867,961</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers from general fund	<u>1,201,241</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital outlays - capitalized assets	(109,022)
Debt service on capital-related revenue bonds:	
Principal paid	(610,000)
Interests paid	<u>(2,281,270)</u>
Net cash used in capital and related financing activities	<u>(3,000,292)</u>
NET INCREASE IN RESTRICTED CASH IN COMMERCIAL BANKS	68,910
RESTRICTED CASH IN COMMERCIAL BANKS AT BEGINNING OF FISCAL YEAR	<u>1,840,691</u>
RESTRICTED CASH IN COMMERCIAL BANKS AT END OF FISCAL YEAR	<u>\$ 1,909,601</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Net operating income	\$ 947,059
Adjustment to reconcile net operating income to net cash provided by operating activities-depreciation expense	<u>920,902</u>
Net cash provided by operating activities	<u>\$ 1,867,961</u>

See notes to basic financial statements.

1. GOVERNMENT AND FINANCIAL REPORTING ENTITY

a. Government Background Information

The Municipality of San Juan (the Municipality), founded in 1521, is the largest municipality and capital city of the Commonwealth of Puerto Rico (the Commonwealth). The Municipality has full legislative, fiscal and all other governmental powers and responsibilities expressly assigned by Law No. 81 of August 30, 1991, as amended, known as Autonomous Municipalities Law of Puerto Rico, as amended (Law No. 81). The Municipality is governed by a Mayor and a 17 member Municipal Legislature whom are elected for a four-year term.

The Municipality provides services to its citizens related to public safety, urban affairs, culture and recreation, health and welfare, urban development, education, economic development, and other general services to its citizens.

b. Basis of Presentation and Financial Reporting Entity

The accompanying basic financial statements present the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality, as of June 30, 2015, the respective changes in financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the fiscal year ended June 30, 2015, and the cash flows of the proprietary fund for the fiscal year ended June 30, 2015 in conformity with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

As further explained on Note 12, the Employees Retirement System of the Commonwealth of Puerto Rico did not provide the Municipality the information needed to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“GASB 68”). Accordingly, these financial statements do not contain any adjustments, disclosures or required supplementary information established by GASB 68.

Accordingly, the accompanying basic financial statements include all departments, agencies and municipal operational units that are under the legal and administrative control of the Mayor, and whose financial resources are under the legal custody and control of the Municipality's Finance Director.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Municipality's basic financial statements consist of: (1) the management's discussion and analysis (MD&A), a narrative that introduces the basic financial statements and provides an analytical overview of the Municipality's financial activities, (2) the government-wide financial statements, (3) the governmental and proprietary funds financial statements, (4) the notes to basic financial statements, and (5) the required supplemental budgetary comparison schedule of the general fund and the related notes to the budgetary comparison schedule.

a. Government-wide Financial Statements

The government-wide financial statements (GWFS) consist of the statement of net position and the statement of activities, which report information on all activities of the Municipality.

The focus of GWFS is on the operational accountability of the Municipality as a single economic unit and not on compliance with budgets, regulatory requirements or on the use of available or currently expendable financial resources (referred to as fiscal accountability). Operational accountability is the Municipality's responsibility to report to the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose. It focuses on the Municipality's principal operating objective, which is to provide services to its citizens.

The accompanying statement of net position provides short-term and long-term information about the Municipality's financial position by presenting all of the Municipality's assets, liabilities and deferred inflows of resources, with the difference between these three items reported as net position. This statement assists management in assessing the level of services that can be provided by the Municipality in the future and its ability to meet its obligations as they become due. In addition, this statement reports the extent to which the Municipality has invested in capital assets and discloses legal and contractual restrictions on resources.

Net position is classified in the accompanying statement of net position within the following three categories:

- 1) ***Net Investment in Capital Assets*** - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowing that are attributed to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds or deferred inflows of resources at year end, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of this component of net position. Rather, that portion of the debt or deferred inflows of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.
- 2) ***Restricted Net Position*** - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Restricted assets result when constraints placed on those assets use are either, externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The Municipality has reported the following types of restricted net position in the accompanying statement of net position:
 - a. ***Debt service*** - Represents net resources restricted by bond indentures, debt covenants or certain laws and regulations to cover the debt service payments of bonds and notes payable.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

b. Other Purposes - Represents net resources externally restricted by grantors, creditors or certain laws and regulations to cover specific program purposes related to certain federal and state grants and contributions.

3) *Unrestricted Net Position (Deficit)* - Generally, this category consists of the excess of assets and deferred outflows of resources over related liabilities and deferred inflows of resources that are neither externally nor legally restricted, neither invested in capital assets. However, this net position category has a negative balance of \$403.9 million because liabilities and deferred inflows of resources exceeded the related assets.

When both restricted and unrestricted resources are available for use, it is the Municipality's policy to generally use restricted resources first, and then unrestricted resources as they are needed.

The accompanying statement of activities presents the Municipality's results of operations by showing how the net position changed during the fiscal year. This statement presents the cost of each function/program as well as the extent to which each of the Municipality's functions, programs or other services either contributes to or draws from the Municipality's general revenues.

A function/program describes a group of activities that are aimed at accomplishing a major service or regulatory responsibility. The functions/programs reported in the accompanying basic financial statements are: general government, public safety, urban affairs, culture and recreation, health and welfare, urban development, economic development and education.

The statement of activities demonstrates the degree to which program revenues offset direct expenses of a given function/program or segments. Direct expenses are those that are clearly identifiable with a specific function, segment or operational unit. This statement reports revenues in two broad categories: program revenues and general revenues.

Program revenues are generated directly from a program itself or may come from parties outside the Municipality's taxpayers or citizens. In the statement of activities, program revenues reduce the costs (expenses) of the function/program to arrive at: the net cost of the function/program that must be financed from the Municipality's general revenues or the net program revenue that contributes to the Municipality's general revenues. The accompanying statement of activities reports the following categories of program revenues:

- 1) *Charges for Services* – These revenues generally consist of exchange or exchange - like transactions involving charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services. These revenues include fees charged for specific services, including medical services, charges for licenses and permits, and fines and forfeitures, among others.
- 2) *Program-Specific Operating and Capital Grants and Contributions* - These revenues consist of transactions that are either mandatory or voluntary non-exchange transactions with other governments, organizations, or individuals that restrict the resources for use in a particular program. Operating grants and contributions consist of

resources that are required to be used to finance the costs of operating a specific program or can be used either for operating or capital purposes of a specific program. Capital grants and contributions consist of revenues or resources that are restricted for capital purposes - to purchase, construct or renovate capital assets associated with a specific program. Restricted operating and capital grants and contributions are program revenues because they are specifically attributable to a program and reduce the net expense of that program to the Municipality. They are reported net of estimated uncollectible amounts.

General revenues are the default category for revenues. It includes all revenues and gains that do not meet the definition of program revenues. Property taxes, municipal license taxes, sales and usage taxes, construction excise taxes, intergovernmental grants and contributions not restricted to specific programs, interest income and other miscellaneous income are reported as general revenues. All general revenues are reported net of estimated uncollectible amounts.

The effects of all inter-fund governmental activities have been eliminated from the accompanying statements of net position and activities. Residual balances outstanding between the governmental activities and business-type activities are reported as internal balances.

b. *Governmental Fund Financial Statements*

The governmental fund financial statements (GFFS) (the balance sheet and the statement of revenues, expenditures and changes in fund balances) provide information about the financial position and changes in fund balances of the Municipality's governmental funds by presenting sources, uses and balances of current financial resources. The accompanying GFFS segregate governmental funds according to their intended purpose and are used in demonstrating compliance with legal, financial and contractual provisions.

The focus of the GFFS is on major governmental funds, which are determined using a predefined percentage of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures of either the fund category or the governmental and proprietary funds combined. Accordingly, the Municipality presents its governmental funds between major and non-major categories. Major individual governmental funds are reported individually as separate columns, while data from all non-major governmental funds are aggregated into a single column.

The Municipality reported the following major governmental funds:

- 1) ***General Fund*** - Is the Municipality's main operating fund and is used to account for and report all financial resources of governmental activities, except for those required to be accounted for in another governmental fund.
- 2) ***Debt Service Fund*** - The debt service fund is used to account for and report for the accumulation of financial resources that are restricted for, and the payment of, principal and interest for: (1) bonds payable for which debt service payments are legally mandated to be accounted for in a debt service fund and (2) certain special long-term obligations for which the Municipality is being accumulating financial resources in advance to pay principal and interest payments maturing in future years.

- 3) ***Capital Projects Fund*** - The capital projects fund is used to account for the financial resources arising mainly from bonds and notes issuance proceeds used in the acquisition, construction or improvement of major capital assets. The most significant transactions of this fund are related to the proceeds on the issuance of bonds and capital outlays.

Non-major governmental funds are reported within a single column and include several special revenue funds. These funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The Municipality reports fund balance amounts based on the extent to which the Municipality is bound to observe constraints imposed upon the use of resources in the governmental funds. The classifications are as follows:

- 1) ***Nonspendable*** - Amounts that are not in a spendable form or contractually required to be maintained intact.
- 2) ***Restricted*** - Amounts that are legally restricted by outside parties, constitutional provisions, enabling legislation.
- 3) ***Unrestricted*** - Represent the residual classification for the Municipality's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

In situations when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the Municipality uses restricted resources first, and then unrestricted resources.

c. Proprietary Fund Financial Statements

The proprietary fund financial statements consist of the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows. These statements present the financial position, results of operations and cash flows of the International Center fund, which accounts for the leasing operations and maintenance of a real estate property originally acquired through the issuance of revenue bonds.

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation

- 1) ***Government-wide Financial Statements*** - The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from property tax, municipal license tax and sales and usage tax are recognized in the fiscal year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

All revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are generally recorded when the exchange takes place. Certain exchange-like transactions which include license fees, charges for services, rental of facilities, sales of real estate and capital assets, and other miscellaneous revenues, which are recorded as revenues when collected because they are generally not measurable until actually received.

Derived tax revenue, such as (municipal license taxes, sales and usage taxes and construction excise taxes) result from assessments the Municipality places on exchange transactions, receivables and revenues are recorded when the underlying exchange occurs.

Imposed non-exchange revenue transactions (such as property taxes), result from assessments made by the Municipality on non-governmental entities, including individuals, other than assessments on exchange transactions. Receivables are generally recorded in the period when an enforceable legal claim has arisen.

Property taxes, municipal license, sales and usage taxes, and construction excise taxes are generally recorded as revenues (net of amounts considered not collectible) in the fiscal year when resources are required to be used or the first fiscal year that the use of the resources is permitted.

Intergovernmental grants and contributions receivables and revenues are generally recorded when all eligibility requirements imposed by the provider have been met. For the majority of grants, the Municipality must expend resources on the specific purpose or project before the provider reimburses any amounts. Revenue is, therefore, generally recognized as qualifying reimbursable expenditure is incurred.

Donations and certain grants and entitlements from legislative or contractual agreements, other than exchanges, willingly entered into by two or more parties. Receivables and revenues are generally accounted for in the same manner as Intergovernmental grants. Events that are neither exchange nor non-exchange transactions are recorded when it is probable that a loss has been incurred and the amount of loss is reasonably estimable.

Any revenue collected in advance that are restricted for use in the following fiscal year are recorded as deferred inflows of resources.

All general capital assets and unmatured long-term liabilities are recorded only in the government wide statement of net position. The measurement focus and the basis of accounting used in the accompanying government-wide financial statements differ significantly from the measurement focus and basis of accounting used in the preparation of the accompanying governmental fund financial statements. Therefore, the Municipality presents reconciliations, as detailed in the accompanying table of contents, to better identify the relationship between these statements.

- 2) **Governmental Fund Financial Statements** - The governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are generally recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. For this purpose, the Municipality generally considers most revenues (municipal licenses taxes, construction excise taxes, sales and usage taxes, intergovernmental grants and contributions and certain charges for services) to be available if collected within ninety (90) days after year end.

The Municipal Revenue Collection Center (CRIM, by its Spanish acronym) is a governmental entity independent from the Municipality and other governmental entities in Puerto Rico that is responsible of administering the Puerto Rico Municipal Property Tax Law on behalf of the municipalities of Puerto Rico. CRIM has the responsibility of imposing and collecting property taxes on behalf of the Municipality. Property tax collections made after year-end generally cannot be broken down by fiscal year since this information is readily not available and, therefore, property tax revenues are recorded upon collection.

The principal revenue sources considered susceptible to accrual include property taxes, municipal license taxes, sales and usage taxes, construction excise taxes and intergovernmental grants and contributions. These principal revenue sources meet both measurability and availability criteria in the accompanying governmental funds financial statements, except for amounts recorded as deferred inflows of resources.

In a manner similar to the government-wide financial statements, but subject to, and limited by, the availability criteria discussed above, all revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are also generally recorded when the exchange takes place. Accordingly, fees for licenses and permits, most charges for services and miscellaneous revenues are recorded as revenues when collected because they are generally not measurable until actually received.

All revenues, expenses, gains, losses and assets resulting from non-exchange transactions are recorded in a similar manner to the GWFS, using the previously discussed criteria set forth by GASB 33 for non-exchange transactions, but subject to, and limited by, the availability criteria discussed above. Accordingly, property tax and municipal license tax, sales and use tax and construction excise tax receivables are also generally recorded in the fiscal year when an enforceable legal claim has arisen while their respective tax revenues (net of amounts considered not collectible) are also generally recorded in the fiscal year when resources are required to be used or the first fiscal year that the use of the resources is permitted. Receivables and revenues from federal and state grants and contributions, donations and entitlements are also generally recorded when all eligibility requirements imposed by the provider have been met (generally, as qualifying reimbursable expenditures are incurred for expenditure-driven grants).

Interests on deposits are recorded when earned as these revenues are considered both measurable and available at year end.

The Municipality generally accrues a governmental fund liability and expenditure in the period in which the Municipality incurs the liability, to the extent that these liabilities are normally expected to be liquidated in a timely manner and in full with current available financial resources. Following are certain exceptions to the modified accrual basis of accounting:

- a. Principal and interest on bonds and notes payable are recorded as expenditures as of year-end when resources have been segregated for their payment when due. Amounts due on July 1 have been recognized as liabilities at June 30 in the debt service fund.
 - b. Compensated absences, pension-related debt, claims and judgments, estimated liability for municipal solid waste landfill post-closure care cost and other long-term liabilities are recorded only when they mature (when payment is due).
 - c. Certain accrued liabilities not due and payable (unmatured) or not normally expected to be liquidated in full and in a timely manner with available and expendable financial resources, are recorded in the accompanying statement of net position. Such liabilities are recorded in the governmental funds (except debt and related interest in the debt service fund) when they mature and consist of mortgage and notes payable, compensated absences, pension-related debt, claims and judgment, landfill obligation and other long-term liabilities.
- 3) ***Proprietary Fund Financial Statements*** – The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when incurred, regardless of when cash is received or paid. The statement of revenue, expenses and changes in net position distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The major operating revenue of the Municipality’s proprietary fund is from rent charges collected by the International Center fund from its warehousing and leasing facilities.

e. Assets, liabilities and net position

1) Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments in money market accounts that are readily convertible to cash and have original maturities of three month or less.

2) ***Receivables and Payables***

Receivables consist of all revenues earned but not collected at year-end. These accounts receivable are stated net of estimated allowances for uncollectible accounts, which are determined based upon past collection experience, historical trends, current economic conditions and the periodic aging of accounts receivable. Intergovernmental grants and contributions receivables represent amounts owed to the Municipality for reimbursement of expenditures incurred pursuant to federally funded programs.

3) ***Loans Receivable and Allowance for Loan Losses***

Loans receivable amounting to \$3.7 million are stated at their unpaid principal balances, net of the allowance for loan losses and deferred loan fees. Loan fees are recognized as income over the contractual term of the loan using the effective interest method. The carrying amount of loans receivable is reduced by an allowance for loan losses which is maintained at a level that the Municipality considers adequate to absorb credit losses inherent in the loan portfolio.

The amount of the allowance is based on an evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical data, specific impaired loans, economic conditions and other risks inherent in the loan portfolio. The allowance is increased by a provision for loan losses, and reduced by charge-offs, net of recoveries.

Interest income is recognized over the term of the loan and is calculated using the effective interest method. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are applied as a reduction of the loan principal balance. Interest income on other impaired loans is recognized only to the extent of interest payments received.

The Municipality considers a loan impaired when based on current information or factors (such as payment history, value of collateral, and assessment of the customer's current creditworthiness), it is probable that the principal and interest payments will not be collected according to the loan agreement.

Loans are placed on nonaccrual status when, after considering economic and business conditions and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollectible interest previously accrued is charged off, or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent that cash payments are received.

4) **Other Unrestricted Assets**

Other unrestricted assets consist principally of prepaid insurance, medical supplies inventories used in providing health care services to patients, and office supplies held for consumption that are stated at the lower of cost (first-in, first-out method) or market. Supplies inventories and prepaid insurance are capitalized at the time of purchase for the entire amount of the purchase/prepayment and are charged to expense/expenditure as consumed in the governmental fund financial statements and the statement of activities, respectively.

5) **Capital Assets**

Capital assets used in governmental activities include land, works of arts, construction in progress, buildings, building improvements, site improvements, infrastructure, equipment, vehicles and intangible assets. These assets are capitalized and reported in the accompanying government-wide statement of net position and the statement of net position - proprietary fund. Infrastructure assets are generally stationary in nature and include roads, bridges, streets, sidewalks, drainage systems and other similar assets.

