

*Office of the Commissioner of Insurance
(Commonwealth of Puerto Rico)*

*Statement of Cash Receipts and Cash Disbursements-
Governmental Funds as of and for the Year Ended
June 30, 2015 with Auditors' Report Thereon*

*Office of the Commissioner of Insurance
(Commonwealth of Puerto Rico)*

*Statement of Cash Receipts and Cash Disbursements-Governmental Funds as of and for the Year
Ended June 30, 2015*

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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 Statement

We have audited the accompanying statement of cash receipts and cash disbursements - Governmental Funds of the *Commonwealth of Puerto Rico Office of the Commissioner of Insurance* (the Office) as of and for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Office's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of 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 the financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 an 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 principles 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 that 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 Funds of the Office for the year ended June 30, 2015, in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 12 through 13, respectively, are presented for purposes of additional analysis and are not a required part of the financial statement. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole on the basis of accounting described in Note 1.

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.

November 30, 2015

Stamp No. E195787 was affixed to the original of this report
License No. 88 expires December 1, 2017.



Office of the Commissioner of Insurance
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis
Year Ended June 30, 2015

The *Commonwealth of Puerto Rico Office of the Commissioner of Insurance* (the Office) management provides this overview and analysis of the financial activities of the Office for the fiscal year ended June 30, 2015, within the limitation of the Office's cash basis of accounting. We encourage readers to consider the information presented here along with the financial statement taken as a whole.

1. Financial Highlights

The Office's General Fund total cash receipts exceeded the total cash disbursements on the cash basis of accounting, by \$542,671.

2. Using this Report

This report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Office's cash basis of accounting.

3. Report Components

This report consists of three parts as follows:

Statement of Cash Receipts and Cash Disbursements: The Statement of Cash Receipts and Cash Disbursements (the Statement) reports information about the Office's General Fund and Special Revenue Fund, and includes all receipts and disbursements resulting from cash transactions.

Notes to the Financial Statement: The notes to the financial statement are an integral part of the Office's Statement of Cash Receipts and Cash Disbursements and provide expanded explanation and detail regarding the information reported in the Statement.

Required Supplementary Information: The Management's Discussion and Analysis and the General Fund Budgetary Comparison Schedule represent financial information required to be presented by accounting principles generally accepted in the United States of America. Such information provides users of this report with additional data that supplements the Statement and notes.

4. Basis of Accounting

The Office has elected to present its Statement of Cash Receipts and Cash Disbursements on a cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues and expenses. Under the Office's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions.

Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

5. Financial Statement

The financial statement provide detailed information about the Office's most significant funds.

Office of the Commissioner of Insurance
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis
Year Ended June 30, 2015

The Office considers the General Fund and Special Revenue Fund to be their significant or major governmental funds.

General Fund - The General Fund is the general operating fund. It is used to account for all cash receipt and disbursement except for those required to be accounted for in another fund.

Special Revenue Fund - Accounts for the financial resources related to the Federal Grant Awards administered by the Office.

6. A Financial Analysis of the Office's General Fund

For the year ended June 30, 2015, on the cash basis of accounting, the Office's General Fund reported cash receipts of \$12,407,430 and cash disbursements of \$8,314,759 resulting in an excess of cash receipts over cash disbursements from operations of \$4,092,671. The withdrawals of \$50,000 by the Puerto Rico Department of Labor and Human Resources (DTRH) imposed by Executive Order OE-2013-046 dated June 7, 2013 and the transfer imposed by Law No. 74-2014 dated July 1, 2014 of \$3,500,000, caused the cash receipts exceed cash disbursements by \$542,671. The following table, summarizes the results of operations between fiscal years ended June 30, 2015 and 2014:

