



GOBIERNO DE PUERTO RICO
Oficina del Comisionado de Seguros

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PRESIDENCIA DEL SENADO

4 de octubre de 2021

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Hon. José L. Dalmau Santiago
Presidente
Senado de Puerto Rico
El Capitolio
San Juan, PR

Honorable Presidente:

En armonía con el Artículo 2.040(2) del Código de Seguros de Puerto Rico según enmendado, le incluimos copia del informe de los auditores externos sobre los fondos de la Oficina del Comisionado de Seguros, correspondiente al año fiscal que finalizó el 30 de junio de 2020.

Nos reiteramos a sus órdenes para contestar cualquier pregunta que al respecto usted pueda tener.

Cordialmente,

Lcdo. Mariano A. Mier Romeu
Comisionado de Seguros

C/jmb/c221

Anejo



**OFFICE OF THE COMMISSIONER OF INSURANCE
(COMMONWEALTH OF PUERTO RICO)**

***INDEPENDENT AUDITORS' REPORT,
STATEMENT OF CASH RECEIPTS AND
CASH DISBURSEMENTS - GOVERNMENTAL FUND***

June 30, 2020

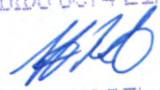
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PRESIDENCIA DEL SENADO

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1 – 2
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS	3
NOTES TO THE FINANCIAL STATEMENTS	4 – 10
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS AND DISBURSEMENTS	11
NOTES TO THE BUDGETARY COMPARISON SCHEDULE OF RECEIPTS AND DISBURSEMENTS	12



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

Commissioner of Insurance of Puerto Rico
Commonwealth of Puerto Rico
San Juan, Puerto Rico

Report on the Financial Statements

We have audited the accompanying statement of cash receipts and cash disbursements – Governmental Fund of the Office of the Commissioner of Insurance (the Office), an executive office of the Commonwealth of Puerto Rico for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the Office's 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 the cash basis accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation for the financial statements in the circumstances. Management is also responsible for 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 purposes of expressing opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the cash basis financial statement referred to above presents fairly, in all material respects, the respective cash receipts and cash disbursements – Governmental Fund of the Office for the year ended June 30, 2020, in conformity with the basis of accounting described in Note 2.

Emphasis of Matter

Financial Deterioration of the Commonwealth of Puerto Rico (the Commonwealth)

As discussed in Note 3 to the financial statement, the Office is part of the Commonwealth. As of June 30, 2020, the financial condition and liquidity of the Commonwealth has deteriorated. Considering that the Office depends on disbursements from the Commonwealth, the financial condition and liquidity of the Office could be similarly affected.

Basis of Accounting

We draw attention to Note 2 of the financial statement that describes the basis of accounting. The financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

This report is intended for the information and use of the Commonwealth of Puerto Rico Office of the Commissioner of Insurance, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is matter of public record and its distribution is not limited.

Fernando Valdivia Chapman, PSC

San Juan, Puerto Rico
May 28, 2021

Stamp number
affixed to original.



OFFICE OF THE COMMISSIONER OF INSURANCE
(Commonwealth of Puerto Rico)

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS - GOVERNMENTAL FUND

JUNE 30, 2020

	<u>General Fund</u>
CASH RECEIPTS	
Licenses	\$ 9,307,183
Fines	482,003
Testing Fees	623,015
Sales of Publications	30,860
Other	<u>64,798</u>
Total Cash Receipts	<u><u>10,507,859</u></u>
CASH DISBURSEMENTS	
Payroll and Related Items	4,256,192
Facilities and Payments for Public Services	85,683
Purchased Services	1,015,327
Transportation and Subsistence Expenses	7,672
Professional Services and Consultants	386,810
Other Expenses	74,963
Materials & Supplies	19,790
Equipment Purchases	52,416
Ads and Media Guidelines	<u>7,722</u>
Total Cash Disbursements	<u><u>5,906,575</u></u>
Excess of Cash Receipts Over Cash Disbursements, Net	<u><u>\$ 4,601,284</u></u>

See notes to the statement of cash receipts and cash disbursements.