For financial reporting purposes, the Municipality defines capital assets as assets with an individual cost of \$5,000 or more at the date of acquisition, construction or improvement, and with useful lives extending beyond one year. All assets with individual costs under \$5,000 or with useful lives not exceeding one year, are charged directly to expense in the government-wide statement of activities. In the governmental funds, all capital assets are recorded as expenditures in the acquiring fund.

In the government-wide statement of net position and the statement of net position-proprietary fund, all capital assets are recorded at cost or estimated historical cost if actual cost was unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in the government-wide statement of net position and the statement of net position - proprietary fund as projects are constructed. The costs of normal maintenance and repairs that do not add value to the asset or materially extend capital asset lives are not capitalized.

Depreciation and amortization expense is recorded only in the government-wide and proprietary fund financial statements. However, there is no depreciation or amortization recorded for land, work of art and construction in progress. Depreciable capital assets are generally depreciated or amortized over their estimated useful lives under the straight-line method, except for machinery and equipment held under capital leases which depreciated over the shorter of its estimated useful life or the lease term.

The estimated useful lives of major capital asset categories are:

<u>Description</u>	<u>Years</u>
Building	40
Building and site improvements	15
General infrastructure	40
Intangible assets (computer software)	10
Licensed vehicles	5
Machinery and equipment	3 to 5

For capital leases in governmental fund financial statements, the Municipality presents the net present value of the minimum lease payments at the inception of the capital lease recorded simultaneously as expenditures and as other financing sources. Minimum lease payments are recorded as expenditures.

The Municipality periodically evaluates its capital assets to consider events or changes in circumstances that may give rise to asset impairment. Among the factors considered by management as part of its evaluation are: physical damages to an asset where action would be needed to restore lost service utility, changes in laws, regulations, or other environmental factors that may negatively affect service utility, technological developments that may negatively affect service utility, changes in the manner or duration of use of a capital asset that may negatively affect its service utility, and stoppage of construction or development of an asset.

An impairment loss would be reported in the government-wide statement of net position or the statement of net position - proprietary fund net of any realizable insurance recovery. For impairment losses recoverable through disaster assistance programs sponsored by higher levels of government (such as the Federal Emergency Management Agency - FEMA), the loss would be reported separately from the grant awarded for recovery purposes.

Any impairment adjustment to the carrying value of a capital asset would be treated as a proportionate reduction of both the reported value of the asset and its accumulated depreciation, based on the notion that the impairment represents the effective retirement of a portion of the asset.

6) Deferred Inflows of Resources

In governmental funds financial statements, deferred inflows of resources arise when one of the following situations occur:

- a. Potential revenue does not meet both the "measurable" and "available" criteria for revenue recognition in the current period (unavailable revenue). As previously discussed, available is defined as due (or past due) at June 30 and collected within ninety (90) days thereafter for all revenue streams (except for property taxes which are

considered measurable upon collection) to pay obligations due at June 30. In subsequent periods, when both criteria are met, the liability for unearned revenue is removed and revenue is recognized.

- b.* The Municipality receives resources before it has a legal claim to them. In subsequent periods, the deferred inflow of resources (unearned revenue) is removed and revenue is recognized.

Deferred inflows of resources in government-wide and proprietary funds financial statements arise only when the Municipality receives resources before it has a legal claim to them.

7) **Long-term Obligations**

The long-term liabilities reported in the accompanying statements of net position include bonds payable, notes payable, accrued compensated absences, pension-related debt, claims and judgments, estimated liability for municipal solid waste landfill post-closure care costs and other long-term liabilities.

Principal and interest payments on bonds due on July 1 are recorded as governmental fund liabilities in the debt service fund when resources are available. In governmental fund financial statements, face amount of debt issued (gross debt reported) is reported as other financing sources when issued.

8) **Compensated Absences**

Compensated absences include paid time off made available to employees in connection with vacation, sick leave and compensatory time. The liability for compensated absences is reported in the statement of net position. A liability for compensated absences is reported in the fund financial statements only when payment is due.

The liability for compensated absences recorded in the accompanying statement of net position is limited to leave that is attributable to services already rendered and is not contingent on a specific event. The liability includes salary-related costs, which are directly and incrementally related to the amount of salary paid to the employee (such as employer's share of Social Security taxes and Medicare taxes).

The vacation policy of the Municipality provides for the accumulation of regular vacations at a rate of 2.5 days per month (30 days per year) per employee up to a maximum of 60 days. Employees accumulate regular sick leave at a rate of 1.5 days per month (18 days per year) up to a maximum of 90 days. All vacation and sick leave days accumulated by employees in excess of 60 days and 90 days, respectively, are paid to employees each year, if not used.

Upon termination of employment, an employee receives compensation for all accumulated unpaid regular vacation leave at the current rate. In the case of regular sick leave, if the employee terminates his or her employment before reaching 10 years of services, such

regular sick leave is not paid to the employee, if not consumed. After 10 years of services, any regular sick leave balance is paid to the employee. Accumulated vacation time is fully vested to the employee at any time.

9) Leases

The Municipality classifies its lease agreements either as operating or capital leases. The Municipality classifies a lease agreement as a capital lease if at its inception the lease meets one or more of the following four criteria:

- a. By the end of the lease term, ownership of the leased property is transferred to the Municipality.
- b. The lease agreement contains a bargain purchase option
- c. The lease term is substantially equal (75 percent or more) to the estimated useful life of the leased property.
- d. At the inception of the lease, the present value of the minimum lease payments, with certain adjustments, is 90 percent or more of the estimated fair value of the leased property.

Although the Municipality is prevented legally from entering into obligations extending beyond one fiscal year, most capital lease agreements entered by the Municipality contain fiscal funding clauses or cancellation clauses that make the continuation of the agreements subject to future appropriations. Leases that meet at least one of the aforementioned four criteria and have a fiscal funding or a cancellation clause are generally recorded as capital leases. Otherwise, these are recorded as operating leases.

In government wide and proprietary fund financial statements, the obligation under capital leases is recorded at the lesser of the estimated fair value of the leased property or the present value of the minimum lease payments, excluding any portion representing executory costs and profit thereon to be paid by the lessor. A portion of each minimum lease payment is allocated to interest expense and the balance is applied to reduce the lease obligation using the effective interest method.

10) Claims and Judgments

In government wide and proprietary funds financial statements, the Municipality recognizes an expense and a liability for claims and judgments only when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for claims and judgments includes all claim adjustment expenses that are incremental (directly related to individual claims). In governmental fund financial statements, an expenditure and a liability is recognized only as liabilities come due for payment.

11) Estimated Liability for Municipal Solid Waste Landfill Post-closure Care Costs

The Municipality recognizes landfill post-closure costs as an expense and a liability throughout the period that the Municipality benefited from the landfill operations while it was still in use. The landfill closed in fiscal year 2003 and received final approval for closure from regulatory agencies in 2005, therefore the liability for post-closing care costs was completely recognized upon the landfill's closing date.

The estimated liability for solid waste landfill post-closure care costs includes an estimate of all costs to be incurred after year-end under the accrual basis of accounting. The estimates of post-closing care costs were made using current costs (costs that would be incurred if the closing date of the landfill would have been at year-end). The liability is adjusted annually to reflect the effects of inflation, advances in technology, changes in regulations or similar changes.

In governmental funds financial statements, an expenditure for landfill post-closure care costs is recognized only at the point where related liabilities normally would be expected to be liquidated with current expendable financial resources.

12) Inter-fund Transactions

The Municipality has the following types of inter-fund activities:

- a. Inter-fund loans*** - Represent amounts provided with a requirement for repayment, which are recorded as "due from" in the lender governmental fund and "due to" in the borrower governmental fund. For amounts not expected to be collected within a reasonable period of time, inter-fund receivables/payables are reduced to the estimated realizable value and the amount that is not expected to be repaid is reported as an operating transfer from the governmental fund that made the loan.
- b. Inter-fund transfers*** - Represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. These are reported as other financing sources in the governmental fund making transfers and as other financing sources in the governmental fund receiving transfers.
- c. Inter-fund reimbursements*** - Represent repayments from the governmental fund responsible for particular expenditures or expenses to the governmental fund that initially paid for them. Inter-fund activity has not been eliminated.

13) Risk Financing

The Municipality carries commercial insurance to cover property and casualty, theft, tort claims and other losses. Insurance policies are negotiated by the Municipality.

The Municipality carries insurance coverage for death and bodily injuries caused by automobile accidents. This insurance is obtained through the Automobile Accident's Compensation Administration (AACA), a component unit of the Commonwealth of Puerto Rico.

The Municipality obtains workers' compensation insurance coverage through the State Insurance Fund Corporation (SIFC), a component unit of the Commonwealth of Puerto Rico. This insurance covers workers against injuries, disability or death because of work or employment-related accidents, or because of illness suffered as a consequence of their employment.

The Municipality obtains unemployment compensation, non-occupational disability, and drivers' insurance coverage for its employees through various insurance programs administered by the Commonwealth of Puerto Rico's Department of Labor and Human Resources (DOL). These insurance programs cover workers against unemployment and provide supplementary insurance coverage for temporary disability, or death because of work or employment-related accidents or because of illness suffered as a consequence of their employment. Unemployment compensation, non-occupational disability and drivers' insurance premiums are paid directly to DOL on a cost reimbursement basis.

The Municipality also obtains medical insurance coverage from several health insurance companies for its employees. Different health insurance coverage and premium options are negotiated each year by the Department of Treasury on behalf of the Municipality.

The current insurance policies have not been canceled or terminated at year-end. Premiums are paid on a monthly basis directly to the insurance company. In the past three years, the Municipality has not settled claims that exceeded insurance coverage.

Cost of insurance allocated to the Municipality for the fiscal year ended June 30, 2015 amounted to approximately \$11.3 million. The current insurance policies have not been cancelled or terminated. Workers' compensation insurance covering all municipal employees for the fiscal year ended June 30, 2015 amounted to approximately \$5.4 million.

14) Direct Charges

Pursuant to and determined by an internal cost allocation plan, certain costs initially are charged to the general fund and then billed as direct charges to other funds. Revenues from these charges are accounted for in the government-wide statement of activities as general government and in the statement of revenues, expenditures and changes in fund balances as charges for services in the general fund. The corresponding expenses appear as function/program costs in the Statement of Activities.

15) Use of Estimates

The preparation of the accompanying financial statements in conformity with GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and deferred outflows and liabilities and deferred inflows, the disclosure of contingent assets and liabilities at the date of the basic financial statements, and the

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. DEPOSITS

At June 30, 2015, the carrying amounts and the respective bank balances of the Municipality's deposits are as follows:

Carrying amounts of deposits					
	General fund	Debt service fund	Capital projects fund	Other governmental funds	Total
<i>Unrestricted:</i>					
Cash and cash equivalents in commercial banks	\$ 126,890,859	\$ -	\$ -	\$ -	\$ 126,890,859
Cash with fiscal agent	24,000,000	-	-	-	24,000,000
<i>Restricted:</i>					
Cash in commercial banks	13,726,960	-	38,919,241	18,165,295	70,811,496
Cash with fiscal agent	5,058,063	108,598,203	113,838,992	12,462,899	239,958,157
	<u>\$ 169,675,882</u>	<u>\$ 108,598,203</u>	<u>\$ 152,758,233</u>	<u>\$ 30,628,194</u>	<u>\$ 461,660,512</u>
Bank balances of deposits					
	General fund	Debt service fund	Capital projects fund	Other governmental funds	Total
<i>Unrestricted:</i>					
Cash and cash equivalents in commercial banks	\$ 136,562,830	\$ -	\$ -	\$ -	\$ 136,562,830
Cash with fiscal agent	24,000,000	-	-	-	24,000,000
<i>Restricted:</i>					
Cash in commercial banks	14,044,402	-	38,919,242	21,299,132	74,262,776
Cash with fiscal agent	5,084,443	108,598,204	113,815,801	12,462,899	239,961,347
	<u>\$ 179,691,675</u>	<u>\$ 108,598,204</u>	<u>\$ 152,735,043</u>	<u>\$ 33,762,031</u>	<u>\$ 474,786,953</u>

Custodial credit risk for deposits is the risk that in the event of bank failure, the Municipality's deposits may not be recovered. Under the laws and regulations of the Commonwealth, public funds deposited by the Municipality in commercial banks must be fully collateralized for the amounts deposited in excess of the federal depository insurance generally provided by the Federal Deposits Insurance Corporation (FDIC). All securities pledged as collateral are held by agents designated by the Secretary of the Treasury of the Government of Puerto Rico, but not in the Municipality's name. Deposits maintained in GDB are exempt from the collateral requirement established by the Commonwealth and thus represent a custodial credit risk.

The Municipality's deposits consist principally of unrestricted and restricted demand deposits in the GDB, as fiscal agent, and various commercial banks. The deposits include cash equivalents of \$1.03 million in the general fund that are held in commercial banks at year-end.

Cash equivalents and other unrestricted deposits in the general fund amounting to \$150.9 million are available to meet general operating requirements of the Municipality, including the payment of short-term obligations of the general fund, most of them which are budgeted.

The Municipality maintains an internal cash management pool in which several funds participate on a dollar equivalent and daily transaction basis. At June 30, 2015, the pool cash account in commercial banks had a balance of \$34.0 million of which \$15.4 million, \$3.2 million and \$15.3 million have been recorded in the general fund, capital projects fund and other governmental funds, respectively. The balance in the pooled cash account is available to meet current operating requirements and any unrestricted excess, if any, is generally invested in certificates of deposit with commercial banks. Any deficiency in the pooled cash account is assumed by the general fund and covered through future budgetary appropriations.

Restricted cash in commercial banks of \$13.7 million in the general fund consist principally of unspent note proceeds of borrowings made in previous fiscal years through the issuance of notes payable, including Series A, B and C of the 2013 Municipal General Obligation Notes, that are restricted for the payment of certain operating expenses and other working capital purposes.

Restricted cash with fiscal agent of \$5.1 million in the general fund consists of collections of former hotel municipal taxes (\$2.7 million) that are available for the operation of various municipal programs, intergovernmental grants and contributions from the Puerto Rico Electric Power Authority (\$2.0 million), that are restricted for the maintenance and repairs of the municipal electrical infrastructure, and unspent note proceeds related to borrowings made in previous fiscal years for the payment of certain operating expenses (\$0.4 million).

Restricted cash with fiscal agent in the debt service fund consist of unspent property tax and sales and usage tax collections amounting to \$101.8 million and \$6.8 million, respectively, that are available for the debt service payments of bonds and certain general obligations notes.

Restricted cash in commercial banks and with fiscal agent in the capital projects fund, amounting to \$38.9 and \$113.8 million, respectively, consist of unspent bonds and notes proceeds that are restricted for the acquisition, construction or improvements of major capital assets financed with public debt.

Restricted cash in commercial banks of other governmental funds amounting \$18.2 million consist of intergovernmental operating and capital grants contributions received from the Commonwealth of Puerto Rico and the federal government of the United States of America that are available for the operations of several operating and capital grant programs.

Restricted cash with fiscal agent of other governmental funds amounting \$12.5 million consist of intergovernmental capital and operating grants and contributions from the Commonwealth that are mainly restricted for general infrastructure projects.

The restricted cash in commercial banks of the proprietary fund amounting to \$1.9 million are restricted for the payment of the fund's revenue bonds.

4. ACCOUNTS RECEIVABLE

a. Property Taxes

The Municipality is authorized to impose and collect property taxes from any natural or legal person that, at January 1 of each calendar year: (1) is engaged in trade or business and is the owner of personal or real property used in trade or business or (2) owns residential real property with a value in excess of \$15,000 (at 1957 market prices).

Personal property taxes is a derived tax using the book value of personal property assets owned by the taxpayer at January 1 (lien; levy date) and reporting such taxable value through a personal property tax return filed on May 15 (due date and collection date) subsequent to the assessment date.

The total personal property tax rate in force at June 30, 2015 was 8.53 percent (of which taxpayers pay 8.33 percent and the remaining 0.20 percent is paid by the Commonwealth, as a subsidy).

Real property taxes are assessed every January 1 (lien; levy date) and are based on estimated current values of the property, deflated to 1957 market prices. Real property taxes are due and collectible on January 1 and July of every fiscal year. The total real property tax rate in force at June 30, 2015 was 10.53 percent (of which 10.33 percent is paid by taxpayers and the remaining 0.20 percent is also paid by the Commonwealth, as a subsidy).

Residential real property occupied by its owner (not engaged in trade or business) is exempt from property taxes only on the first \$15,000 of the assessed value (at 1957 market prices). For exempt amounts, the Commonwealth pays the basic tax (4.00 percent and 6.00 percent for personal and real property, respectively), except for property assessed for less than \$3,500 (at 1957 market prices), for which no payment is made.

Included within the total personal and real property tax rates, there is a portion of the tax rate in the amount of 3.50 percent that is restricted for the Municipality's debt service requirements on bonds and certain notes. Such amounts are recorded in the Municipality's debt service fund.

The Municipal Revenue Collection Center (CRIM, by its Spanish acronym) is a governmental entity independent from the Municipality and other governmental entities in Puerto Rico that is responsible of administering the Puerto Rico Municipal Property Tax Law on behalf of the municipalities of Puerto Rico. CRIM has the responsibility of imposing and collecting property taxes on behalf of the Municipality

CRIM is composed of a Board of Governors and a management team led by an Executive Director. The Board of Governors is composed of nine (9) mayors representing the seventy-eight (78) municipal governments of Puerto Rico and the President of the Government Development Bank for Puerto Rico and the Commissioner of Municipal Affairs as representatives of the GDB.

b. Municipal License Taxes

The Municipality imposes a municipal license tax on all businesses that operate within the Municipality, which are not totally or partially exempt from the tax pursuant to the Industrial Incentives Acts of the Commonwealth. This is a derived tax based on the business volume in gross sales as shown in the tax return that is due five working days after April 15 of each year. Entities with sales volume of \$3 million or more must include audited financial statements together with the tax return. Current the tax rates are as follows:

- Financial business – 1.50% of gross revenues
- Other organizations – 0.20% for annual revenues up to \$1,000,000, and 0.50% over such volume.