	2015	2014	Change	
			in dollars	in %
CASH RECEIPTS				
Licenses	\$ 10,550,045	\$ 8,726,315	\$ 1,823,730	21
Testing fees	628,165	686,358	(58,193)	(8)
Fines	1,015,508	655,371	360,137	55
Sales of publications	67,304	79,269	(11,965)	(15)
Other	146,408	146,890	(482)	-
Total cash receipts	<u>12,407,430</u>	<u>10,294,203</u>	<u>2,125,674</u>	<u>21</u>
CASH DISBURSEMENTS				
Program: Oversight and Regulation of the Insurance Industry:				
Personal services:				
Salaries and fringe benefits	5,085,317	5,209,509	(124,192)	(2)
Employer contributions	886,824	948,118	(61,294)	(6)
Professional services	849,647	1,222,855	(373,208)	(31)
Total cash disbursements for personal services	<u>6,821,788</u>	<u>7,380,482</u>	<u>(558,694)</u>	<u>(8)</u>
Non-personal services:				
Rent	969,159	1,005,989	(36,830)	(4)
Repairs and maintenance	5,700	8,874	(3,174)	(36)
Materials	99,207	85,631	13,576	16
Advertisement	5,203	5,550	(347)	(6)
Public Services	174,214	353,974	(179,760)	(51)
Equipment	30,042	102,730	(72,688)	(71)
Travel	11,727	21,696	(9,969)	(46)
Other	197,719	136,659	61,060	45
Total cash disbursements for non-personal services	<u>1,492,971</u>	<u>1,721,103</u>	<u>(228,132)</u>	<u>(13)</u>
Total cash disbursements	<u>8,314,759</u>	<u>9,101,585</u>	<u>(786,826)</u>	<u>(9)</u>
Excess of cash receipts over cash disbursements	4,092,671	1,192,618	2,900,053	243
Withdrawal imposed by Law 74-2014	(3,500,000)	-	(3,500,000)	100
Withdrawal by DTRH impose by OE-2013-046	<u>(50,000)</u>	<u>(100,000)</u>	<u>50,000</u>	<u>(50)</u>
Excess of cash receipts over cash disbursement, net	<u>\$ 542,671</u>	<u>\$ 1,092,618</u>	<u>\$ (549,947)</u>	<u>293</u>

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(Commonwealth of Puerto Rico)
Management's Discussion and Analysis
Year Ended June 30, 2015*

Cash Receipts

Total increase in cash receipts of approximately \$2.1 million is mainly associated from license renewals this year of approximately \$1.8 million. Law No. 220 dated December 28th of 2010, was enacted and amended the parameter of the renewal of licenses to every two years. In addition, there was an increase in fines financial statement line item of approximately \$360 thousand, as a result of more fines and aggressive collection efforts made by the Office in fiscal year 2015.

Cash Disbursement

Total cash disbursements for personal services decreased approximately \$559 thousand or 8%, mostly related to a decrease in professional services and salaries and fringe benefits of approximately \$373 thousand and \$124 thousand, respectively. The decrease in professional services was due to the imposition of the Government to reduce by 10% the professional services. The decrease in salaries and fringe benefits was mainly due to the suspension of payments related to the liquidation of the excess of sick leave imposed in Law 66-2014 (Sustainability Act). Total cash disbursement for non-personal services decreased approximately \$228 thousand or 13% due to cost control and strict budgetary management policies.

Transfer of Funds to the Puerto Rico Department of Labor and Human Resources

The transfer of \$50,000 to the DTRH is to fund the "Programa de Verano Activate y Trabaja" as required by Executive Order OE-2013-046 dated June 7, 2013.

Transfer to the Infrastructure Fund for Science and Technology

The amount of \$3,500,000 was deposited in the Infrastructure Fund for Science and Technology as established by the new section added to the Law No. 74-2014 dated July 1, 2014. Funds deposited will be used for the development of infrastructure projects of science and technology and for other related purposes.

Cash Receipts and Cash Disbursements from Operations, Net

The operation's net cash flows as a result of the mentioned above resulted in an excess of cash receipts over cash disbursements from operations of \$542,671.

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Office of the Commissioner of Insurance
(Commonwealth of Puerto Rico)
Management's Discussion and Analysis
Year Ended June 30, 2015

7. General Fund Budgetary Highlights

The current budget amount was the same to the prior year budget. The only difference between the current budget and prior year budget was the distribution by categories. The budgetary comparison of Cash Receipts and Disbursement for the General Fund is as follows:

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CASH RECEIPTS				
Licenses	\$ 9,570,437	\$ 9,570,437	\$ 10,550,045	979,608
Testing fees	678,478	678,478	628,165	(50,313)
Fines	498,554	498,554	1,015,508	516,954
Sales of publications	59,944	59,944	67,304	7,360
Other	207,269	207,269	146,408	(60,861)
Total cash receipts	11,014,682	11,014,682	12,407,430	1,392,748
CASH DISBURSEMENTS				
Program: Oversight and Regulation of the Insurance Industry:				
Personal services:				
Salaries and fringe benefits	6,386,000	6,386,000	5,085,317	(1,300,683)
Employer contributions	1,131,000	1,131,000	886,824	(244,176)
Professional services	1,300,000	1,300,000	849,647	(450,353)
Total cash disbursements for personal services	8,817,000	8,817,000	6,821,788	(1,995,212)
Non-personal services:				
Rent	1,203,000	1,203,000	969,159	(233,841)
Repairs and maintenance	15,000	15,000	5,700	(9,300)
Materials	89,000	89,000	99,207	10,207
Advertisement	60,000	60,000	5,203	(54,797)
Public Services	334,000	334,000	174,214	(159,786)
Equipment	130,000	130,000	30,042	(99,958)
Travel	47,000	47,000	11,727	(35,273)
Other	201,000	201,000	197,719	(3,281)
Total cash disbursements for non-personal services	2,079,000	2,079,000	1,492,971	(586,029)
Total cash disbursements	10,896,000	10,896,000	8,314,759	(2,581,241)
Excess of cash receipts over cash disbursements	118,682	118,682	4,092,671	3,973,989
Withdrawal imposed by Law 74-2014	-	-	(3,500,000)	(3,500,000)
Withdrawal by DTRH impose by OE-2013-046	-	-	(50,000)	(50,000)
Excess of cash receipts over cash disbursement, net	\$ 118,682	\$ 118,682	\$ 542,671	3,923,989