OFFICE OF THE COMMISSIONER OF INSURANCE
(Commonwealth of Puerto Rico)

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – ORGANIZATION

The Office of the Commissioner of Insurance (the Office) is an executive office of the Commonwealth of Puerto Rico (the Commonwealth) created by Law No. 77, dated June 19th of 1957, as amended. The Office has the authority to regulate, supervise, and oversee the insurance industry in Puerto Rico. In addition, it examines and licenses insurance personnel and companies, collects taxes over insurance premiums, advises the public and other government agencies about insurance issues, investigates, and resolves complaints and regulates the commercial practices and advertising of the insurance industry in Puerto Rico to avoid unfair and deceiving practices.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying Statement of Cash Receipts and Cash Disbursements – Governmental Fund has been prepared on the cash basis method of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Non-cash transactions are not recognized in the statement.

Basis of Presentation - The Office's fund is, as required by law, under the custody and control of the Secretary of the Department of Treasury of the Commonwealth of Puerto Rico and is also accounted for in the Central Government Accounting System. Special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenue source is the foundation for a special revenue fund. Revenues for this fund comes from sources (such as taxes, fees, and contributions from private insurance entities). The expenditures from these funds are normally restricted by statute, charter provisions and local ordinance. The Office prepares its Statement of Cash Receipts and Cash Disbursements - Governmental Fund on the cash basis method of accounting.

NOTE 3 – GOING CONCERN CONSIDERATION

As part of its normal operating activities, the Office is dependent on disbursements from Commonwealth, even though the disbursements come from funds the office generate itself. Since March 2013 and thereafter, the Commonwealth faces significant budgetary risks and uncertainties, including liquidity risk, which is the risk of not having sufficient liquid financial resources to meet their obligations when they become due. The Office has evaluated the possible effects of the budgetary constraints and liquidity risks being faced by the Commonwealth on its basic financial statements and operations and has concluded that, as of June 30, 2020, the Office will continue to operate as a going concern for a period not less than twelve months after such date.

NOTE 4 – THE PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA)

The Puerto Rico Oversight, Management, and Economic Stability Act, Pub. Law 114187 (PROMESA), was enacted into federal law on June 30, 2016. PROMESA includes a variety of provisions applicable to Puerto Rico, its component units and their liabilities and operations.

OFFICE OF THE COMMISSIONER OF INSURANCE
(Commonwealth of Puerto Rico)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 4 – THE PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) (CONTINUED)

The following is a summary of PROMESA, which is intended as a broad overview of primary provisions:

Oversight Board: PROMESA establishes a seven members Oversight Board, the members of which have been appointed by the President of the United States from lists of candidates designated by Congressional leaders.

The Oversight Board's authority is set forth in PROMESA. Key Oversight Board powers include, but are not limited to, the power to designate instrumentalities as "covered" instrumentalities subject to PROMESA; holding hearings and issuing subpoenas; certification of fiscal plans; approval of budgets; review of activities to ensure compliance with the fiscal plan; approve the issuance of debt; intervene in litigation against the Commonwealth government; analyse pensions and pension liability; initiate judicial proceedings to adjust debts under Title III of PROMESA; and approve voluntary modification of debts under Title VI of PROMESA. PROMESA establishes the Oversight Board as an autonomous entity within the Commonwealth Government. The Oversight Board can hire officers, professionals and legal counsel.

Fiscal Plan and Budget: PROMESA requires the Commonwealth and covered instrumentalities to develop and comply with a fiscal plan. PROMESA establishes several requirements pertaining to the fiscal plans. Among other requirements, fiscal plans must: include revenue and expenditure estimates; ensure funding of essential public services; adequately fund public pension systems; provide for the elimination of structural deficits; include a debt sustainability analysis; improve fiscal governance, accountability, and internal controls; provide for capital expenditures and investments necessary to promote economic growth; and respect lawful priorities or lawful liens in effect prior to PROMESA's enactment.