This tax is due in two equal installments on July 15 and January 15 of each fiscal year. A discount of 5% is allowed when full payment is made on or before five working days after April 15. Municipal license tax receivable represents filed municipal license tax returns that were uncollected as of year-end. Municipal license taxes collected prior to year-end but pertaining to the next fiscal year are recorded as deferred inflows of resources.

c. Sales and Usage Taxes

The Municipality imposes a municipal sales and usage tax within the territorial limits of the Municipality. This is a derived tax applied to the sale price of a taxable item or on the purchase price of all usage, storage or consumption of a taxable item. It is collected on a monthly basis through a tax return that is due ten calendar days after the end of each month.

On January 24, 2014, Act No.18, known as *Municipal Administration Fund Act* (Act No. 18), and Act No. 19, known as *Municipal Finance Corporation Act* (Act No. 19) were enacted to, among other things, amend Sections 4020.01, 4020.02 and 6080.14 of Act No. 1 of January 31, 2011, known as *Internal Revenue Code for a New Puerto Rico*.

Effective July 1, 2014, Act No. 18 reduced the statutory municipal sales and usage tax rate of all municipalities from one point five percent (1.5%) to one point zero percent (1.0%). Simultaneously, Act No.19 created the *Municipal Finance Corporation* (MFC), an affiliated public company of GDB, which is authorized to issue bonds and use other financing mechanisms to directly or indirectly pay or refinance all or part of the municipal long-term debt incurred by the Municipality in previous fiscal years, that are payable from or backed by the municipal sales and usage taxes.

In order to mitigate the effects of the reductions in the municipal sales and usage tax rate referred to above, Act No. 18 established the mechanisms to protect the financial stability of the Municipality by allowing it to continue receiving the economic benefits lost as a consequence of the reduction in the statutory municipal sales and usage tax rate referred to above. For these purposes, effective July 1, 2014, Act No. 18 requires that an amount equal to zero point five percent (0.5%) of the sales and usage taxes collected by the Commonwealth of Puerto Rico be deposited in a special fund to be known as *Municipal Administration Fund* (MAF) in the name and for the benefit of the Municipality.

Accordingly, since July 1, 2014, the Commonwealth of Puerto Rico has made advances from the collections arising from the zero point five percent (0.5%) of the sales and usage taxes to the MAF of the Municipality. The advances have been made and distributed to the Municipality on a monthly basis as follows in accordance with Section 4050 of Act No. 1, as amended:

- i.* Forty percent (40%) of the amounts transferred are available to cover general operating expenses of the *General Fund* of each municipality;
- ii.* Forty percent (40%) of the amounts transferred are available and restricted in the MFC's redemption fund to guarantee the repayment of any municipal loan, bond, note, or other evidence of debt whose repayment source is the monies deposited therein under the custody of GDB;
- iii.* Twenty percent (20%) of the amounts transferred are available and restricted to finance the acquisition, construction and improvement of major capital assets.

d. Construction Excise Taxes

The Municipality imposes and collects municipal construction excise taxes to most natural and legal persons and any governmental instrumentality that carry out activities related to construction, expansion, major repairs, relocations, alterations and other types of permanent improvements to residential, commercial and industrial buildings and structures within the territorial area of the Municipality. The tax is also applicable to infrastructure projects, the installation of machinery, equipment and fixtures, and other types of construction-related activities.

The construction excise tax is a derived tax imposed at a five percent (5%) over the cost of the project, net of certain exemptions such as the costs associated with the acquisition of land, project design and other engineering fees, licenses and permits, legal and accounting fees, and most marketing and advertising costs. The tax is paid by the taxpayer at the beginning of the project.

All single-family residential construction projects not related to housing development projects, condominiums, or any similar projects, are exempt from construction excise taxes for the first \$100,000 of the project construction costs. In addition, all single-family residential improvement projects are exempt from construction excise taxes for the first \$25,000 of the project improvement costs. All projects carried out on buildings and structures classified as historical treasures by the Puerto Rico Planning Board have an exemption of three point seventy five percent (3.75%) in the tax rate applicable to construction excise taxes.

This space was intentionally left blank.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

e. Intergovernmental Receivables

The composition of intergovernmental receivables in the general fund at June 30, 2015 is:

	General fund	Capital projects fund	Other governmental funds	Total
<i>State and other intergovernmental entities:</i>				
<i>Puerto Rico Treasury Department -</i>				
Employees' Christmas bonus cost reimbursement	\$ 1,511,503	-	-	\$ 1,511,503
<i>Government of the U.S. Virgin Islands -</i>				
High Intensity Drug Traffic Administration	251,720	-	-	251,720
Other entities	-	18,000	-	18,000
Total state and local intergovernmental entities	<u>1,763,223</u>	<u>18,000</u>	<u>-</u>	<u>1,781,223</u>
<i>Federal grants and contributions:</i>				
<i>U.S. Department of Housing and Urban</i>				
<i> Development - Community Services Block</i>				
Grants Cluster	-	-	1,646,661	1,646,661
<i>U.S. Department of Health and Human Services:</i>				
Head Start Program	-	-	1,169,839	1,169,839
<i>U.S. Department of Housing and Urban Development:</i>				
Community Development Block Grant Program	-	-	766,575	766,575
Shelter Plus Care	-	-	179,371	179,371
Hopwa - Project Sponsor	-	-	150,178	150,178
<i>U.S. Department of Labor - High Intensive Drug</i>				
Trafficking	-	-	634,915	634,915
Other federal grantors on various programs	-	-	2,546,418	2,546,418
Total federal grants and contributions	<u>-</u>	<u>-</u>	<u>7,093,957</u>	<u>7,093,957</u>
Total intergovernmental receivables	<u>\$ 1,763,223</u>	<u>\$ 18,000</u>	<u>\$ 7,093,957</u>	<u>\$ 8,875,180</u>

Intergovernmental receivables in other governmental funds represent principally uncollected reimbursements of expenditures incurred under grants and contributions from the federal and local governments.

e. Miscellaneous Accounts Receivable

Miscellaneous accounts receivable as of June 30, 2015, are as follows:

	General fund	Debt service fund	Other governmental funds	Total
Charges for medical services	\$ 5,423,208	\$ -	\$ -	\$ 5,423,208
Other miscellaneous	319,176	10,703	314,167	644,046
Total miscellaneous accounts receivable	<u>\$ 5,742,384</u>	<u>\$ 10,703</u>	<u>\$ 314,167</u>	<u>\$ 6,067,254</u>

5. LOANS RECEIVABLE

Loans receivable of the Independent Capital Fund, a nonmajor special revenue fund, consist of the outstanding balances of various credit facilities granted under a revolving loan program to private small businesses in the aggregate amount of \$3.7 million, net of an allowance for loan losses of \$5.8 million. The majority of these loans are collateralized or guaranteed by either first, second and third mortgage notes on real estate and/or chattel mortgage over machinery and equipment.

6. INTERFUND TRANSACTIONS

Interfund receivables, payables and transfers are summarized as follows:

	<u>Due from other governmental funds</u>		
	<u>General fund</u>	<u>Other governmental funds</u>	<u>Total</u>
<u>Due to other governmental funds</u>			
Debt service fund	\$ 10,141	\$ -	\$ 10,141
Capital projects fund	5,880,816	-	5,880,816
Other governmental funds	7,721,991	9,434,380	17,156,371
Totals	<u>\$ 13,612,948</u>	<u>\$ 9,434,380</u>	<u>\$ 23,047,328</u>

	<u>Transfers from other governmental funds</u>		
	<u>General fund</u>	<u>Other governmental funds</u>	<u>Total</u>
<u>Transfers to other governmental funds</u>			
General fund	\$ -	\$ 7,183,878	\$ 7,183,878
Debt service fund	27,270,584	-	27,270,584
Capital projects fund	2,986,664	-	2,986,664
Other governmental funds	52,378	-	52,378
Totals	<u>\$ 30,309,626</u>	<u>\$ 7,183,878</u>	<u>\$ 37,493,504</u>

The principal purposes of interfund receivables and payables among governmental funds are:

- Recognize the outstanding balance of \$7.7 million of short-term loans granted by the general fund to other governmental funds to temporarily finance the payroll and other operating costs of several federal and state-funded grant award programs.
- Recognize the outstanding balance of \$9.4 million of short-term loans among other governmental funds to temporarily finance the operation of several programs.
- Recognize the outstanding balance of \$5.9 million of short-term loans granted by the general fund to the capital projects fund to finance the costs of the acquisition, construction and improvement of several major capital assets.
- Recognize in the debt service fund the accrued interests on deposits amounting to \$10,141 due to the general fund at fiscal year-end.

The principal purposes of inter-fund transfers among governmental funds are:

- Transfer of the total excess cash with fiscal agent of the debt service fund to the general fund as permitted by Act No. 19 of January 24, 2014, and the Municipal Financing Act of the Commonwealth of Puerto Rico. The excess restricted deposits transferred amounted to \$26.2 million. Also, additional transfer of \$1.0 million from the debt service fund to the general fund to cover the debt service payment on certain operating notes payable.
- Non-routine transfer of resources, amounting to \$7.2 million, from the general fund to other governmental funds, to cover the accumulated deficit of various special revenue funds and the operating costs of various municipal programs.
- Routine transfer of interest income amounting to \$3.0 million from the capital projects fund to the general fund, as permitted by the Municipal Financing Act of the Commonwealth of Puerto Rico. This interest income was earned by the deposits held in the capital projects fund and was transferred to the general fund.
- Routine transfer of \$1.0 million from the general fund to the proprietary fund to cover debt service requirements of revenue bonds.
- Routine transfer of interest income amounting to \$0.1 million from the debt service fund to the general fund, as permitted by the Municipal Financing Act of the Commonwealth of Puerto Rico. This interest income was earned by the deposits held in the debt service fund and was transferred to the general fund.
- Recognize in the general fund a non-routine transfer of \$52,378 from other governmental funds.

This space was intentionally left blank.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

7. CAPITAL ASSETS

The composition and activity of capital assets for the fiscal year were as follows:

	Balance at beginning of fiscal year	Reclassifications	Increases	Balance at end of fiscal year
<i>Governmental Activities:</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 123,271,319	\$ -	\$ -	\$ 123,271,319
Works of art	2,224,365	-	-	2,224,365
Construction in progress	37,252,394	(24,903,233)	17,184,298	29,533,459
Total capital assets not being depreciated	<u>162,748,078</u>	<u>(24,903,233)</u>	<u>17,184,298</u>	<u>155,029,143</u>
<i>Capital assets, being depreciated:</i>				
Buildings and building improvements	448,675,058	2,498,511	2,685,380	453,858,949
Site improvements	185,734,287	1,507,903	2,565,726	189,807,916
Infrastructure	288,380,710	20,896,819	2,288,756	311,566,285
Equipment and vehicles	56,424,712	-	8,732,152	65,156,864
Intangible	3,825,426	-	-	3,825,426
Total capital assets being depreciated	<u>983,040,193</u>	<u>24,903,233</u>	<u>16,272,014</u>	<u>1,024,215,440</u>
<i>Less: accumulated depreciation for:</i>				
Buildings and building improvements	(227,714,022)	-	(18,589,375)	(246,303,397)
Site improvements	(128,727,467)	-	(9,717,256)	(138,444,723)
Infrastructure	(100,685,348)	-	(12,141,933)	(112,827,281)
Equipment and vehicles	(35,807,502)	-	(6,002,421)	(41,809,923)
Intangible	(3,825,426)	-	-	(3,825,426)
Total accumulated depreciation	<u>(496,759,765)</u>	<u>-</u>	<u>(46,450,985)</u>	<u>(543,210,750)</u>
Total capital assets being depreciated, net	<u>486,280,428</u>	<u>24,903,233</u>	<u>(30,178,971)</u>	<u>481,004,690</u>
Governmental activities capital assets, net	<u>\$ 649,028,506</u>	<u>\$ -</u>	<u>\$ (12,994,673)</u>	<u>\$ 636,033,833</u>
<i>Business-type Activities:</i>				
Capital assets, not being depreciated - land	\$ 18,600,000	\$ -	\$ -	\$ 18,600,000
Capital assets, being depreciated -building and building improvements	36,400,000	-	-	36,400,000
Equipment and vehicles	-	-	109,022	109,022
Less: accumulated depreciation for building and building improvements	(3,185,595)	-	(910,000)	(4,095,595)
Equipment and vehicles	-	-	(10,902)	(10,902)
Total capital assets being depreciated, net	<u>33,214,405</u>	<u>-</u>	<u>(811,880)</u>	<u>32,402,525</u>
Business-type activities capital assets, net	<u>\$ 51,814,405</u>	<u>\$ -</u>	<u>\$ (811,880)</u>	<u>\$ 51,002,525</u>

The buildings and building improvements of the business-type activities are leased under an operating lease agreement to various tenants.

The main tenant of the facilities declared bankruptcy during March 2014 and has defaulted in its lease payments to the Municipality. This situation caused the Municipality to transfer \$1 million from the general fund to cover the debt service requirements of the proprietary fund. The Municipality is actively negotiating with current and possible alternative tenants to solve this situation.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

Depreciation expense was charged to functions/programs of the Municipality as follows:

<i>Governmental activities:</i>	<u>Amount</u>
General government	\$ 5,134,166
Public safety	2,573,475
Urban affairs	13,895,717
Culture and recreation	11,303,644
Health and welfare	5,523,602
Urban development	331,918
Economic development	6,002,997
Education	1,685,466
Total depreciation expense	<u>\$ 46,450,985</u>

<i>Business-type activities:</i>	<u>Amount</u>
International Center	<u>\$ 920,902</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at year-end are as follows:

	<u>Governmental funds</u>				Statement of net position - governmental activities
	General fund	Capital projects fund	Other governmental funds	Total	
Accounts payable to suppliers	\$ 62,080,982	\$ 5,164,765	\$ 5,554,872	\$ 72,800,619	\$ 89,996,567
Compensated absences, due and payable	689,030	-	-	689,030	689,030
Payroll-related accrued liabilities	7,222,277	-	-	7,222,277	7,222,277
Total	<u>\$ 69,992,289</u>	<u>\$ 5,164,765</u>	<u>\$ 5,554,872</u>	<u>\$ 80,711,926</u>	<u>\$ 97,907,874</u>

9. INTERGOVERNMENTAL PAYABLES

Intergovernmental payables at year-end are as follows:

Puerto Rico Government Employees Retirement System	\$ 2,188,962
Puerto Rico Aqueduct and Sewer Authority	1,068,273
Puerto Rico Land Administration	258,463
Puerto Rico Electric Power Authority	315,445
Puerto Rico Department of Treasury	139,637
Other local governmental entities	141,349
Total	<u>\$ 4,112,129</u>

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

10. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources are as follows at June 30, 2015:

	General fund	Debt service fund	Other governmental funds	Total governmental funds	Statement of net position - governmental activities
Unavailable revenues:					
Property taxes	\$ 28,192,745	\$ 15,906,404	\$ -	\$ 44,099,149	\$ -
Municipal license taxes	2,972,236	-	-	2,972,236	-
Sales and usage taxes	1,804,408	-	-	1,804,408	-
Construction excise taxes	802,380	-	-	802,380	-
Miscellaneous receivables	1,731,808	-	-	1,731,808	-
Intergovernmental grants and contributions	1,511,503	-	356,161	1,867,664	-
Total unavailable revenues	37,015,080	15,906,404	356,161	53,277,645	-
Unearned revenues:					
Municipal license taxes	88,690,478	-	-	88,690,478	88,690,478
Intergovernmental grants and contributions	-	-	11,911,000	11,911,000	11,911,000
Total unearned revenues	88,690,478	-	11,911,000	100,601,478	100,601,478
Total deferred inflows of resources	\$ 125,705,558	\$ 15,906,404	\$ 12,267,161	\$ 153,879,123	\$ 100,601,478

11. LONG-TERM OBLIGATIONS

Long-term obligations activity for the fiscal year ended June 30, 2015 is as follows:

Governmental activities:	Balance at beginning of fiscal year	Increases	Decreases	Balance at end of fiscal year	Due within one fiscal year
Bonds payable	\$ 436,591,000	\$ -	\$ (36,808,000)	\$ 399,783,000	\$ 37,318,000
Mortgage payable	2,622,369	-	(478,143)	2,144,226	520,406
Notes payable	442,055,778	89,360,000	(25,223,022)	506,192,756	20,619,854
Compensated absences	60,918,484	5,444,694	(6,575,795)	59,787,383	7,861,524
Pension-related debt	3,690,106	-	(3,690,106)	-	-
Claims and judgements	4,303,978	11,171,468	(1,208,480)	14,266,966	-
Estimated liability for municipal solid waste landfill postclosure care costs	15,463,890	-	(736,376)	14,727,514	736,376
Self insurance claims liability	10,423,434	-	(796,191)	9,627,243	796,191
Total governmental activities long-term liabilities	\$ 976,069,039	\$105,976,162	\$ (75,516,113)	\$ 1,006,529,088	\$ 67,852,351
Business-type activities:					
Revenue bonds payable and total business-type activities non-current liabilities	\$ 53,981,940	\$ -	\$ (610,000)	\$ 53,371,940	\$ 660,000

The Municipality liquidates certain notes payable, compensated absences, claims and judgments, solid waste landfill post-closure costs and any other long-term liabilities other than bonds, with resources from its general fund.