8. Contacting the Office's Financial Management

This report is designed to provide general overview of the Office's financial information and to demonstrate the Office's accountability for the money it receives. Also, this report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, specific legislative or regulatory bodies, federal-awarding agencies, and if applicable, pass through entities and is not intended to be and should not be used by anyone other than these specified parties. If you have questions about this report or need additional information, contact the Office at B5 Tabonuco Street, PMB 356, Guaynabo PR 00968-3029 or telephone at (787) 304-8686.

Office of the Commissioner of Insurance
(Commonwealth of Puerto Rico)

Statement of Cash Receipts and Cash Disbursements – Governmental Funds

Year Ended June 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>
CASH RECEIPTS		
Licenses	\$ 10,550,045	\$ -
Testing fees	628,165	-
Fines	1,015,508	-
Sales of publications	67,304	-
Federal grant	-	272,332
Other	<u>146,408</u>	<u>-</u>
Total cash receipts	<u>12,407,430</u>	<u>272,332</u>
CASH DISBURSEMENTS		
Program: Oversight and Regulation of the Insurance Industry:		
Personal services:		
Salaries and fringe benefits	5,085,317	-
Employer contributions	886,824	-
Professional services	<u>849,647</u>	<u>355,150</u>
Total cash disbursements for personal services	<u>6,821,788</u>	<u>355,150</u>
Non-personal services:		
Rent	969,159	-
Repairs and maintenance	5,700	-
Materials	99,207	-
Advertisement	5,203	-
Public Services	174,214	-
Equipment	30,042	-
Travel	11,727	-
Other	<u>197,719</u>	<u>-</u>
Total cash disbursements for non-personal services	<u>1,492,971</u>	<u>-</u>
Total cash disbursements	<u>8,314,759</u>	<u>355,150</u>
Excess (deficiency) of cash receipts over cash disbursements	4,092,671	(82,818)
Withdrawal impose by Law 74-2014	(3,500,000)	-
Withdrawal by DTRH impose by OE-2013-046	<u>(50,000)</u>	<u>-</u>
Excess (deficiency) of cash receipts over cash disbursement, net	<u>\$ 542,671</u>	<u>\$ (82,818)</u>

See notes to statement of cash receipts and cash disbursements.

*Office of the Commissioner of Insurance
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Notes to the Financial Statements

For the Year Ended June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The *Commonwealth of Puerto Rico Office of the Commissioner of Insurance* (the Office) is an executive department 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.

Basis of Accounting - The accompanying Statement of Cash Receipts and Cash Disbursements – Governmental Funds has been prepared on the cash basis method of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. All transactions relating to the Office's participation in the General Fund and Special Revenue Fund are recognized as either cash receipts or disbursements. Non-cash transactions are not recognized in the statement.

Description of Funds - The various funds are summarized by type in the financial statement. The following fund types are used by the Office:

General Fund - The General Fund is the general operating fund. It is used to account for all cash receipt and disbursements except for those required to be accounted for in another fund.

Special Revenue Fund - Accounts for the financial resources related to the Federal Grant Awards administered by the Office.

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. The Office prepares its Statement of Cash Receipts and Cash Disbursements - Governmental Funds on the cash basis method.

2. EVALUATION OF SUBSEQUENT EVENTS

The Office has evaluated subsequent events through November 30, 2015, the date which the financial statements were available to be issued. No events have occurred subsequent to the statement of cash receipts and cash disbursements year ending 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.

3. COLLECTED TAXES ON BEHALF OF THE DEPARTMENT OF TREASURY OF THE COMMONWEALTH OF PUERTO RICO

As Of June 30, 2015, 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 \$59.3 million. These collections are not reflected in the accompanying statement of cash receipts and cash disbursements since the Office only serves as a collector, of these funds.

*Office of the Commissioner of Insurance
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Notes to the Financial Statements

For the Year Ended June 30, 2015

4. COMMITMENTS

The Office leases various properties and equipment under operating leases agreements. Rental expenditures for the year ended June 30, 2015 related to such commitments amounted to approximately \$938,607. The Office is currently under negotiation with landlord for an non-cancelable operating lease agreement of five years for the office facilities including common area maintenance charges and electricity expenses.