Each fiscal plan is also required to set forth methods for the Commonwealth or instrumentality to access the capital markets. The Governor may develop the fiscal plan and submit it for the Oversight Board's approval, the Oversight Board may develop its own fiscal plan if the Governor's plan is not acceptable to the oversight board, or the Governor and the Oversight Board can jointly develop the fiscal plan.

PROMESA further specifies that no budget can be submitted by the Commonwealth's Governor to its legislature unless the Oversight Board has approved a fiscal plan and the budget is consistent with the fiscal plan (and, similar to fiscal plans, the Oversight Board can submit its own budget if the governor's budget is not acceptable in the sole discretion of the Oversight Board).

Automatic Stay: Upon the enactment of PROMESA, effective July 1, 2016, a temporary stay or statutory injunction went into effect under Title IV thereof which stays, among other things, all actions and litigation against the Commonwealth and its instrumentalities to collect or enforce liabilities or claims and actions to possess or control their property. On May 1, 2017, the PROMESA stay expired, permitting the substantial litigation brought by bondholders and other creditors against the Authority to resume. As a result, on May 3, 2017, the Oversight Board filed a petition for relief under Title III of

OFFICE OF THE COMMISSIONER OF INSURANCE
(Commonwealth of Puerto Rico)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 4 – THE PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) (CONTINUED)

PROMESA. Title III of PROMESA incorporates the automatic stay provisions of Bankruptcy Code section 362 and 922, which are made applicable to the Title III cases pursuant to PROMESA section 301 (a).

In addition, the initiation of proceedings under Title III of PROMESA, triggers application of the automatic stay under Section 362 of the United States Bankruptcy Code, as incorporated by reference into Title III of PROMESA, which similarly stays actions and litigation or attempts to collect or enforce liabilities of any Title III debtor.

Debt Adjustment: Title III of PROMESA allows the Oversight Board, as representative of the Commonwealth or a covered instrumentality, to initiate debt adjustment proceedings in the United States District Court for the District of Puerto Rico. Title III incorporates by reference numerous provisions of the Bankruptcy Code, including many from Chapter 9 (which governs bankruptcy proceedings of a municipality).

A debt adjustment proceeding of the Commonwealth or a covered instrumentality under Title III of PROMESA would also include (like a reorganization proceeding of a municipal debtor under Chapter 9 of the Bankruptcy Code) (i) the imposition of the automatic stay, (ii) the ability of a debtor to generally govern its operations and engage in post-petition financing and (iii) the ability of the debtor to exercise avoidance powers.

Before initiating a Title III proceeding, the Oversight Board must certify, among other things, that the entity has engaged in good faith efforts to enter into voluntary agreements to restructure its debts, has an approved fiscal plan and has no “qualifying modification” of its bond debt (as addressed further below based on the collective creditor action provisions of PROMESA).

The Oversight Board is the only entity with the authority to submit a plan of adjustment to the court for confirmation. PROMESA requires that a plan of adjustment, among other things, be consistent with PROMESA and the debtor’s fiscal plan, and that the plan be feasible and in the best interests of the creditors, considering what the creditors could otherwise recover under Puerto Rico law.

On May 3, 2017, the Oversight Board, as representative of the Authority, filed a petition under Title III.

Remediation Plan – Commonwealth: On March 13, 2017, the Oversight Board certified the initial fiscal plan for the Commonwealth. The fiscal plan has been subject to various revisions. On October 23, 2018, the Oversight Board certified its own new fiscal plan for the Commonwealth (the Board Fiscal Plan), which included the following categories of structural reforms and fiscal measures:

- (i) Human Capital and Welfare Reform
- (ii) Ease of Doing Business Reform
- (iii) Energy and Power Regulatory Reform
- (iv) Infrastructure and Capital Investment Reform
- (v) Establishment of the Office of the CFO
- (vi) Agency Efficiency Measures

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OFFICE OF THE COMMISSIONER OF INSURANCE
(Commonwealth of Puerto Rico)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 4 – THE PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) (CONTINUED)

- (vii) Healthcare Reform
- (viii) Tax Compliance and Fees Enhancement
- (ix) Reduction in UPR and Municipality Appropriations
- (x) Pension Reform
- (xi) Fiscal Controls and Transparency

On January 18, 2019, the Oversight Board requested the Governor to submit a new Commonwealth fiscal plan to replace the Board Fiscal Plan, which was ultimately certified on May 9, 2019.