Governmental Activities

a. Debt Limitation

The Municipal Legislature is legally authorized to approve the issuance of debts of the Municipality. Nevertheless, the laws and regulations of the Commonwealth also provide that:

- 1) Direct obligations of the Municipality (evidenced principally by bonds and bond anticipation notes) are backed by the full faith, credit and taxing power of the Municipality; and
- 2) Direct obligations are not to be issued by the Municipality if the amount of the principal of, and the interest on, such bonds and bond anticipation notes (and on all bonds and notes issued thereafter) which are payable in any fiscal year, together with any amount paid by the Municipality in the preceding fiscal year on account of bonds or bond anticipation notes guaranteed by the Municipality, exceed 10 percent of the total assessed value of the property located within the Municipality plus the balance of the ad valorem taxes in the debt service fund, for bonds payable and bond anticipation notes to be repaid with the proceeds of property taxes restricted for debt service.

In addition, before any new bonds are issued, the revenues of the debt service fund should be sufficient to cover the projected debt service requirements.

b. Bonds Payable

The Municipality issues general obligation, special obligation and public improvement bonds to finance the acquisition, construction and improvement of capital assets, as well as, to finance certain operating needs, including the payment to suppliers in certain circumstances.

The laws and regulations of the Commonwealth provide that the Municipality's public debt will constitute a first claim on the available revenue of the Municipality. Public debt includes bonds and bond anticipation notes. The good faith, credit and taxing power of the Municipality are irrevocably pledged for the prompt payment of the principal and interest of bonds.

The Municipality levies an annual additional special ad valorem tax of three and a half percent (3.50%) of the assessed value of personal and real property. The proceeds of this additional special tax are deposited in a sinking fund established at GDB whereby sufficient funds are set aside to redeem the bonds payable of the Municipality in minimum annual or semiannual principal and interest payments. The collections of this special tax are recorded in the Municipality's debt service fund.

Variable interest rates on serial bonds are reviewed periodically by GDB and are based on the fluctuation of GDB's weighted average rate for its commercial paper program. Under this program, GDB issues commercial paper: (1) in the taxable and tax-exempt markets of the

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

United States of America, (2) in the Eurodollar market, and (3) to corporations having tax exemptions under the Commonwealth's Industrial Incentives Acts and, which qualify for benefits provided by the U.S. Internal Revenue Code.

The Municipality's tax-exempt bonds are subject to the arbitrage rebate requirements. At year-end, the Municipality had no federal arbitrage liability on bonds since interest income earned from the investment of unspent bond proceeds were made in bank deposits that generate yields lower than the rates applicable to the debt service payments.

Bonds payable is composed as follows:

Description	Outstanding amount
2012 general obligation bonds for the construction, improvements and acquisitions of various capital assets with an original amount of \$100.7 million due in annual installments of \$1,615,000 to \$8,530,000, through July 1, 2035; with interest ranging from 6.0% to 7.5%	\$ 95,455,000
2012 general obligation bonds for the fifth payment of the early retirement termination benefit with an original amount of \$25.7 million due in annual installments of \$375,000 to \$2,145,000, through July 1, 2036; with interest ranging from 6.0% to 7.5%	24,510,000
2011 general obligation bonds for the construction and improvements of various capital assets with an original amount of \$24.9 million due in annual installments of \$2,875,000 to \$4,310,000, through July 1, 2017; with interest ranging from 6.0% to 7.0%	12,105,000
2010 general obligation bonds for the third payment of the early retirement termination benefit with an original amount of \$28.3 million due in annual installments of \$415,000 to \$2,365,000, through July 1, 2034; with interest ranging from 4.75% to 7.5%	25,850,000
2010 general obligation bonds for the construction and improvements of various capital assets with an original amount of \$11.2 million due in annual installments of \$255,000 to \$1,025,000, through July 1, 2029; with interest ranging from 4.75% to 7.5%	9,710,000

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

Description	Outstanding amount
2010 general obligation bonds for the construction and improvements of various capital assets with an original amount of \$10.1 million due in annual installments of \$725,000 to \$1,340,000, through July 1, 2019; with interest ranging from 5.0% to 7.0%	5,870,000
2010 general obligation bonds for the acquisition, construction and improvements of various capital assets with an original amount of \$13.5 million due in annual installments of \$340,000 to \$1,260,000, through July 1, 2028; with interest ranging from 5.0% to 7.5%	11,520,000
2009 general obligation bonds for the acquisition of various capital assets with an original amount of \$7.0 million due in annual installments of \$800,000 to \$1,230,000, through July 1, 2015; with interest ranging from 4.75% to 7.5%	1,230,000
2009 general obligation bonds for the construction and improvements of various capital assets with an original amount of \$16.9 million due in annual installments of \$430,000 to \$1,585,000, through July 1, 2027; with interest ranging from 4.75% to 7.5%	13,805,000
2008 general obligation bonds for the construction and improvements of various capital assets with an original amount of \$4.7 million due in annual installments of \$175,000 to \$500,000, through July 1, 2023; with interest ranging from 1.53% to 7.5%	3,420,000
2008 general obligation bonds for the second payment of the early retirement termination benefit with an original amount of \$20.0 million due in annual installments of \$305,000 to \$1,635,000, through July 1, 2032; with interest ranging from 1.53% to 7.25%	17,335,000
2008 general obligation bonds for the construction and improvements of various capital assets with an original amount of \$4.7 million due in annual installments of \$70,000 to \$390,000, through July 1, 2032; with interest ranging from 1.53% to 7.25%	4,100,000

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

Description	Outstanding amount
2007 general obligation bonds for the construction and improvements of various capital assets with an original amount of \$13.8 million due in annual installments of \$320,000 to \$1,260,000, through July 1, 2026; with interest ranging from 6.60% to 7.00%	10,470,000
2007 general obligation bonds for the first payment of the early retirement termination benefit with an original amount of \$22.6 million due in annual installments of \$357,000 to \$1,812,000, through July 1, 2031; with interest ranging from 6.60% to 7.00%	18,918,000
2005 general obligation bonds for the construction and improvements of various capital assets with an original amount of \$18.6 million due in annual installments of \$480,000 to \$1,585,000, through July 1, 2025; with interest ranging from 5.33% to 5.31%	12,995,000
2005 general obligation bonds for the construction and improvements of various capital assets with an original amount of \$18.9 million due in annual installments of \$570,000 to \$1,450,000, through July 1, 2024; with interest ranging from 4.17% to 5.28%	11,745,000
2004 general obligation bonds for the construction and improvements of various capital assets with an original amount of \$10.1 million due in annual installments of \$500,000 to \$870,000, through July 1, 2019; with interest ranging from 3.28% to 4.80%	4,030,000
2004 general obligation bonds for the construction and improvements of various capital assets with an original amount of \$22.2 million due in annual installments of \$815,000 to \$1,130,000, through July 1, 2027; with interest ranging from 2.76% to 5.31%	13,470,000
2003 general obligation bonds for the construction and improvements of various capital assets with an original amount of \$12.8 million due in annual installments of \$415,000 to \$620,000, through July 1, 2028; with interest ranging from 1.61% to 5.31%	7,815,000

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

<u>Description</u>	<u>Outstanding amount</u>
2001 serial bonds for the construction and improvements of various capital assets with an original amount of \$55.6 million due in annual installments of \$760,000 to \$4,825,000, through July 1, 2026; with interest ranging from 5.00% to 5.60%	39,235,000
2000 serial bonds for the construction and improvements of various capital assets with an original amount of \$25.4 million due in annual installments of \$970,000 to \$2,680,000, through July 1, 2015; with interest ranging from 7.81% to 4.80%	2,680,000
1999 general obligations bonds for the construction and improvements of various capital assets with an original amount of \$65.0 million due in annual installments of \$1,740,000 to \$5,885,000, through July 1, 2018; with interest ranging from 4.87% to 6.46%	21,320,000
1999 general obligations bonds for the construction and improvements of various capital assets with an original amount of \$67.3 million due in annual installments of \$1,980,000 to \$6,260,000, through July 1, 2016; with interest ranging from 6.00% to 6.34%	12,105,000
1998 serial bonds for the construction and improvements of various capital assets with an original amount of \$51.4 million due in annual installments of \$1,190,000 to \$4,695,000, through July 1, 2017; with interest ranging from 4.87% to 6.71%	13,120,000
1998 general obligations bonds for the construction and improvements of various capital assets with an original amount of \$18.3 million due in annual installments of \$350,000 to \$1,605,000, through July 1, 2019; with interest ranging from 4.87% to 6.71%	<u>6,970,000</u>
Total	<u><u>\$ 399,783,000</u></u>

This space was intentionally left blank.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

Annual debt service requirements to maturity for bonds payable are as follows:

Fiscal year ending June 30,	Principal	Interest
2016	\$ 37,318,000	\$ 21,835,214
2017	35,701,000	22,269,064
2018	31,472,000	19,718,861
2019	23,956,000	26,291,952
2020	19,284,000	17,510,362
2021-2025	93,968,000	70,088,061
2026-2030	83,380,000	38,240,674
2031-2035	62,034,000	13,810,739
2036-2037	12,670,000	160,875
Totals	<u>\$ 399,783,000</u>	<u>\$ 229,925,802</u>

c. Mortgage Payable

The mortgage loan payable with an original amount of \$7.0 million to the government of the United States of America bears interest at 8.5% and is secured by the Federal Housing Administration and by a first mortgage on rental property. Principal and interest are payable from the proceeds of the rent collected from the tenants. The Federal government provides housing assistance payments to qualified tenants to subsidize most of the monthly rent. This housing project is administered by a private entity.

Aggregate annual maturities of the mortgage payable are as follows:

Fiscal year ending June 30,	Principal	Interest
2016	\$ 520,406	\$ 162,295
2017	566,405	116,296
2018	616,470	66,231
2019	440,945	14,170
Totals	<u>\$ 2,144,226</u>	<u>\$ 358,992</u>

d. Notes Payable

On September 24, 2002, CRIM, on behalf of the municipalities of Puerto Rico, entered into a financing agreement with GDB to extinguish in advance certain bonds payable issued by Public Finance Corporation (PFC), a subsidiary of GDB, which were originally issued to pay certain property tax receivables owned by the municipalities of Puerto Rico through 1996, which were acquired by PFC with recourse. The original face amount of the note allocated by CRIM to the Municipality was for a term not exceeding 30 years. The note bears interest at 6.50 percent during its first five years. Subsequently, from years 6 through 30, the loan shall bear variable

interest at a rate of 125 points over the 5-year LIBOR rate, which will be adjusted every five years. Principal and interest payments on this financing agreement are accounted for in the general fund. The outstanding principal as of June 30, 2015 approximates \$10.3 million.

During September 2002, the Municipality entered into a repayment agreement with the GDB and CRIM to repay a debt of \$27.4 million. The principal and interest payments are due on July 1 of each year through July 1, 2032. The outstanding balance as of June 30, 2015 approximates \$21.5 million. The repayment agreement is payable in monthly installments of \$168,685 from unrestricted property tax revenues and bears interest at a fixed interest rate of 6.19%.

During November 2004, the Municipality issued a special obligation refunding note with a commercial bank for approximately \$40 million to refinance certain notes payable to GDB. The note bears interest at 90-day London Interbank Offering Rate (LIBOR) plus 1.25% (0.82% at June 30, 2015) and is payable semi-annually ranging from \$.06 million to \$2.9 million, and matures at various dates through July 1, 2029. The outstanding balance as of June 30, 2015 approximates \$29.0 million. This note will be repaid from unrestricted property tax revenues.

During June 2006, the Municipality issued a note payable to GDB for \$31.4 million. The note is payable in annual installments through July 2030 ranging from \$0.5 million to \$2.4 million and will bear interest at 90-day LIBOR plus 1.25 percent (1.52% at June 30, 2015). The outstanding balance as of June 30, 2015 approximates \$24.2 million. The proceeds of the note were used principally to pay debt incurred in prior years. This note will be repaid from unrestricted property tax revenues.

During January 2008, the Municipality issued a special obligation note (SON-B) for \$37.1 million. The SON-B is payable in annual installments through July 2032 ranging from \$600 thousand to \$3.1 million and will bear interest at 90-day LIBOR plus 1.25 percent with a minimum of 5% and maximum of 12% (1.52% at June 30, 2015). The proceeds of the SON-B were used principally for the construction of various capital facilities and other capital assets. The outstanding balance as of June 30, 2015 approximates \$32.4 million. The SON-B will be repaid through sales tax revenues pledge and account for in the Municipality Redemption Fund.

In addition, the Municipality entered into a loan agreement with the US Department of Housing and Urban Development under a Variable Rate Note Guarantee pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended. The note was issued to finance the future acquisition and construction of major capital facilities, and allows borrowings up to a maximum of \$72.5 million. The borrowings have an outstanding balance of approximately \$42.3 million at June 30, 2015 and is payable in annual installments ranging from \$4.4 to \$6.3 million, mature at various dates through July 2022 and bear interest at 0.2% over 90-day LIBOR (0.48% at June 30, 2015). This loan agreement will be repaid from future grant awards received from the Community Development Block Grants (CDBG) program.

On August 24, 2012, the Municipality borrowed \$18.7 million from GDB for the purpose of acquisition of major capital assets. The notes shall bear interests at variable rates (6.00% at June 30, 2015). The notes are payable in seven (7) annual installments ranging from \$2.1 million to \$3.3 million, plus interests, through July 1, 2019. The outstanding balance as of June 30, 2015 approximates \$14.3 million.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

On June 28, 2013, the Municipality borrowed \$165 million from three commercial banks through the issuance of Series A, B and C of the 2013 Municipal General Obligation Notes amounting to \$80 million, \$60 million and \$25 million, respectively, for the purpose of providing working capital and the financial resources needed to repay certain operating expenses amounting to \$165 million.

The 2013, Series A, Municipal General Obligation Notes, shall bear interests at rate of 1.5% over prime rate (4.75% at June 30, 2015). The notes are payable in twenty-five (25) annual installments ranging from \$1.9 million to \$5.1 million, plus interests, through July 1, 2038.

The 2013, Series B and C, Municipal General Obligation Notes, shall bear interests at variable rates (4.25% and 7.50, respectively, at June 30, 2015) and are payable in twenty-five annual installments ranging from \$1.9 million to \$4.8 million and from \$2.0 million to \$5.1 million, respectively, plus interests, through July 1, 2038.

The outstanding balance as of June 30, 2015 of Series A, B, and C of the 2013 Municipal General Obligations Notes approximate \$78.1 million, \$58.6 million and \$24.4 million, respectively.

In August 2013, the Municipality borrowed \$50.3 million from GDB through the issuance of Series D of the 2013 Municipality General Obligation Notes for the purpose of providing working capital and the financial resources needed to repay certain operating expenses and past due liabilities with suppliers outstanding since 2012. The outstanding balance as of June 30, 2015 approximates \$49.5 million. The 2013, Series D Municipal General Obligation Notes, shall bear interests at variable rates (6.00% at June 30, 2015) and are payable in twenty-five annual installments ranging from \$700 thousand to \$4.2 million, plus interests, through July 1, 2038.

On January 29, 2014, the Municipality borrowed \$5.0 million from a commercial bank through the issuance of Series E of the 2013 Municipal General Obligation Note. Such notes were issued for the purpose of acquisition of major capital assets. The notes shall bear interest at variable rates (4.50% at June 30, 2015). The notes are payable in seven (7) annual installments ranging from \$650,000 to \$785,000, plus interests, through July 1, 2020. The outstanding balance as of June 30, 2015 approximates \$4.4 million.

On June 28, 2014, the Municipality borrowed \$29.9 million from GDB for the purpose of refinance the line of credit agreement that were issued to finance the fourth installment of the early retirement termination benefit plan and other related debts. The notes shall bear interests at variable rates (6.00% at June 30, 2015). The notes are payable in ten (10) annual installments ranging from \$2.1 million to \$4.1 million, plus interests, through July 1, 2023. The outstanding balance as of June 30, 2015 approximates \$27.8 million.

On August 7, 2014, the Municipality borrowed \$53.2 million from GDB for the purpose of construction of major capital assets. The notes shall bear interests at variable rates (7.00% at June 30, 2015). The notes are payable in twenty-five annual installments ranging from \$730 thousand to \$4.6 million, plus interests, through July 1, 2039. The outstanding balance as of June 30, 2015 approximates \$53.2 million.

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

On August 31, 2014, the Municipality borrowed \$36.2 million from a commercial bank through the issuance of Series A of the 2014 Municipal General Obligation Note. Such note was issued for the purpose of construction of major capital assets. The note shall bear interest at a rate of 1.5% over prime rate (4.75% at June 30, 2015). The note is payable in eight (8) annual installments ranging from \$760 thousand to \$30.0 million, plus interests, through July 1, 2022. The outstanding balance as of June 30, 2015 approximates \$36.2 million.

The notes with commercial banks are subject to various debt covenants that the management of the Municipality understands that have been complied with in all material respects, except for certain covenants for which the Municipality has obtained compliance waivers from the respective financial institutions at June 30, 2015.