The minimum rental commitments for leases in effect at June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 1,037,576
2017	1,023,686
2018	1,023,686
2019	930,086
2020	<u>930,086</u>
Total	\$ <u>4,945,120</u>

5. 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 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 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 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 30 years of creditable service.

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*Notes to the Financial Statements
For the Year Ended June 30, 2015*

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 the 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.

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 10 years of creditable service, or members who have attained 55 years of age and at least 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 57 years and at least 10 years of creditable service will be eligible for benefits once they have 59 years. Members who have attained 56 years and at least 10 years of creditable service will be eligible for benefits once they have 60 years. Members who have not attained 56 years and have completed at least 10 years of creditable service will be eligible for benefits once they have 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.

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Members entering the ERS after January 1, 2000 and who have attained 59 years as of June 30, 2013 are entitled to the defined contribution program annuity. Members who have attained 58 years as of June 30, 2013 are entitled to the defined contribution program annuity once they have attained 62 years. Members who have attained 57 years as of June 30, 2013 are entitled to the defined contribution program annuity once they have attained 63 years. Members who have attained 56 years as of June 30, 2013 are entitled to the defined contribution program annuity once they have attained 64 years. Members who have attained 55 years or less as of June 30, 2013 are entitled to the defined contribution program annuity once they have attained 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 up to \$6,600
Hired on or after April 1, 1990	8.275% of gross salary up to \$6,600
	8.275% of gross salary

Total Employer contributions made during the year ended June 30, 2015 was \$536,435.

Total covered payroll for the year ended June 30, 2015, was approximately \$5 million. For the fiscal year ended June 30, 2015, the Office contributed 100% of total required contributions. Additional information on the System is provided in its financial statements for the year ended June 30, 2015, a copy of which can be obtained from Retirement System Administration, PO Box 42003, San Juan, Puerto Rico 00949.

6. 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.

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**Office of the Commissioner of Insurance
(Commonwealth of Puerto Rico)**

**Budgetary Comparison Schedule of Receipts and Disbursements – General Fund
For the Year Ended June 30, 2015**

	Budgeted Amount		Actual Amounts	Variance with final Budget Positive/ (Negative)
	Original	Final		
CASH RECEIPTS				
Licenses	\$ 9,570,437	\$ 9,570,437	\$ 10,550,045	979,608
Testing fees	678,478	678,478	628,165	(50,313)
Fines	498,554	498,554	1,015,508	516,954
Sales of publications	59,944	59,944	67,304	7,360
Other	207,269	207,269	146,408	(60,861)
Total cash receipts	11,014,682	11,014,682	12,407,430	1,392,748
CASH DISBURSEMENTS				
Program: Oversight and Regulation of the Insurance Industry:				
Personal services:				
Salaries and fringe benefits	6,386,000	6,386,000	5,085,317	(1,300,683)
Employer contributions	1,131,000	1,131,000	886,824	(244,176)
Professional services	1,300,000	1,300,000	849,647	(450,353)
Total cash disbursements for personal services	8,817,000	8,817,000	6,821,788	(1,995,212)
Non-personal services:				
Rent	1,203,000	1,203,000	969,159	(233,841)
Repairs and maintenance	15,000	15,000	5,700	(9,300)
Materials	89,000	89,000	99,207	10,207
Advertisement	60,000	60,000	5,203	(54,797)
Public Services	334,000	334,000	174,214	(159,786)
Equipment	130,000	130,000	30,042	(99,958)
Travel	47,000	47,000	11,727	(35,273)
Other	201,000	201,000	197,719	(3,281)
Total cash disbursements for non-personal services	2,079,000	2,079,000	1,492,971	(586,029)
Total cash disbursements	10,896,000	10,896,000	8,314,759	(2,581,241)
Excess of cash receipts over cash disbursements	118,682	118,682	4,092,671	3,973,989
Withdrawal imposed by Law 74-2014	-	-	(3,500,000)	(3,500,000)
Withdrawal by DTRH impose by OE-2013-046	-	-	(50,000)	(50,000)
Excess of cash receipts over cash disbursement, net	\$ 118,682	\$ 118,682	\$ 542,671	3,923,989

See notes to Budgetary Comparison Schedule of Receipts and Disbursements - General Fund

*Office of the Commissioner of Insurance
(Commonwealth of Puerto Rico)*

*Notes to Budgetary Comparison Schedule of Receipts and Disbursements – General Fund
For the Year Ended June 30, 2015*

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.

2. BUDGET AND BUDGETARY ACCOUNTING

The Office's budget system primary purpose is to exercise control over expenditures. Budgets are prepared annually and revised semiannually 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 fiscal year and are not reported as part of next fiscal 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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