There is no certainty that the Board Fiscal Plan (as currently certified or as subsequently amended and recertified) will be fully implemented, or if implemented will ultimately provide the intended results. All these plans and measures, and the Commonwealth's ability to reduce its deficit and to achieve a balanced budget in future fiscal years depends on a number of factors and risks, some of which are not wholly within its control.

NOTE 5 – COLLECTED TAXES ON BEHALF OF THE DEPARTMENT OF TREASURY OF THE COMMONWEALTH OF PUERTO RICO

As of June 30, 2020, the Office collected taxes over insurance premiums and other funds on behalf of the Department of Treasury of the Commonwealth of Puerto Rico amounting to approximately \$50.9 million. These collections are not reflected in the accompanying statement of cash receipts and cash disbursements since the Office only serves as a collector agent of these funds.

NOTE 6 – COMMITMENTS

The Office leases various properties and equipment under operating lease agreements. On January 22, 2016, the Office entered into an operating lease agreement for the office facilities including common area maintenance charges and electricity expenses. The lease was cancelled in October 2019. This lease agreement was replaced with new offices and a new operating lease agreement made during 2018 for the Office's facilities including common area maintenance charges, electricity expenses, and one hundred (100) parking spaces. The new lease agreement had an initial term of one (1) year, with a renewal option on a yearly basis. This lease agreement was renewed for an additional period of one (1) year during March 2020. The lease agreement commenced once the facilities were available for use on December 2019. Also, the Office has several non-cancellable parking and operating leases for equipment expiring at different dates throughout June 2019 and thereafter.

Rental expenditures for the year ended June 30, 2020 related to such commitments amounted to approximately \$632,000.

The minimum rental commitments for leases in effect at June 30, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	<u>\$404,466</u>

OFFICE OF THE COMMISSIONER OF INSURANCE
(Commonwealth of Puerto Rico)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 7 – PENSION PLAN

The Employees Retirement System of the Government of the Commonwealth of Puerto Rico (the Retirement System), created pursuant to Law No. 447 dated May 15, 1951, as amended, is a cost-sharing multi-employer defined benefit pension plan sponsored by and reported as a component unit of the Commonwealth of Puerto Rico. All regular employees of the Office under the age of 55 at the date of employment become members of the System as a condition to their employment. No benefits are payable if the participant receives a refund of accumulated contributions.

The Retirement System provides retirement, death and disability benefits pursuant to legislation enacted by the Commonwealth Legislature. Death and disability retirement benefits are available to members for occupational and non-occupational death and disabilities. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten (10) years of plan participation.

Retirement benefits are determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation is computed based on the highest thirty-six (36) months of compensation, recognized by the Retirement System. The annuity, for which a plan member is eligible, is limited to a minimum of \$400 per month and a maximum of 75% of the average compensation. Law No. 1 of 1990, made certain amendments applicable to new participants joining the Retirement System effective April 1, 1990. These changes consist principally of the establishment of contributions at 8.275% of their monthly gross salary, an increase in the retirement age to sixty five (65), a decrease in the annuity benefit to one and one-half percent of the average compensation for all years of creditable service, a decrease in the maximum disability and death benefits annuities from 50% to 40% average compensation, and the elimination of the Merit annuity for participants who have completed thirty (30) years of creditable service.

On September 24, 1999 and amendment to Law No. 447 dated May 15, 1951, which created the Retirement System, was enacted with the purpose of establishing a new Pension Program (System 2000). System 2000 became effective on January 1, 2000. Employees participating in the Retirement System as of December 31, 1999, had the option to stay in the defined plan or transfer to System 2000. System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there will be a pool of pension assets, which will be invested by the Retirement System, together with those of the current defined benefit plan. Benefits at retirement age will not be guaranteed by the Commonwealth of Puerto Rico.