The maturities of notes payable are as follows:

Fiscal year ending June 30,	Principal	Interest
2016	\$ 20,619,854	\$ 26,704,549
2017	21,688,526	33,438,526
2018	23,094,688	31,954,859
2019	24,440,911	30,377,666
2020	25,875,278	28,706,746
2021-2025	112,272,674	119,518,769
2026-2030	102,700,920	84,713,584
2031-2035	92,382,285	49,051,370
2036-2037	83,117,620	14,828,513
Totals	<u>\$ 506,192,756</u>	<u>\$ 419,294,582</u>

e. Compensated Absences

The government-wide statement of net position includes approximately \$29.7 million, \$25.9 million and \$4.2 million of accrued vacation benefits, accrued sick leave benefits and payroll-related benefits, respectively, representing the Municipality's commitment to fund such costs from future operations.

f. Estimated Liability for Municipal Solid Waste Landfill Post-closure Care Cost

State and federal laws and regulations require the Municipality to place a final cover on the Municipality's solid waste landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. In December 2003, the Municipality's landfill facilities were closed and in 2005, the Municipality received approval from regulatory agencies. Based on current costs, the preliminary annual estimate of post closure costs has been assessed to be approximately \$736 thousand for a period of approximately 20 years. The balance of post closure costs of \$14.3 million is reported in the statement of net position. Actual costs may be different due to inflation, changes in technology, or changes in laws and regulations.

g. Self-insurance

The Municipality establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the Fund during the fiscal year ended June 30, 2015:

Unpaid claims at beginning of fiscal year	\$ 10,423,434
Incurred claims and claim adjustments expenses	<u>-</u>
Total incurred claims and claims adjustment expenses	10,423,434
Payments	<u>(796,191)</u>
Total unpaid claims at end of fiscal year	<u>\$ 9,627,243</u>

Effective July 1, 2014, the Municipality discontinued the self-insurance program and acquired private insurance to cover these risks.

Business-type activities

a. Revenue Bonds Payable – Proprietary Fund

On December 15, 2010, the Municipality issued revenue bonds amounting to \$55.1 million for the acquisition of an income-producing real estate property commonly known as International Center. The bonds are payable in twenty five (25) annual installments commencing on July 1, 2012 through July 1, 2036. The Municipality shall pay interests on the bonds at a rate per annum equal to 3.5 percentage points over the London Interbank Offered Rate (4.25% at June 30, 2015).

Pursuant to the provisions of the revenue bond indentures, the Municipality has pledged and assigned its right, title and interest in all future revenues to be produced in the operation and maintenance of the acquired property. In the event that such revenues are not sufficient to make all debt service payments of principal, interests and premium, if any, on the bonds, the Municipality will appropriate the necessary portion of its general revenues to cover the debt service payments due and payable. During the year ended June 30, 2015, the Municipality transferred \$1.0 million from the general fund to cover debt service requirements. In addition, the acquired property is subject to a mortgage constituted as security for the obligation evidenced by the bonds issued.

The revenue bonds are subject to several positive and negative covenants that the Municipality must comply with at all times. The management of the Municipality understands that all debt covenants have been complied with, in all material respects, at June 30, 2015.

This space was intentionally left blank.

Annual debt service requirements to maturity for bonds payable are as follows:

Fiscal year ending June 30,	Principal	Interest
2016	\$ 660,000	\$ 2,254,282
2017	700,000	2,225,382
2018	760,000	2,194,357
2019	820,000	2,160,782
2020-2024	5,100,000	10,205,937
2025-2029	7,320,000	8,884,825
2030-2034	13,110,000	8,148,340
2035-2036	24,901,940	1,468,924
Totals	\$ 53,371,940	\$ 37,542,830

12. PENSION PLANS

Substantially all full-time employees of the Municipality participate in the Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS). The Employees Retirement System is a statutory trust created by Act No. 447 of May 15, 1951, as amended (Act 447) and a component unit of the Commonwealth.

On April 4, 2013, the Governor of Puerto Rico, signed into law Act No. 3 of 2013, which represents a comprehensive reform of the ERS Act No. 3 became effective on July 1, 2013 and amended the provisions of the different benefit structures under the ERS as further discussed below.

Members who had entered the Employees Retirement System before January 1, 2000 participated in a defined benefit program. Members who began to participate prior to April 1, 1990 (Act 447 Participants) were entitled to the highest benefits structure, while those who began to participate on or after April 1, 1990 (Act 1 Participants) were subject to a longer vesting period and a reduced level of benefits, as provided by Act No. 1 of February 16, 1990 (Act 1 of 1990).

In 1999, Act 447 was amended to close the defined benefit program for new participants and, prospectively, establish a new benefit structure similar to a cash balance plan (this new benefit structure is referred to as System 2000). Members who entered the ERS on or after January 1, 2000 (System 2000 Participants) participate solely in System 2000. Act 3-2013 amended the law to eliminate the lump sum distribution alternative and substitute it for a life annuity payable to the System 2000 Participant. System 2000 Participants do not benefit from any employer contributions. Instead, employer contributions made on account of System 2000 Participants are used to reduce the accumulated unfunded pension benefit obligation of the ERS. System 2000 is not a separate plan as there are no separate accounts for System 2000 Participants. Contributions received from System 2000 Participants are pooled and invested by the ERS together with the assets corresponding to the defined benefit structure of Act 447 and Act 1 of 1990 and the defined contribution structure of System 2000, as amended by Act 3-2013, will be paid from the same pool of assets of the ERS.

Retirement and related benefits provided by the ERS, and required contributions to the ERS by employers and employees, are determined by law rather than by actuarial requirements. As of July 1, 2011, after the adoption of Act 116 of July 6, 2011 (Act 116), the statutory employer contribution for the ERS increased from a minimum of 9.275% to a minimum of 10.275% of covered payroll, and will continue to increase annually until fiscal year 2021. The employer contribution rate for fiscal year 2015 is 13.275%.

Required employee contributions for the ERS vary according to how the individual employee's retirement benefits are coordinated with social security benefits. Act 3-2013 increased the employee contribution from 8.275% to 10% of covered payroll.

The ERS provides basic benefits under the defined benefit program principally consisting of a retirement annuity and death and disability benefits (collectively referred to herein as Basic System Pension Benefits). The ERS also administers benefits granted under various special laws that have provided additional benefits for the retirees and beneficiaries (collectively referred to herein as System Administered Pension Benefits). The System Administered Pension Benefits include, among others, additional minimum pension, death and disability benefits, ad-hoc cost-of-living adjustments and summer and Christmas bonuses. Act 3-2013 and Act 160-2013 amended the various laws providing some of these System Administered Pension Benefits to reduce some of the amounts payable to existing retirees while eliminating the benefits for all future retirees (those retiring after June 30, 2013 and July 31, 2014).

The System Administered Pension Benefits are funded on a pay-as-you-go basis by the participating employers, including the Municipality. The System Administered Pension Benefits corresponding to former employees of the Municipality are obligations of the Municipality. Most of the funds used to cover the System Administered Pension Benefits for other covered employees are required to be paid by the Commonwealth.

The ERS actuarial valuation as of June 30, 2014 differs from the actuarial valuation as of June 30, 2013, due to the adoption of Statement No. 67 of the Governmental Accounting Standards Board, "Financial Reporting for Pension Plans" (GASB 67). GASB 67 specifies certain significant changes for financial reporting purposes for the ERS.

The actuarial valuation of the Basic System Benefits and System Administered Benefits as of June 30, 2014 (most recently available) reflects a fiduciary net position of \$127 million, total pension liability of \$30.2 billion and a net pension liability of \$30.1 billion.

Statement No. 68 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68) became effective for the year ended June 30, 2015. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria as is the case of the ERS.

As of the date of the release of this report, the ERS has not issued its 2014 basic financial statements, nor has it provided the Municipality with the required information to implement the requirements of Statement No. 68 of the Governmental Accounting Standards Board, *Accounting*

Municipality of San Juan
(Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2015

and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (GASB 68). Therefore, the accompanying governmental activities financial statements do not have any adjustments that will be necessary for the Municipality to account for its proportionate share of the net pension liability, deferred inflow of resources and deferred outflow of resources in the statement of net assets as of July 1, 2014 and June 30, 2015, as well as the effect in the recorded pension expense in the statement of activities for the year ended June 30, 2015. Also, additional disclosures required by GASB 68 as well as required supplementary information have been omitted from these basic financial statements.

The pension costs recognized in the accompanying financial statements are equal to the statutorily required contributions, with a liability recorded for any unpaid required contributions, which is not in accordance with accounting principles generally accepted in the United States of America.

During the fiscal years ended June 30, 2015, 2014 and 2013, the Municipality and the participating employees contributed substantially all of the required contributions to ERS and System 2000. The combined actual contributions made by the Municipality and its participating employees to ERS and System 2000 amounted to \$32.5 million, \$27.2 million and 27.1 million for the fiscal years ended June 30, 2015, 2014 and 2013, respectively.

13. FUND BALANCES

As of June 30, 2015, fund balances of governmental funds are comprised of the following:

	General fund	Debt service fund	Capital projects fund	Other governmental funds	Total
Nonspendable:					
Long-term loans receivable	\$ -	\$ -	\$ -	\$ 3,744,269	\$ 3,744,269
Other unrestricted assets	176,327	-	-	995,563	1,171,890
Restricted for:					
Operations of federal and state-funded programs:					
General government	8,332,507	-	-	-	8,332,507
Public Safety	-	-	-	691,067	691,067
Health and welfare	-	-	-	1,686,947	1,686,947
Urban affairs	-	-	-	855,206	855,206
Economic development	-	-	-	6,595,993	6,595,993
Debt service - principal and interests	-	39,290,875	-	4,544,281	43,835,156
Capital projects - acquisition, construction and improvement of major capital assets	-	-	141,730,652	-	141,730,652
Unrestricted	28,529,493	-	-	(1,902,083)	26,627,410
Total fund balances	\$ 37,038,327	\$ 39,290,875	\$ 141,730,652	\$ 17,211,243	\$ 235,271,097

14. NET INVESTMENT IN CAPITAL ASSETS

The investment in capital assets component of net position, net of related debt, is comprised of the following:

	Governmental activities	Business- type activities	Total
Capital assets, net of accumulated depreciation	\$ 636,033,833	\$ 51,002,525	\$ 687,036,358
Outstanding balance on capital related debt	(489,143,000)	(53,371,940)	(542,514,940)
Unexpended capital debt proceeds	152,758,233	-	152,758,233
Total net investment in capital assets	<u>\$ 299,649,066</u>	<u>\$ (2,369,415)</u>	<u>\$ 297,279,651</u>

15. RISK MANAGEMENT

The Risk Management Division of the Municipality is responsible of assuring that the Municipality's property is properly insured. Annually, the Risk Management Division compiles the information of all property owned and its respective market value. After evaluating this information, the Risk Management Division acquires all property and casualty insurance policies for the Municipality. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The Municipality maintains a claims-made policy to provide professional and patient care liability insurance with liability limits of \$300,000 for each medical incident and \$2 million for aggregate incidents. The Municipality also obtained tail insurance coverage for incidents incurred but not reported prior to October 14, 1990. The Municipality has a self-insurance claims liability of \$9.6 million as of June 30, 2015 related to property and casualty claims associated with a self-insurance program that commenced in fiscal year 2013. The Municipality discontinued the self-insurance program effective July 1, 2014.

16. COMMITMENTS

a. Operating Leases

The Municipality leases real property, buildings, vehicles and equipment under various operating lease agreements, which generally have terms of one year or less and are automatically renewed for the same terms. Rental expenditures recorded in the governmental funds for the fiscal year amounted to approximately \$6.7 million. Management believes that the summary of the future minimum rental commitments under non-cancelable real property and equipment lease with terms exceeding one year is not material to the basic financial statements taken as a whole.

b. Construction

The Municipality had commitments at year-end of approximately \$39.9 million for the construction, improvements, or renovation of several capital facilities and the capital assets.

c. Other Commitments

At year-end, the general fund had commitments of approximately \$35.5 million for executory purchases orders or contracts that will be honored during the subsequent year.

17. CONTINGENCIES

a. Legal Contingencies

The Municipality is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations (including medical malpractice claims to the Municipality's Department of Health). Under Public Act No. 104 of June 25, 1955, as amended, persons are authorized to sue the Municipality only for causes of actions set forth in said Act to a maximum amount of \$75,000 or \$150,000 if it involves actions for damages to more than one person or where a single injured party is entitled to several causes of action. Under certain circumstances, as provided in Public Act No. 9 of November 26, 1975, as amended, the Municipality may provide its officers and employees with legal representation as well as assume the payment of any judgment that may be entered against them. There is no limitation on the payment of such judgments.

In addition, the Municipality is currently a defendant in a legal proceeding from a contractor seeking a compensation for damages on an alleged breach of contract. The Municipality, under the advice of its legal counselors, have concluded that the probable loss on this case would be approximately \$9 million.

With respect to the aforementioned legal proceeding and all other pending and threatened litigation, the Municipality has reported liabilities of approximately \$14.3 million at year-end, for possible anticipated unfavorable judgments. These amounts were included in the basic financial statements and represent the amounts estimated as probable liabilities, which may require future available financial resources for its payment. Management believes that any unfavorable outcome in relation to pending or threatened litigation would not be significantly in excess of recorded amounts. The changes in the reserve for claim and judgments for the last two fiscal years are as follows:

	<u>2015</u>	<u>2014</u>
Balance as of July 1	\$ 4,303,978	\$ 14,162,313
Add: Provision for claims and judgments	11,171,468	1,045,755
Less: Payments or deductions of claims and judgments	<u>(1,208,480)</u>	<u>(10,904,090)</u>
Balance as of June 30	<u>\$ 14,266,966</u>	<u>\$ 4,303,978</u>

The Municipality, based on the advice of legal counsel, believes that the potential claims not covered by insurance will not materially affect the financial position, results of operations and cash flows condition of the Municipality.

b. Federal Funds Administrator

The Municipality participates in a number of federal financial assistance programs funded by the Federal Government. Expenditures financed by these programs are subject to financial and compliance audits by the appropriate grantor. The “*Reports on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133*” for the fiscal year ended June 30, 2015, disclosed several material instances of noncompliance with applicable laws and regulations and with internal accounting and administrative controls. If expenditures are disallowed due to noncompliance with grant programs regulations, the Municipality may be required to reimburse the grantor. Management believes that the Municipality will be able to comply with the terms of corrective action plans that may be requested by the federal grantors, and that return of funds, if any, would be immaterial.

18. SUBSEQUENT EVENTS

The Municipality evaluated subsequent events through November 30, 2015, the date on which the basic financial statements were available to be issued. There are no material subsequent events that would require adjustments to or disclosures in the accompanying basic financial statements as of and for the year ended June 30, 2015.



REQUIRED SUPPLEMENTARY INFORMATION

Municipality of San Juan
(Commonwealth of Puerto Rico)
Budgetary Comparison Schedule – General Fund
Fiscal Year Ended June 30, 2015

	Budgeted Amounts		(Budgetary basis)	Final Budget -
	Original	Final	(See Note 1)	Positive (Negative)
REVENUES:				
Property taxes	\$ 160,442,976	\$ 160,442,976	\$ 163,237,309	\$ 2,794,333
Municipal license taxes	121,366,000	121,366,000	125,984,446	4,618,446
Sales and usage taxes	55,609,000	55,609,000	54,142,233	(1,466,767)
Construction excise taxes	24,146,000	24,146,000	34,431,991	10,285,991
Charges for services	58,166,000	58,166,000	50,442,586	(7,723,414)
Interests on deposits	5,436,000	5,436,000	3,958,045	(1,477,955)
Intergovernmental grants and contributions	30,641,759	30,641,759	29,905,372	(736,387)
Miscellaneous revenues	4,762,000	4,762,000	1,930,953	(2,831,047)
Transfers from other governmental funds	16,030,265	16,030,265	27,225,020	11,194,755
Total revenues	476,600,000	476,600,000	491,257,955	14,657,955
EXPENDITURES:				
Current:				
General government	116,228,628	117,964,920	105,943,493	(12,021,427)
Public safety	53,656,845	54,843,973	55,015,256	171,283
Urban affairs	71,609,541	73,626,891	68,337,668	(5,289,223)
Culture and recreation	12,598,222	12,883,394	13,059,244	175,850
Health and welfare	181,732,018	175,570,041	165,012,046	(10,557,995)
Urban development	8,438,939	8,489,922	13,759,618	5,269,696
Economic development	9,905,860	10,682,156	11,209,049	526,893
Education	13,543,102	13,555,265	14,212,951	657,686
Debt service:				
Principal	8,886,845	4,544,010	3,538,023	(1,005,987)
Interest	-	4,439,428	4,439,428	-
Transfers to other governmental funds	-	-	8,203,845	8,203,845
Total expenditures	476,600,000	476,600,000	462,730,621	(13,869,379)
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 28,527,334	\$ 28,527,334

Explanation of Differences:

Sources/inflows of resources:

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule	\$ 491,257,955
Differences - budgetary basis to GAAP:	
Non-budgetary revenues recorded during the year	8,216,291
Property tax amnesty collections reported as revenues for GAAP purposes in 2014 but reported as revenues for budgetary purposes in 2015	(12,519,249)
Certain transfers from other governmental funds are recorded as interest income for budgetary purposes but are recorded as other financial resources for GAAP purposes.	(3,082,644)
Certain transfers from other governmental funds are revenues for budgetary purposes but are recorded as other financial resources for GAAP purposes.	(27,225,020)
Net changes in other assets and deferred inflows of resources:	
Tax, intergovernmental and miscellaneous receivables	(7,787,300)
Deferred inflows of resources	15,827,308
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 464,687,341</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 462,730,621
Differences - budgetary basis to GAAP:	
Prior year encumbrances recorded as current year expenditures for GAAP basis	36,070,237
Current year encumbrances recorded as expenditures for budgetary purposes	(35,464,696)
Non-budgetary expenditures recorded during current year	14,828,642
Certain transfers to other governmental funds are recorded as expenditures for budgetary purposes but are recorded as other financial uses for GAAP purposes.	(8,203,845)
Net changes other assets and liabilities:	
Other unrestricted assets	971,218
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 470,932,177</u>

The accompanying notes to budgetary comparison schedule are an integral part of this schedule.

Municipality of San Juan

(Commonwealth of Puerto Rico)

Notes to the Budgetary Comparison Schedule – General Fund

Fiscal Year Ended June 30, 2015

1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- 1) **Budgetary Control** – The Municipality prepares its annual budget for all of its operations and activities. Such legally adopted budget is based on expected expenditures by the program and estimated resources by source. The annual budgets are developed using elements of performance-based program budgeting and zero-based budgeting, and include estimates of revenues and other resources for the ensuing fiscal year under laws and regulations existing at the time the budgets are prepared.

The Mayor must submit, for the fiscal year commencing on the next July 1, an annual budgetary resolution project (the Project) to the Commissioner of Municipal Affairs of the Commonwealth (the Commissioner) and the Municipal Legislature no later than May 10 and May 15, respectively. The Commissioner preliminarily verifies that the Project complies with all the applicable laws and regulations and may provide comments and suggestions to the Mayor on or before June 13.

The Municipal Legislature has 10 business days, but not later than June 13, to discuss and approve the Project with modifications. The Municipal Legislature may amend the budgets submitted by the Mayor but may not increase any items so far to cause a deficit without imposing taxes or identifying other sources of revenue to cover such deficit. After the Municipal Legislature modifies and preliminarily approves the Project, the modified Project is sent back to the Mayor for his approval or rejection within 6 days. The Mayor may decrease or eliminate any line item but may not increase or insert any new line item in the budgets. The Mayor may also veto the budgets in their entirety and return it to the Municipal Legislature with his objections. If the Mayor rejects the Project, the Municipal Legislature will have up to 8 days to adopt or reject the recommendations or objections of the Mayor. The approved Project is sent again to the Mayor, which then would have 3 days to sign and approve it.

If the budgets are not adopted prior to the end of the deadlines referred to above, the annual budgets for the preceding fiscal year, as approved by the Legislature and the Mayor, are automatically renewed for the ensuing fiscal year until the Municipal Legislature and the Mayor approve new budgets. This permits the Municipality to continue doing payments for its operations and other purposes until the new budgets are approved.

The annual budget may be updated for any estimate revisions as well as fiscal year-end encumbrances, and may include any additional information requested by the Municipal Legislature. The Mayor may request subsequent amendments to the approved budgets, which are subject to the approval of the Municipal Legislature.

The Municipality's Department of Finance and the Office of Management and Budget have the responsibility to ensure that budgetary spending control is maintained. For day-to-day management control purposes, expenditures plus encumbrances may not exceed budgeted amounts at the expenditure-type level of each cost center (activity within a program within a fund). The Mayor may transfer unencumbered appropriations within programs and among funds. The Municipal Legislature may transfer amounts among programs within and among funds.

Municipality of San Juan

(Commonwealth of Puerto Rico)

Notes to the Budgetary Comparison Schedule – General Fund

Fiscal Year Ended June 30, 2015

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the functions/program level (general government, public safety, urban affairs, culture and recreation, health and welfare, urban development, economic development, education, and capital outlays) within the general fund.

Under the laws and regulations of the Commonwealth, the appropriations made for any fiscal year shall not exceed the total revenues, including available surplus, estimated for said fiscal year unless the imposition of taxes sufficient to cover said appropriations is provided.

2) **Budgetary Accounting**

The Municipality's annual budget is prepared using the budgetary (statutory) basis of accounting, which is not in accordance with GAAP. According to the budgetary basis of accounting, revenue is generally recorded when cash is received, except in the case of municipal license taxes collected prior to June 30 but pertaining to the next fiscal year are recorded as revenue in the following budget year. Borrowings may be used to finance budgetary excess of expenditures over revenues.

The Municipality uses encumbrance accounting to record the full amount of purchase orders, contracts and other commitments of appropriated resources as deductions from the appropriation prior to actual expenditure. In the governmental funds, encumbrance accounting is a significant aspect of budgetary control. Accordingly, expenditures are generally recorded when the related expenditure is incurred or encumbered. Available appropriations and encumbrances are established to lapse one fiscal year after the end of the fiscal year. Amounts required to settle claims and judgments against the Municipality, and certain other liabilities, are not recognized until they are encumbered or otherwise processed for payment. Unencumbered appropriations and encumbrances lapse at fiscal year-end. Other appropriations, mainly capital projects appropriations, are continuing accounts for which the Municipal Legislature has authorized that an unspent balance from the prior year be carried forward and made available for current spending.

The accompanying supplemental budgetary comparison schedule - general fund provides information about the general fund's original budget, its amendments, and the actual results of operations of the general fund under the budgetary basis of accounting for the ensuing fiscal year.

At June 30, 2015, the Municipality has outstanding encumbrances in the general fund amounting to \$35.5 million.





COMBINING FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt services and capital projects.

Department of Justice Fund – These funds account for and report federal financial resources restricted to expenditures for various homeland security and criminal justice programs.

Department of Labor Fund – These funds account for and report federal financial resources restricted to expenditures related with the Workforce Investment Act (WIA).

Health and Human Services Fund – These funds account for and report federal financial resources restricted to expenditures for various health services programs, including but not limited to, Community Services Block Grants, Ryan White Act and Head Start programs.

Housing and Urban Development Fund – These funds account for and report federal financial resources restricted to expenditures for various housing and urban development, rehabilitation and assistance programs.

Independent Capital Fund – This fund account for and report federal financial resources restricted to expenditures for a revolving loan program to small private business for the development of economic and commercial activity within the limits of San Juan.

Miscellaneous Special Revenue Fund – These funds account for and report miscellaneous financial resources restricted or committed to expenditures by the Municipality and subsidized in part by Local, State and Federal resources as well as miscellaneous sources.

Retirement Community Fund – This fund accounts for and reports the financial position and operation of Comunidad de Retiro. The Comunidad de Retiro Fund is included as part of other governmental funds and accounts for the financial position and operation of Comunidad de Retiro (the Project). The Municipality formed the Project for the purpose of operating a 356-unit housing project for the elderly and/or handicapped. The Project is operated under Section 231 of the National Housing Act, as amended, and regulated by the U.S. Department of Housing and Urban Development as to rent charges and operating methods. Legal title of the Project is held by the Municipality. Separate financial statements of this individual fund can be obtained from the Project's administrative office:

Condominio Centro de Altamira
Paseo 501 Street, Suite 210
Urbanización Altamira
San Juan, Puerto Rico 00920

Municipality of San Juan
(Commonwealth of Puerto Rico)
Combining Balance Sheet –
Other Governmental Funds
June 30, 2015

	Nonmajor special revenue funds							Total nonmajor special revenue funds
	Department of justice fund	Department of labor fund	Health and human services fund	Housing and urban development fund	Independent capital fund	Miscellaneous special revenue fund	Retirement community	
ASSETS								
Accounts receivable, net of allowance for doubtful accounts:								
Intergovernmental grants and contributions	\$ 387,513	\$ 815,576	\$ 3,001,438	\$ 1,493,080	\$ -	\$ 1,396,350	\$ -	\$ 7,093,957
Due from other governmental funds	260,771	291	1,311,692	1,669,998	2,556,811	3,634,817	-	9,434,380
Miscellaneous receivables	5,348	13,272	92,620	49,300	127,742	20,189	5,696	314,167
Loans receivable, net allowance for loan losses	-	-	-	-	3,744,269	-	-	3,744,269
Other unrestricted assets	-	-	596,191	218,477	175,200	-	-	989,868
Restricted assets:								
Cash in commercial banks	574,153	1,885,866	1,601,300	6,919,143	3,594,120	2,195,811	1,394,902	18,165,295
Cash with fiscal agent	-	-	-	-	-	12,462,899	-	12,462,899
Total assets	\$ 1,227,785	\$ 2,715,005	\$ 6,603,241	\$ 10,349,998	\$ 10,198,142	\$ 19,710,066	\$ 1,400,598	\$ 52,204,835
LIABILITIES								
Accounts payable and accrued liabilities	\$ 12,511	\$ 316,376	\$ 1,353,692	\$ 1,271,120	\$ 35,641	\$ 2,447,092	\$ 118,440	\$ 5,554,872
Due to other governmental funds	479,426	2,045,668	4,113,691	6,212,579	-	4,305,007	-	17,156,371
Matured bonds and interest payable	-	-	-	-	-	-	15,188	15,188
Total liabilities	491,937	2,362,044	5,467,383	7,483,699	35,641	6,752,099	133,628	22,726,431
DEFERRED INFLOWS OF RESOURCES								
Intergovernmental grants and contributions	44,781	-	109,298	5,625	-	12,102,761	4,696	12,267,161
Total deferred inflows of resources	44,781	-	109,298	5,625	-	12,102,761	4,696	12,267,161
FUND BALANCE								
Nonspendable	-	-	596,191	218,476	3,919,469	-	5,696	4,739,832
Restricted	691,067	352,961	430,369	4,544,281	6,243,032	855,206	1,256,578	14,373,494
Unrestricted	-	-	-	(1,902,083)	-	-	-	(1,902,083)
Total fund balances	691,067	352,961	1,026,560	2,860,674	10,162,501	855,206	1,262,274	17,211,243
Total liabilities, deferred inflows of resources and fund balances	\$ 1,227,785	\$ 2,715,005	\$ 6,603,241	\$ 10,349,998	\$ 10,198,142	\$ 19,710,066	\$ 1,400,598	\$ 52,204,835

Municipality of San Juan

(Commonwealth of Puerto Rico)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances-

Other Governmental Funds

Fiscal Year Ended June 30, 2015

	Nonmajor special revenue funds							Total nonmajor special revenue funds
	Department of justice fund	Department of labor fund	Health and human services fund	Housing and urban development fund	Independent capital fund	Miscellaneous special revenue fund	Retirement community	
REVENUES:								
Interests on deposits	\$ -	\$ -	\$ -	\$ 2,969	\$ -	\$ 12,021	\$ -	\$ 14,990
Intergovernmental grants and contributions:								
Federal	1,438,872	5,462,416	45,208,119	53,122,446	789,162	10,875,615	1,821,586	118,718,216
Local	-	-	-	-	-	5,925,825	-	5,925,825
Miscellaneous revenues	-	-	-	85,349	-	-	549,095	634,444
Total revenues	1,438,872	5,462,416	45,208,119	53,210,764	789,162	16,813,461	2,370,681	125,293,475
EXPENDITURES:								
General government	76,866	38,293	7,275,993	342,658	70	1,512,427	-	9,246,307
Public safety	592,122	-	-	1,754	-	384,885	-	978,761
Urban affairs	-	-	-	45,204,925	-	6,715,960	1,907,977	53,828,862
Culture and recreation	-	-	-	436,510	-	28,800	-	465,310
Health and welfare	84,382	-	9,022,949	2,257,505	-	2,237,772	-	13,602,608
Urban development	-	-	-	-	-	239,957	-	239,957
Economic development	-	4,134,398	-	557,358	1,059,571	246,125	-	5,997,452
Education	-	1,200,529	29,601,126	212,119	1,087,349	7,373,001	-	39,474,124
Capital outlays	425,485	127,083	47,387	718,096	-	1,621,117	-	2,939,168
Debt service								
Principal	-	-	-	4,125,000	-	-	478,143	4,603,143
Interest	-	-	-	194,281	-	-	201,172	395,453
Total expenditures	1,178,855	5,500,303	45,947,455	54,050,206	2,146,990	20,360,044	2,587,292	131,771,145
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	260,017	(37,887)	(739,336)	(839,442)	(1,357,828)	(3,546,583)	(216,611)	(6,477,670)
OTHER FINANCING SOURCES (USES):								
Transfer from other governmental funds	4,925	4,191	1,015,047	13,085	-	6,146,630	-	7,183,878
Transfer to other governmental funds	(22,390)	-	(23,827)	(2,115)	-	(4,046)	-	(52,378)
Total other financing sources (uses), net	(17,465)	4,191	991,220	10,970	-	6,142,584	-	7,131,500
NET INCREASE (DECREASE) IN FUND BALANCE	242,552	(33,696)	251,884	(828,472)	(1,357,828)	2,596,001	(216,611)	653,830
FUND BALANCE, AT BEGINNING OF YEAR	448,515	386,657	774,676	3,689,146	11,520,329	(1,740,795)	1,478,885	16,557,413
FUND BALANCE, AT END OF YEAR	\$ 691,067	\$ 352,961	\$ 1,026,560	\$ 2,860,674	\$ 10,162,501	\$ 855,206	\$ 1,262,274	\$ 17,211,243



STATISTICAL SECTION

Municipality of San Juan
Commonwealth of Puerto Rico

Statistical Section

Fiscal Year Ended June 30, 2015

STATISTICAL SECTION

This part of the Comprehensive Annual Financial Information Report presents detailed information as a context for understanding what the governmental activities information in the basic financial statements, note disclosures, and required supplementary information says about the Municipality's overall financial position, results of operations and cash flows.

	Page
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the Municipality's financial performance and well-being have changed over time.	81-86
REVENUE CAPACITY	
These schedules contain information to help the reader assess the Municipality's most significant local revenue sources, the property tax and municipal license tax.	97-92
DEBT CAPACITY	
These schedules present information to help the reader assess the affordability of the Municipality's current levels of outstanding debt and the Municipality's ability to issue additional debt in the future.	93-95
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within the Municipality's financial activities take place.	96-97
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the Municipality's financial report relates to the services the government provides and the activities it performs.	98-100

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports and/or the basic financial statements for the relevant fiscal year. Certain items were reclassified to conform to the current year presentation.

Note: The laws and regulations of the Commonwealth of Puerto Rico establish strict confidentiality requirements about taxpayer's and employer's information. Accordingly, this statistical section does not include information about the ten principal taxpayers of property taxes and municipal taxes, and information about principal private employers.

Municipality of San Juan
Commonwealth of Puerto Rico

Net Position by Component - Governmental Activities

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NET POSITION:										
Net investment in capital assets	\$299,649,066	\$ 333,037,011	\$385,429,545	\$248,446,837	\$273,582,683	\$252,341,458	\$ 202,598,411	\$ 203,410,069	\$ 231,536,767	\$ 262,474,334
Restricted	55,135,650	104,887,271	99,003,313	84,791,476	52,861,932	43,547,515	33,521,750	19,637,401	91,029,309	96,732,264
Unrestricted	(403,919,176)	(473,956,363)	(534,637,161)	(382,617,676)	(316,242,583)	(309,227,240)	(262,419,696)	(266,523,215)	(397,805,969)	(313,110,330)
Total	\$ (49,134,460)	\$ (36,032,081)	\$ (50,204,303)	\$ (49,379,363)	\$ 10,202,032	\$ (13,338,267)	\$ (26,299,535)	\$ (43,475,745)	\$ (75,239,893)	\$ 46,096,268

Municipality of San Juan

Commonwealth of Puerto Rico

Changes in Net Position – Governmental and Business-Type Activities

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
EXPENSES										
Governmental Activities:										
General government	\$ 130,662,801	\$ 114,752,658	\$ 108,722,883	\$ 151,098,802	\$ 143,281,513	\$ 118,236,295	\$ 109,022,241	\$ 130,921,864	\$ 278,120,955	\$ 101,033,875
Public safety	58,695,185	60,840,546	63,404,941	76,462,134	63,909,738	64,184,743	61,833,589	55,257,432	53,801,241	52,287,545
Urban affairs	134,053,425	139,050,823	81,714,664	80,339,038	78,562,145	76,920,317	78,205,038	73,779,395	70,232,876	58,182,626
Culture and recreation	25,297,116	24,639,844	23,910,472	26,167,621	24,001,051	26,318,795	24,585,528	20,503,405	16,885,637	19,429,725
Health and welfare	193,815,634	200,710,231	247,560,973	252,339,989	264,979,765	259,578,631	261,505,290	252,589,628	242,464,686	255,081,642
Urban development	9,677,735	6,881,842	52,387,815	50,644,013	52,231,792	57,456,367	57,683,569	51,247,210	60,012,476	53,542,461
Economic development	22,917,216	22,509,693	24,760,145	21,760,817	26,033,334	25,423,606	22,500,025	24,567,119	26,634,239	25,627,780
Education	57,369,271	53,964,694	19,588,591	20,232,620	20,202,797	21,070,955	16,075,081	12,595,026	11,244,378	9,384,436
Interests on long-term debt	415,458,770	40,907,844	36,571,971	28,312,858	31,800,672	30,305,957	35,458,693	31,646,329	33,610,514	24,116,637
Total Governmental Activities:	674,034,253	664,258,176	658,622,455	707,357,892	705,002,807	679,495,666	666,869,054	653,107,408	793,007,002	598,756,727
Business-Type Activities:										
International Center	4,541,837	5,549,213	4,886,904	3,290,474	1,730,193	-	-	-	-	-
Total Expenses	678,576,090	669,807,389	663,509,359	710,648,366	706,733,000	679,495,666	666,869,054	653,107,408	793,007,002	598,756,727
PROGRAM REVENUES										
Charges for services:										
General government	4,059,293	3,203,678	6,519,557	6,728,846	9,720,804	5,814,947	5,240,933	5,029,324	9,491,555	5,672,377
Public Safety	737,787	985,799	356,927	603,075	-	-	-	-	-	-
Urban affairs	110,504	40,673	19,886	16,264	-	-	-	-	-	-
Culture and recreation	127,413	1,180,781	2,599,169	2,121,060	-	-	-	-	-	-
Health and welfare	35,625,896	32,717,879	32,468,300	27,090,065	45,153,219	40,993,473	41,950,950	38,609,359	33,381,497	38,856,492
Urban development	3,206,055	2,315,772	2,092,641	2,744,380	-	-	-	-	-	-
Economic development	5,217,082	6,006,089	4,511,108	4,886,980	-	-	-	-	-	-
Education	3,862,512	3,649,766	4,012,482	4,644,102	-	-	-	-	-	-
Others	-	-	-	-	13,425,903	13,608,580	10,876,309	9,503,177	5,123,660	8,971,706
Operating grants and contributions	12,179,659	10,110,340	13,018,415	13,165,087	13,648,733	12,100,309	110,519,634	118,799,181	108,213,207	118,837,739
Capital grants and contributions	3,551,007	12,099,640	5,051,090	3,594,875	6,329,768	4,610,369	1,047,853	-	1,059,900	1,568,275
Total Governmental Activities:	179,440,746	163,303,480	187,815,305	184,079,734	211,177,527	186,035,678	169,635,679	171,941,041	157,318,519	173,906,589
Business-Type Activities:										
International Center	3,220,589	2,528,865	2,180,050	3,057,189	1,528,595	-	-	-	-	-
Total Program Revenues	182,661,335	165,832,345	189,995,355	187,136,923	212,646,122	186,035,678	169,635,679	171,941,041	157,318,519	173,906,589
NET EXPENSES										
Governmental activities	(494,593,507)	(500,954,696)	(470,807,150)	(523,278,158)	(493,885,280)	(493,459,988)	(497,233,375)	(481,166,367)	(635,688,483)	(424,850,138)
Business-Type activities	(132,1248)	(3,020,348)	(2,706,854)	(233,285)	(201,598)	-	-	-	-	-
TOTAL NET EXPENSES	\$ (495,914,755)	\$ (503,975,044)	\$ (473,514,004)	\$ (523,511,443)	\$ (494,086,878)	\$ (493,459,988)	\$ (497,233,375)	\$ (481,166,367)	\$ (635,688,483)	\$ (424,850,138)