The annuity will be based on a formula which assumes that each year employees' contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year Constant Treasury Note or, (2) earn a rate equal to 75% of the return of the Retirement System's investment portfolio (net of management fees), or (3) earn a combination of both alternatives. Participants receive periodic accounts statements similar to those of defined contributions plans showing their accrued balances.

OFFICE OF THE COMMISSIONER OF INSURANCE
(Commonwealth of Puerto Rico)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 7 – PENSION PLAN (CONTINUED)

New Defined Contribution Hybrid Program

In April 2013, the Legislature of the Commonwealth enacted Act No. 3, which amends Acts No. 447 of 1951 and 305 of 2000, to establish, among other things, the creation of a new defined contribution hybrid program and amend the terms and conditions of the benefits structure granted to active participants and pensioners under the previously established benefit structures administered by the ERS.

The Hybrid Program became effective on July 1, 2013. Employees participating in the System as of June 30, 2014 retained their rights to receive the benefits earned under the previous program based on the accumulated salaries and years of service up to June 30, 2014. All employees of the government on or after July 1, 2013 became members of the Hybrid Program.

The Hybrid Program is a defined contribution plan. Under this new plan, there is a pool of Pension assets, which is invested by the System, together with those of the System. Benefits at retirement age will not be guaranteed by the Commonwealth. The annuity will be based on the employees' contribution (with a minimum of 10% of the employees' salary and no maximum amount, limited by annual increments of up to 0.5% of the monthly gross salary), which will be invested in one of three investment options.

Pension benefits are defined as of June 30, 2013 based on the member status. Members who entered the ERS before April 1, 1990 and who have attained 58 years of age and at least ten (10) years of creditable service, or members who have attained fifty five (55) years of age and at least twenty five (25) years of creditable service, are entitled to a deferred pension plus the benefits of the new defined contribution hybrid program annuity.

Members who have attained fifty-seven (57) years and at least ten (10) years of creditable service will be eligible for benefits once they have fifty-nine (59) years. Members who have attained fifty-six (56) years and at least ten (10) years of creditable service will be eligible for benefits once they have 60 years. Members who have not attained fifty-six (56) years and have completed at least ten (10) years of creditable service will be eligible for benefits once they have sixty one (61) years.

Members entering the ERS on or after April 1, 1990 but before December 31, 1999 and who have attained 65 years are entitled to a deferred pension plus the benefits of the new defined contribution hybrid program annuity.

Members entering the ERS after January 1, 2000 and who have attained fifty-nine (59) years as of June 30, 2013 are entitled to the defined contribution program annuity.

OFFICE OF THE COMMISSIONER OF INSURANCE
(Commonwealth of Puerto Rico)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 7 – PENSION PLAN (CONTINUED)

Members who have attained fifty-eight (58) years as of June 30, 2013 are entitled to the defined contribution program annuity once they have attained sixty-two (62) years.

Members who have attained fifty-seven (57) years as of June 30, 2013 are entitled to the defined contribution program annuity once they have attained sixty-three (63) years.

Members who have attained fifty-six (56) years as of June 30, 2013 are entitled to the defined contribution program annuity once they have attained sixty-four (64) years.

Members who have attained fifty-five (55) years or less as of June 30, 2013 are entitled to the defined contribution program annuity once they have attained sixty-five (65) years.

Fund Policy

Contribution requirements are established by law and are as follows:

Commonwealth	10.275% of gross salary with annual increase of 1% to contributions from July 1, 2012 to June 30, 2016
Employees:	
Hired on or before March 31, 1990	5.775% of gross salary down to \$6,600 8.275% of gross salary up to \$6,600
Hired on or after April 1, 1990	8.275% of gross salary

Employer contributions made during the year ended June 30, 2020 amounted to \$0.