(Continued)

Municipality of San Juan Commonwealth of Puerto Rico

Changes in Net Position – Governmental and Business-Type Activities Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
GENERAL REVENUES AND SPECIAL ITEM										
Taxes	\$ 442,518,002	\$ 467,501,978	\$ 427,379,143	\$ 461,948,166	\$ 470,183,990	\$ 467,194,353	\$ 453,901,477	\$ 470,370,533	\$ 433,643,709	\$ 361,253,901
Grants and contributions not restricted to specific programs	30,120,078	40,180,055	38,465,337	40,265,139	38,030,597	30,379,513	30,358,872	27,889,291	27,077,200	31,433,657
Interests on deposits	4,840,942	6,048,121	7,421,454	3,871,392	2,565,220	3,884,103	5,385,748	6,688,900	7,768,600	5,932,657
Gain on sale of capital assets	-	-	-	-	-	-	-	-	10,740,394	3,858,933
Miscellaneous revenues	5,029,747	4,300,997	7,850,991	5,250,763	6,645,772	4,963,287	4,418,667	7,981,791	35,122,419	3,261,171
Special item	-	-	-	-	-	-	20,344,821	-	-	-
Transfers	(1,017,641)	(2,904,232)	(1,967,493)	-	-	-	-	-	-	-
Total Governmental Activities:	481,491,128	515,126,919	479,149,432	511,335,460	517,425,579	506,421,256	514,409,585	512,930,515	514,352,322	405,740,319
Business-Type Activities:										
Transfers	1,017,641	2,904,232	1,967,493	-	-	-	-	-	-	-
Total general revenues and special item	482,508,769	518,031,151	481,116,925	511,335,460	517,425,579	506,421,256	514,409,585	512,930,515	514,352,322	405,740,319
NET INCREASE (DECREASE) IN NET POSITION										
Governmental activities	(13,102,379)	14,172,222	8,342,282	(11,942,698)	23,540,299	12,961,268	17,176,210	31,764,148	(12,133,616)	(19,109,819)
Business-type activities	(303,607)	(116,116)	(739,361)	(233,285)	(201,598)	-	-	-	-	-
TOTAL GOVERNMENT	\$ (13,405,986)	\$ 14,056,106	\$ 7,602,921	\$ (12,175,983)	\$ 23,338,701	\$ 12,961,268	\$ 17,176,210	\$ 31,764,148	\$ (12,133,616)	\$ (19,109,819)

(Continued)

Note: A new Sales and Usage Tax was effective in 2007.

Municipality of San Juan
Commonwealth of Puerto Rico

Fund Balances - Governmental Funds

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund,:										
Nonspendable	\$ 176,327	\$ 8,197,061	\$ 14,126	\$ 20,554	\$ 15,619	\$ 7,517	\$ 2,876	\$ 37,435	\$ 22,875	\$ 68,098
Restricted	8,332,507	14,076,266	95,760	2,645	3,297	3,296	461	3,176	3,029	4,381
Committed	-	-	-	-	245	5,118	1,544	983	494	98
Unrestricted	28,529,493	(1,098,271)	(99,182)	(127,761)	(35,345)	(34,370)	(23,328)	(61,105)	(56,430)	(104,350)
Total general fund	\$ 37,038,327	\$ 21,175,056	\$ 10,704	\$ (104,562)	\$ (16,184)	\$ (18,439)	\$ (18,447)	\$ (19,511)	\$ (30,032)	\$ (31,773)
All Other governmental funds,:										
Nonspendable	\$ 4,739,832	\$ 5,530,872	\$ -	\$ 10,418	\$ 10,911	\$ 11,404	\$ 12,269	\$ 47	\$ 1,988	\$ 2,264
Restricted	195,326,010	176,593,758	202,953	82,238	56,888	48,204	40,574	42,474	60,815	54,308
Committed	-	-	-	110,949	64,147	63,912	77,572	131,887	53,833	81,130
Unrestricted	(1,833,072)	(15,547,020)	(16,243)	(7,645)	(9,287)	(5,363)	(5,211)	(4,961)	(7,930)	(6,051)
Total all other governmental funds	\$ 198,232,770	\$ 166,577,610	\$ 186,710	\$ 195,960	\$ 122,659	\$ 118,157	\$ 125,204	\$ 169,447	\$ 108,706	\$ 131,651

Note 1: The Municipality implemented GASB Statements No. 54 as of July 1, 2008. Fund balance classifications are presented in this schedule to conform to the provisions of this statement by reclassifying fund balances for all prior periods presented.

Municipality of San Juan
Commonwealth of Puerto Rico

Changes in Fund Balances – Governmental Funds (in Thousands)

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
REVENUES										
Property taxes ₁	\$ 223,889	\$ 241,423	\$ 234,752	\$ 260,217	\$ 237,819	\$ 238,690	\$ 214,652	\$ 217,728	\$ 217,513	\$ 206,395
Municipal license taxes ₁	133,669	121,434	118,402	125,998	153,975	157,380	156,033	149,947	145,599	131,369
Sales and usage taxes ₂	64,657	61,323	58,033	56,876	56,405	54,487	54,646	54,799	41,362	-
Construction excise taxes ³	33,970	22,868	13,640	18,858	21,986	16,637	28,571	47,896	29,170	23,490
Charges for services	54,186	50,048	50,808	48,834	68,300	59,533	58,071	53,142	48,045	53,500
Interests on deposits	4,841	6,048	1,360	3,871	2,565	3,884	5,386	6,689	7,769	5,933
Intergovernmental grants and contributions:										
Federal	118,721	111,375	129,284	133,299	142,589	124,905	105,431	109,857	107,605	112,243
Local	36,934	41,534	38,648	42,211	38,259	31,979	36,492	36,832	28,746	39,597
Miscellaneous revenues	5,030	4,301	13,048	5,251	6,645	4,963	4,419	7,982	35,122	3,261
Totals	675,897	660,354	657,976	695,415	728,543	692,458	663,701	684,872	660,931	575,788
EXPENDITURES										
General government	122,986	116,716	95,492	144,371	150,800	138,345	109,552	144,337	170,590	95,055
Public safety	56,912	56,942	63,513	64,907	61,306	60,293	57,950	52,950	52,507	50,081
Urban affairs	122,631	127,033	62,176	78,672	67,800	74,715	75,228	72,028	67,557	57,716
Culture and recreation	13,475	15,368	15,578	16,558	16,213	18,371	16,818	12,988	11,447	12,655
Health and welfare	186,412	196,816	241,142	246,398	259,064	253,358	252,948	246,932	239,081	247,214
Urban development	8,702	7,198	52,054	50,597	51,826	48,624	49,336	45,088	55,008	49,013
Economic development	16,991	16,863	19,362	15,231	20,523	19,956	18,537	19,247	21,741	21,214
Education	55,461	52,609	18,032	18,522	18,996	19,909	15,332	12,245	11,106	9,164
Capital outlays	33,456	29,168	61,888	55,834	39,838	48,527	77,091	43,039	34,783	32,130
Debt service:										
Principal	58,149	89,572	70,645	58,230	55,759	50,126	47,624	41,911	40,385	35,157
Interests	41,546	44,044	33,842	28,313	31,801	30,306	35,459	31,646	33,611	28,140
Totals	716,721	752,329	733,724	777,633	773,926	762,530	755,875	722,411	737,816	637,539
EXPENDITURES OVER REVENUES	\$ (40,824)	\$ (91,975)	\$ (75,748)	\$ (82,218)	\$ (45,383)	\$ (70,072)	\$ (92,174)	\$ (37,539)	\$ (76,885)	\$ (61,751)

(continued)

Municipality of San Juan
Commonwealth of Puerto Rico

Changes in Fund Balances – Governmental Funds (in Thousands)
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
OTHER FINANCING SOURCES (USES):										
Transfers from governmental funds	\$ 37,494	\$ 24,102	\$ 7,503	\$ 15,826	\$ -	\$ 6,428	\$ 9,368	\$ 5,749	\$ 13,874	\$ 19
Bonds payable issued	-	-	-	126,395	26,738	63,035	28,650	108,800	44,941	31,350
Note payable issued	89,360	85,220	183,730	-	25,386	-	-	-	-	24,655
Advances from CRIM	-	-	-	-	-	-	-	-	-	687
Transfers to proprietary fund	(1,018)	(2,904)	(1,967)	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	10,741	6,021
Transfers to governmental funds	(37,494)	(24,102)	(7,503)	(15,826)	-	(6,428)	(9,368)	(5,749)	(13,874)	(19)
Total	88,342	82,316	181,763	126,395	52,124	63,035	28,650	108,800	55,682	62,713
SPECIAL ITEM	-	-	-	-	-	-	20,345	-	-	-
NET INCREASE (DECREASE) IN FUND BALANCE	\$ 47,518	\$ (9,659)	\$ 106,016	\$ 44,177	\$ 6,741	\$ (7,037)	\$ (63,524)	\$ 71,261	\$ (21,203)	\$ 962
Debt service as a percentage of non-capital expenditures	14.6%	18.5%	18.4%	13.6%	11.9%	11.3%	12.2%	10.8%	10.5%	10.5%

(concluded)

Note 1: The municipality licenses tax rates were substantially revised 2010 resulting in an increase of 10% of this tax revenue from 2010 from prior year.

Note 2: A new sales and usage taxes was effective in 2007.

Note 3: The construction excise tax rates were substantially revised in 2005 and a new hotel room tax was effective in 2007, but was eliminated in 2009.

Note 4: License and permits together with fines and forfeitures were presented as part of charges for services in 2013.

Municipality of San Juan
Commonwealth of Puerto Rico
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2015 ₁	\$ 263,214,542	\$ 159,769,657	60.70%	\$ 64,184,727	\$ 223,954,384	85.08%
2014 ₁	263,214,542	159,769,657	60.70%	64,184,727	223,954,384	85.08%
2013	263,214,542	159,769,657	60.70%	64,184,727	223,954,384	85.08%
2012	299,362,852	201,376,960	67.27%	55,076,419	256,453,379	85.67%
2011	262,744,836	176,744,509	67.27%	48,339,281	225,083,790	85.67%
2010	239,352,137	160,241,499	66.95%	60,692,233	220,933,732	92.30%
2009	223,035,646	147,854,065	66.29%	48,460,848	196,314,913	88.02%
2008	237,779,692	185,900,468	78.18%	31,373,281	217,273,749	91.38%
2007	222,453,686	194,358,542	87.37%	17,466,237	211,824,779	95.22%
2006	222,453,686	192,225,788	86.41%	15,568,206	207,793,994	93.41%

Source: Municipal Revenue Collection Center.

Note 1: The figures for 2014 and 2015 disclosed above were estimated since actual information was not readily available and could not be obtained from the Municipal Revenue Collection Center.

Municipality of San Juan
Commonwealth of Puerto Rico

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Gross Valuation	Exempted Value	Exonerated Value	Net Assessed Value	Tax Effective Rate
2015 ₃	\$ 26,627,930	\$ 3,407,150	\$ 8,889,249	\$ 14,331,531	8.15%
2014 ₃	26,627,930	3,407,150	8,889,249	14,331,531	8.15%
2013	29,317,201	3,407,150	8,889,249	17,020,802	8.15%
2012 ₂	28,880,260,000	2,776,204,488	8,814,054,942	17,290,000,570	8.15%
2011 ₁	28,746,074,327	2,763,305,474	8,773,102,406	17,209,666,447	8.15%
2010 ₁	27,698,472,939	2,419,715,471	8,773,878,912	16,504,878,556	7.01%
2009	4,205,118,698	453,199,976	875,713,532	2,876,205,190	7.75%
2008	4,251,598,060	397,563,359	877,948,279	2,976,086,422	7.99%
2007	4,230,664,852	397,563,359	877,948,279	2,955,153,214	7.53%
2006	4,127,182,083	348,451,640	855,064,963	2,923,665,480	7.61%

Source: Municipal Revenue Collection Center.

Note: The actual value of taxable property tax has not been reported since the current property tax law imposes the tax based on the assessed value at 1957 market prices.

Note 1: On July 10, 2009, the Legislature of the Commonwealth of Puerto Rico approved Law No. 37 for the purpose of, among others, increasing the real property assessed value by ten times and increasing the exempt portion of real property tax from the first \$15,000 of the assessed value to \$150,000. These provisions are effective only for fiscal years 2010, 2011 and 2012.

Note 2: The figures for 2012 disclosed above were estimated since actual information was not readily available. However, the management of the Municipality concluded that the estimates for 2012 would not significantly differ from actual figures.

Note 3: The figures for 2014 and 2015 disclosed above were estimated since actual information was not readily available and could not be obtained from the Municipal Revenue Collection Center.

Municipality of San Juan
Commonwealth of Puerto Rico

Property Tax Rates
Last Ten Fiscal Years

Real Property				
Fiscal Year	General Purposes	Debt Services	Government of Puerto Rico	Total
2015	6.00%	3.50%	1.03%	10.53%
2014	6.00%	3.50%	1.03%	10.53%
2013	6.00%	3.50%	1.03%	10.53%
2012	6.00%	3.50%	1.03%	10.53%
2011	6.00%	3.50%	1.03%	10.53%
2010	6.00%	2.00%	1.03%	9.03%
2009	6.00%	2.00%	1.03%	9.03%
2008	6.00%	2.00%	1.03%	9.03%
2007	6.00%	2.00%	1.03%	9.03%
2006	6.00%	2.00%	1.03%	9.03%

Personal Property				
Fiscal Year	General Purposes	Debt Services	Government of Puerto Rico	Total
2015	4.00%	3.50%	1.03%	8.53%
2014	4.00%	3.50%	1.03%	8.53%
2013	4.00%	3.50%	1.03%	8.53%
2012	4.00%	3.50%	1.03%	8.53%
2011	4.00%	3.50%	1.03%	8.53%
2010	4.00%	2.00%	1.03%	7.03%
2009	4.00%	2.00%	1.03%	7.03%
2008	4.00%	2.00%	1.03%	7.03%
2007	4.00%	2.00%	1.03%	7.03%
2006	4.00%	2.00%	1.03%	7.03%

Source: Finance Department of the Municipality of San Juan.