Total covered payroll for the year ended June 30, 2020, was approximately (four) \$4 million. Additional information on the System is provided in its financial statements for the year ended June 30, 2020, a copy of which can be obtained from Retirement System Administration – PO Box 42003, San Juan, Puerto Rico 00949.

NOTE 8 – CONTINGENCIES

The Office is subject to various litigations, claims and assessments arising in the normal course of its operations. Management believes that the ultimate resolution of these matters, either individually or in the aggregate, will not have a material adverse effect in the Office's financial statement or result of operations.

NOTE 9 – SUBSEQUENT EVENTS

The Office has evaluated subsequent events through May 28, 2021, the date which the financial statements were available to be issued. No other events have occurred subsequent to the statement of cash receipts and cash disbursements year ended date and to the date the financial statement was available to be issued, that would require additional adjustment to, or disclosure in, the financial statement.

OFFICE OF THE COMMISSIONER OF INSURANCE
(Commonwealth of Puerto Rico)

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS AND DISBURSEMENTS

JUNE 30, 2020

	Budgeted Amount		Actual	Variance
	Original	Final	Final	Final Budget Positive/(Negative)
Cash Receipts				
Licenses	\$9,585,419	\$9,585,419	\$9,307,183	(\$278,236)
Fines	994,838	994,838	482,003	(512,835)
Testing fees	703,890	703,890	623,015	(80,875)
Sales of publications	63,891	63,891	30,860	(33,031)
Other	<u>160,467</u>	<u>160,467</u>	<u>64,798</u>	<u>(95,669)</u>
Total Cash Receipts	11,508,505	11,508,505	10,507,859	(1,000,646)
Cash Disbursements				
Payroll and related items	5,673,000	5,673,000	4,256,192	(1,416,808)
Facilities and payments for public services	82,000	91,000	85,683	(5,317)
Purchased services	823,000	1,073,000	1,015,327	(57,673)
Donations, subsidies and distributions	148,000	0	0	0
Transportation and subsistence expenses	24,000	20,000	7,672	(12,328)
Professional services and consultants	588,000	1,160,000	386,810	(773,190)
Other expenses	837,000	103,000	74,963	(28,037)
Material and supplies	24,000	28,000	19,790	(8,210)
Equipment purchases	6,000	54,000	52,416	(1,584)
Ads and media guidelines	<u>9,000</u>	<u>12,000</u>	<u>7,722</u>	<u>(4,278)</u>
Total Cash Disbursements	<u>8,214,000</u>	<u>8,214,000</u>	<u>5,906,575</u>	<u>(2,307,425)</u>
Excess of cash receipts over cash disbursements, net	<u>\$3,294,505</u>	<u>\$3,294,505</u>	<u>\$4,601,284</u>	<u>\$1,306,779</u>

See Notes to the Budgetary Comparison of Receipt and Disbursements – General Fund

OFFICE OF THE COMMISSIONER OF INSURANCE
(Commonwealth of Puerto Rico)

NOTES TO BUDGETARY COMPARISON SCHEDULE OF RECEIPTS AND DISBURSEMENTS

JUNE 30, 2020

NOTE 1 – BASIS OF PRESENTATION

The Budgetary Comparison Schedule of Receipts and Disbursements for the General Operational Fund has been prepared using the cash basis method of accounting. It is drawn primarily from the Office's internal accounting records, which are the basis for the Office's Statement of Cash Receipts and Cash Disbursements.

NOTE 2 – BUDGET AND BUDGETARY ACCOUNTING

The Office's budget system primary purpose is to exercise control over expenditures. Budgets are prepared annually and revised semi-annually as required. The budget is prepared on the same cash basis of accounting as applied to the governmental funds in the Statement of Cash Receipts and Disbursements. Budgetary control procedures require the obligation of funds before purchase orders can be placed; that is applicable appropriations must be reserved before purchase orders or contracts can be entered into. Obligated appropriations at year end carry over to the next year and are not reported as part of next year's budget. For budgetary purposes, encumbrances accounting is used. The encumbrances (that is, purchase order, contracts) are considered expenditures when paid.

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