Municipality of San Juan
Commonwealth of Puerto Rico
Municipal Licenses Tax Filers by Income Level
Last Ten Fiscal Years

2015				
Income (In thousands)	Number of Filers	Percentage of Total	Total Income (In thousands)	Percentage of Total
\$5 - \$1,000	22,309	89.72%	\$ 3,528,570	13.59%
\$1,000 - \$100,000	2,522	10.14%	14,541,178	55.99%
Over \$100,000	34	0.14%	7,901,534	30.42%
	<u>24,865</u>	<u>100.00%</u>	<u>\$ 25,971,282</u>	<u>100.00%</u>

2014				
Income (In thousands)	Number of Filers	Percentage of Total	Total Income (In thousands)	Percentage of Total
\$5 - \$1,000	22,180	90.05%	\$ 3,510,154	16.05%
\$1,000 - \$100,000	2,425	9.85%	13,034,891	59.60%
Over \$100,000	25	0.10%	5,323,937	24.34%
	<u>24,630</u>	<u>100.00%</u>	<u>\$ 21,868,982</u>	<u>100.00%</u>

2013				
Income (In thousands)	Number of Filers	Percentage of Total	Total Income (In thousands)	Percentage of Total
\$5 - \$1,000	22,890	90.38%	\$ 3,555,701	16.89%
\$1,000 - \$100,000	2,413	9.53%	13,578,014	64.51%
Over \$100,000	23	0.09%	3,912,912	18.59%
	<u>25,326</u>	<u>100.00%</u>	<u>\$ 21,046,627</u>	<u>100.00%</u>

2012				
Income (In thousands)	Number of Filers	Percentage of Total	Total Income (In thousands)	Percentage of Total
\$5 - \$1,000	22,869	90.63%	\$ 3,477,811	16.85%
\$1,000 - \$100,000	2,342	9.28%	13,335,280	64.62%
Over \$100,000	21	0.08%	3,821,924	18.52%
	<u>25,232</u>	<u>100.00%</u>	<u>\$ 20,635,015</u>	<u>100.00%</u>

2011				
Income (In thousands)	Number of Filers	Percentage of Total	Total Income (In thousands)	Percentage of Total
\$5 - \$1,000	22,766	90.67%	\$ 3,525,611	17.11%
\$1,000 - \$100,000	2,324	9.26%	13,959,370	67.77%
Over \$100,000	18	0.07%	3,114,563	15.12%
	<u>25,108</u>	<u>100.00%</u>	<u>\$ 20,599,544</u>	<u>100.00%</u>

(Continued)

Municipality of San Juan
Commonwealth of Puerto Rico
Municipal Licenses Tax Filers by Income Level
Last Ten Fiscal Years

2010				
Income (In thousands)	Number of Filers	Percentage of Total	Total Income (In thousands)	Percentage of Total
\$5 - \$1,000	20,422	90.17%	\$ 3,458,912	14.72%
\$1,000 - \$100,000	2,198	9.70%	13,264,438	56.44%
Over \$100,000	29	0.13%	6,777,072	28.84%
	<u>22,649</u>	<u>100.00%</u>	<u>\$ 23,500,422</u>	<u>100.00%</u>

2009				
Income (In thousands)	Number of Filers	Percentage of Total	Total Income (In thousands)	Percentage of Total
\$5 - \$1,000	20,422	90.17%	\$ 3,458,912	14.72%
\$1,000 - \$100,000	2,198	9.70%	13,264,438	56.44%
Over \$100,000	29	0.13%	6,777,072	28.84%
	<u>22,649</u>	<u>100.00%</u>	<u>\$ 23,500,422</u>	<u>100.00%</u>

2008				
Income (In thousands)	Number of Filers	Percentage of Total	Total Income (In thousands)	Percentage of Total
\$5 - \$1,000	20,987	89.86%	\$ 3,649,010	17.76%
\$1,000 - \$100,000	2,347	10.05%	13,761,894	66.97%
Over \$100,000	20	0.09%	3,139,838	15.28%
	<u>23,354</u>	<u>100.00%</u>	<u>\$ 20,550,742</u>	<u>100.00%</u>

2007				
Income (In thousands)	Number of Filers	Percentage of Total	Total Income (In thousands)	Percentage of Total
\$5 - \$1,000	20,131	89.46%	\$ 3,551,983	17.91%
\$1,000 - \$100,000	2,354	10.46%	13,405,025	67.59%
Over \$100,000	18	0.08%	2,876,175	14.50%
	<u>22,503</u>	<u>100.00%</u>	<u>\$ 19,833,183</u>	<u>100.00%</u>

2006				
Income (In thousands)	Number of Filers	Percentage of Total	Total Income (In thousands)	Percentage of Total
\$5 - \$1,000	17,757	88.90%	\$ 3,402,152	14.03%
\$1,000 - \$100,000	2,185	10.94%	13,620,162	56.17%
Over \$100,000	32	0.16%	7,224,400	29.80%
	<u>19,974</u>	<u>100.00%</u>	<u>\$ 24,246,714</u>	<u>100.00%</u>

(Concluded)

Source: Finance Department of the Municipality of San Juan.

Municipality of San Juan
Commonwealth of Puerto Rico

Municipal Licenses Tax Rates

Last Ten Fiscal Years

Fiscal Year	Financial Businesses		Non-Financial Businesses		
	All	1987 Special Law	under \$1 million	\$1 million and over	1987 Special Law
2015	1.50%	1.00%	0.20%	0.50%	0.30%
2014	1.50%	1.00%	0.20%	0.50%	0.30%
2013	1.50%	1.00%	0.20%	0.50%	0.30%
2012	1.50%	1.00%	0.20%	0.50%	0.30%
2011	1.50%	1.00%	0.20%	0.50%	0.30%
2010	1.50%	1.00%	0.20%	0.50%	0.30%
2009	1.50%	1.00%	0.20%	0.50%	0.30%
2008	1.50%	1.00%	0.20%	0.50%	0.30%
2007	1.50%	1.00%	0.20%	0.50%	0.30%
2006	1.50%	1.00%	0.20%	0.50%	0.30%

Source: Finance Department of the Municipality of San Juan.

Municipality of San Juan
Commonwealth of Puerto Rico

Ratios of Outstanding Debt by Type in Thousands, Except Per Capita Amount
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
(In Thousands)										
Bonds payable	\$ 399,783	\$ 436,591	\$ 479,437	\$ 479,437	\$ 394,138	\$ 410,636	\$ 384,158	\$ 389,682	\$ 384,794	\$ 367,075
Bonds anticipation notes	-	-	-	-	1,873	-	-	-	-	-
Mortgage payable	2,144	2,382	3,062	3,465	3,836	4,177	4,490	4,778	5,042	5,285
Notes payable	506,193	442,056	401,170	213,966	228,856	217,525	230,781	243,287	182,794	194,499
Obligations under capital leases	-	-	-	-	-	-	-	657	1,800	3,016
Total	\$ 908,120	\$ 881,029	\$ 883,669	\$ 696,868	\$ 628,703	\$ 632,338	\$ 619,429	\$ 638,404	\$ 574,430	\$ 569,875
Percentage of personal income	14.05%	13.63%	12.84%	10.97%	9.92%	4.71%	4.97%	5.70%	5.83%	6.65%
Total long-term debt per capita ₁	\$ 2,491	\$ 2,382	\$ 2,235	\$ 1,788	\$ 1,590	\$ 1,478	\$ 1,445	\$ 1,486	\$ 1,334	\$ 1,320
Bonds payable per capita ₁	\$ 1,096	\$ 1,180	\$ 1,213	\$ 1,230	\$ 997	\$ 960	\$ 896	\$ 907	\$ 893	\$ 850
Percentage of bonds payable of net assessed value of property	2.79%	2.57%	2.82%	2.77%	2.29%	2.49%	13.36%	13.09%	13.02%	12.56%

Note 1: Population data can be found in the Schedule of Demographic and Economic Statistics.

Municipality of San Juan
Commonwealth of Puerto Rico
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Population ₂	In thousands				Total Bonded Debt	Percentage of Personal Income	Percentage of Assessed Value of Taxable Property	Bonded Debt Per Capital ₁
		Net Assessed Value ₄	General Obligation Bonds	Less: GO's Debt Service Funds					
2015	364,622	\$ 1,433,153	\$ 399,783	\$ 39,291	\$ 360,492	5.58%	25.2%	\$ 989	
2014	369,938	1,433,153	436,591	70,965	365,626	5.65%	25.5%	988	
2013	395,326	1,702,080	479,437	63,712	415,725	6.04%	24.4%	1,052	
2012 ₃	389,714	17,290,001	479,437	66,049	413,388	6.51%	2.39%	1,061	
2011 ₃	395,326	17,209,666	394,138	35,463	358,675	2.67%	2.08%	907	
2010 ₃	427,789	16,504,879	410,636	19,627	391,009	3.14%	2.37%	914	
2009	428,765	2,876,205	384,158	11,201	372,957	2.99%	12.97%	870	
2008	429,743	2,976,086	389,682	14,524	375,158	3.35%	12.61%	873	
2007	430,724	2,955,153	384,794	9,404	375,390	3.81%	12.70%	872	
2006	431,707	2,923,665	367,075	10,355	356,720	4.16%	12.20%	826	

Source: Municipal Revenue Collection Center

Note 1: Details regarding the Municipality's outstanding debt can be found in the notes to the basic financial statements.

Note 2: Population data can be found in the accompanying Schedule of Demographic and Economic Statistic. The figures for 2014 and 2015 disclosed above were estimated since actual information was not readily available and could not be obtained from the Municipal Revenue Collection Center.

Note 3: On July 10, 2009, the Legislature of the Commonwealth of Puerto Rico approved Law No. 37 for the purpose of, among others, increasing the real property assessed value by ten times and increasing the exempt portion of the real property tax from the first \$15,000 of the assessed value of \$150,000. These provisions are effective only for fiscal years 2010, 2011 and 2012.

Note 4: The net assessed value figures for 2014 and 2015 disclosed above were estimated since actual information was not readily available.

Municipality of San Juan
Commonwealth of Puerto Rico
Legal Debt Margin Information (in Thousands)
Last Ten Fiscal Years

Legal Debt Margin Calculation as of June 30, 2015:

Assessed Value of Taxable Property	\$ 26,627,930
Legal debt limit - 10% of assessed value of taxable property	\$ 2,662,793
Debt applicable to limit:	
General obligations bonds	905,976
Less: GO's Debt Service Fund balance	(39,291)
Less: Other adjustments, including adjustments made pursuant to Acts No. 18 and No. 19 of January 24, 2014.	1,606,798
Total net debt applicable to limit	2,473,483
Legal debt margin	\$ 189,310

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Legal debt limit ¹	\$ 2,662,793	\$ 2,662,793	\$ 3,143,881	\$ 2,474,638	\$ 2,515,932	\$ 2,769,847	\$ 420,512	\$ 425,160	\$ 423,067	\$ 412,718
Total net debt applicable to limit	(2,473,483)	(365,626)	(845,119)	(413,388)	(358,675)	(391,009)	(372,957)	(375,158)	(375,390)	(356,720)
Legal debt margin	\$ 189,310	\$ 2,297,167	\$ 2,298,762	\$ 2,061,250	\$ 2,157,257	\$ 2,378,838	\$ 47,555	\$ 50,002	\$ 47,677	\$ 55,998

Note: Under Puerto Rico law, the Municipality's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general bond obligations.

Municipality of San Juan
Commonwealth of Puerto Rico

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population₁	Personal Income	Per Capital	Inflation Rate₂	Employment₃	Unemployment Rate₃
2015 ₄	364,622	\$ 6,465,477,304	\$ 17,732	0.90%	138,700	7.70%
2014 ₄	369,938	6,465,776,364	17,478	0.90%	126,000	9.90%
2013	395,326	6,883,811,638	17,413	0.90%	126,700	9.10%
2012	389,714	6,352,338,200	16,300	1.30%	135,600	11.00%
2011	395,326	6,337,471,106	16,031	1.80%	134,900	11.70%
2010	427,789	13,424,013,893	31,380	2.00%	139,900	11.90%
2009	428,765	12,458,000,705	29,056	8.00%	150,000	9.60%
2008	429,743	11,208,632,880	26,082	11.40%	157,400	8.03%
2007	430,724	9,845,941,714	22,859	14.10%	165,400	7.40%
2006	431,707	8,573,772,511	19,860	15.10%	172,600	6.70%

- Note: 1. Federal Census Bureau and Puerto Rico Planning Board.
2. Government Development Bank of Puerto Rico.
3. Department of Labor and Human Resources of Commonwealth.
4. Information for 2014 and 2015 was estimated.

2015 Population Density

Square Miles	Population Per Square Mile
47.8	7,628

Municipality of San Juan
Commonwealth of Puerto Rico
Construction and Bank Deposits
Last Ten Fiscal Years

Calendar year	Commercial Construction		Residential Construction		Bank Deposits
	Square feet of site approved	Value in (thousands of dollars)	Square feet of site approved	Value in (thousands of dollars)	Value in (thousands of dollars)
2015	2,664,594	\$ 121,015	676,884	\$ 43,396	\$ 26,627,488
2014	2,093,196	181,810	422,387	22,223	25,635,425
2013	6,733,092	172,591	2,360,150	27,106	29,645,189
2012	2,916,665	320,833	1,641,086	98,465	30,454,358
2011	594,548	65,400	726,649	43,599	29,818,727
2010	435,135	51,736	625,596	37,536	32,599,395
2009	214,812	14,608	1,013,914	60,525	43,306,458
2008	1,163,963	11,561	2,350,640	182,376	42,478,594
2007	618,033	38,891	3,466,818	83,463	40,568,156
2006	260,952	6,558	2,826,717	153,740	39,934,300

- Notes:
1. Office of Permits of the Municipality of San Juan.
 2. Commissioner of Financial Institutions.

Municipality of San Juan
Commonwealth of Puerto Rico

Number of Regular Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2015	2014	2013	2012₃	2011	2010	2009₂	2008	2007₁	2006
General government	516	469	438	517	517	559	557	493	499	647
Public safety	1,085	1,140	1,176	1,389	1,389	1,349	1,329	1,270	1,319	1,506
Urban affairs	1,049	1,076	924	1,092	1,092	1,208	1,189	758	721	1,098
Culture and recreation	195	221	258	305	305	332	330	161	147	193
Health and welfare	1,568	2,346	2,237	2,643	2,643	2,642	2,604	2,499	2,522	3,187
Urban development	158	272	42	50	50	40	40	34	87	113
Economic development	236	254	272	321	321	405	402	349	365	451
Education	1,089	128	113	133	133	144	358	131	123	136
Total	5,896	5,906	5,460	6,450	6,450	6,679	6,809	5,695	5,783	7,331

Source: Office of Human Resources of the Municipality of San Juan.

Note: A regular employee is scheduled to work 1,820 hours per year. (7 hours per day by 52 weeks) including, among others, holidays, vacation and sick leave.

Note 1: The Municipality provided two (2) voluntary termination programs that were effective during the fiscal year ended June 30, 2007. A total of 1,117 employees retired through such programs.

Note 2: The Municipality changed the status of all temporary and irregular employees to regular employees beginning as of July 1, 2008 and thereafter. A total of 1,486 employees were reclassified.

Note 3: On April 4, 2013 Law No. 3 as enacted to amend the provision of Law No. 447 of 1951 known as the Retirement System Law No. 3 modified, among other things, the retirement eligibility requirements of all governmental employees. A significant reduction in the workforce of the Municipality was experienced during the fiscal year ended June 30, 2013 due to the effects of law No. 3.

Municipality of San Juan
Commonwealth of Puerto Rico

Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Police officers	903	983	1,009	1,141	1,141	1,135	1,101	1,133	1,112	1,190
Police trainings ₃	46	46	46	100	100	158	172	225	125	172
Emergency trainings	52	35	242	297	297	220	161	149	217	196
Urban affairs										
Walkside construction (lineal ft.)	804	23,166	-	46,847	46,847	28,510	36,822	46,837	40,904	30,028
Waste disposal collected (ton.)	200,115	210,245	205,489	221,187	221,187	230,462	232,435	235,219	240,665	238,899
Culture and recreation										
Cultural events ₃	141	141	141	119	119	72	135	155	150	120
Attendance ₃	n/a	n/a	n/a	n/a	n/a	243,687	554,009	185,455	182,444	160,160
Enrollment on sport training	61,325	24,946	n/a	n/a	n/a	145,230	48,229	16,525	8,033	15,597
Health and welfare										
Hospital admissions	4,977	5,114	4,831	4,359	4,359	4,439	4,805	4,912	4,824	5,107
Average length of stay	6	7	6	7	7	7	7	7	6	6
Welfare center participants	10,511	15,364	18,452	19,697	19,697	9,186	8,814	7,670	6,226	5,153
Head Start enrollment	3,625	3,725	3,914	4,399	4,399	4,431	4,502	4,415	4,287	4,412
Urban development										
Permits and endorsements ₃	3,800	3,800	535	5,639	5,639	4,630	1,113	1,386	1,536	1,713
Economic development										
Commercial spaces leased	230	211	171	220	220	215	238	236	265	249
Education										
College Enrollment	1,606	1,633	1,570	1,720	1,720	1,792	1,355	1,357	1,184	853
High School Enrollment	296	326	267	284	284	242	165	120	115	-
Elementary School Enrollment	406	317	401	190	190	158	240	153	110	-

Source: Office of Management and Budget of the Municipality of San Juan.

Note 1: No operating indicators are available for the general government function.

Note 2: The figures for 2012 disclosed above were estimated since actual information was not readily available. However, the management of the Municipality concluded that the estimates for 2012 would not significantly differ from actual figures.

Note 3: The figures for 2014 and 2015 disclosed above were estimated since actual information was not readily available.

Municipality of San Juan
Commonwealth of Puerto Rico
Capital Assets by Function (In thousands)
Last Ten Fiscal Years

Function	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Police:										
Stations and substations	19	14	24	27	27	27	25	26	24	20
Patrol units ₃	1,198	1,198	601	419	419	4,120	491	483	408	518
Emergency:										
Emergency unit ₃	98	98	97	83	83	83	88	74	66	55
Urban affairs										
Highways and streets (lineal miles) ₃	1,027	1,027	1,231	1,231	1,231	1,231	916	853	853	853
Public works units ₃	1,354	1,354	1,300	1,425	1,425	1,382	1,298	1,305	1,321	1,289
Culture and recreation										
Parks	246	330	512	512	512	365	365	365	347	347
Culture centers ₃	6	6	6	5	5	4	4	4	4	4
Health and welfare										
Hospital	1	2	2	2	2	2	2	2	2	2
Medical centers	11	10	11	9	9	9	9	9	9	9
Mobile units	4	4	5	8	8	8	8	8	8	8
Community centers	26	30	-	43	43	38	38	38	38	31
Head Start centers	71	76	74	75	75	75	75	75	79	77
Urban development										
Urban centers	4	4	4	4	4	4	4	4	4	4
Economic development										
Commercial spaces	274	258	231	251	251	251	251	249	278	240
Main event venues ₃	31	31	31	31	31	15	14	9	6	5
Education										
College	1	1	1	1	1	1	1	1	1	1
High School	1	1	1	1	1	1	1	1	1	1
Elementary School	1	1	1	1	1	1	1	1	1	1

Source: Various Municipality's departments.

Note 1: No capital assets statistics are available for the general government function.

Note 2: The figures for 2012 disclosed above were estimated since actual information was not readily available. However, the management of the Municipality concluded that the estimates for 2012 would not significantly differ from actual figures.

Note 3: The figures for 2014 and 2015 disclosed above were estimated since actual information was not readily available.