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, 2014 with Auditors' Report Thereon

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HLB PARISSI
Certified Public Accountants, Tax & Business Advisors

Independent Auditors' Report

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

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, 2014, 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.

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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, 2014, 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 8 and 15 and 16, 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.

HLB Parissi P.S.C.

November 21, 2014

Stamp No. E88674 was affixed
to the original of this report
License No. 88 expires December 1, 2017

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, 2014, 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 $1,092,618.

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 Offices' Funds financial statement and provide expanded explanation and detail regarding the information reported in the Statement.

Required Supplementary Information: This 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. The Fund Financial Statement

The Office's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for expenditures and not as changes to asset and debt balances. The governmental fund provides a detailed short-term view of the Office's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Office's programs. The Office considers the General Fund and Special Revenue Fund to be their significant or major governmental funds.

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

For the year ended June 30, 2014, on the cash basis of accounting, the Office's General Fund reported cash receipts of $10,294,203 and cash disbursements of $9,101,585 resulting in an excess of cash receipts over cash disbursements from operations of $1,192,618. The withdrawal of $100,000 by the Department of Labor and Human Resources (DTRH) imposed by Executive Order 0E-2013-046 dated June 7, 2013, caused the cash receipts to exceed the cash disbursements by $1,092,618. The following table, summarizes the results of operations between fiscal years ended June 30, 2014 and 2013:

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	2014	2013	Change in dollars	Change in %
CASH RECEIPTS				
Licenses	$ 8,726,315	$ 10,404,750	$ (1,678,435)	(16.13%)
Testing fees	686,358	737,625	(51,267)	(6.95%)
Fines	655,371	542,016	113,355	20.91%
Sales of publications	79,269	65,170	14,099	21.63%
Interest	-	1,332	(1,332)	(100.00%)
Other	146,890	16,371	130,519	797.26%
Total cash receipts	10,294,203	11,767,264	(1,473,061)	(12.52%)
CASH DISBURSEMENTS				
Program: Oversight and Regulation of the Insurance Industry				
Personal services:				
Salaries and fringe benefits	5,209,509	5,306,516	(97,007)	(1.83%)
Employer contributions	948,118	765,617	182,501	23.84%
Professional services	1,222,855	908,758	314,097	34.56%
Total cash disbursments for personal services	7,380,482	6,980,891	399,591	5.72%
Non-personal services:				
Rent	1,005,989	997,561	8,428	0.84%
Repairs & Maintenance	8,874	26,257	(17,383)	(66.20%)
Materials	88,677	73,803	14,874	20.15%
Advertisement	5,550	19,124	(13,574)	(70.98%)
Telephone & Communication	56,007	50,710	5,297	10.45%
Equipment	102,730	84,075	18,655	22.19%
Travel	21,696	19,814	1,882	9.50%
Other	431,580	192,409	239,171	124.30%
Total cash disbursments for non-personal services	1,721,103	1,463,753	257,350	17.58%
Total cash disbursements	9,101,585	8,444,644	656,941	7.78%
Excess of cash receipts over cash disbursements	1,192,618	3,322,620	(2,130,002)	(64.11%)
Withdrawal by DTRH imposed by OE-2013-046	(100,000)	(200,000)	(100,000)	(50.00%)
Excess of cash receipts over cash disbursements, net	$ 1,092,618	$ 3,122,620	$ (2,030,002)	(65.01%)

Cash Receipts

Total cash receipts decreased approximately $1.5 million mainly due to a decrease in cash receipts from license renewals of approximately $1.7 million. Law No. 220 dated December 28th of 2010, was enacted and amended the parameter of the renewal of licenses to every two year. In addition, there was an increase in cash receipts of approximately $133 thousand, from trainings offered related to the implementation of the Obama Care's Health care reform.

Cash Disbursement

Total cash disbursements for personal services increased approximately $399 thousand or 5.72%, mostly related to an increase in professional services and employer contributions towards the Retirement Plan of approximately $314 thousand and $187 thousand, respectively, and a decrease in salaries and fringe benefits by approximately $97 thousand. The increase in professional services was due to an increase in legal services offered to The Office for the ratification of the collective bargain agreement, increase in audits performed by contractors to Insurance Companies and for the services contracted for advertising and public relations. The increase in the employer contribution towards the Retirement Plan was mainly due to the increase of 1% in contributions required by law and additional contributions related to prior period obligations. Total cash disbursement for non-personal services increased approximately $257 thousand or 17.58% mainly due to an increase in electricity services and payments of some invoices pertaining to the prior period which landlord sent late for payment.

Transfer of Funds to Department of Labor and Human Resources

The transfer of funds of $100,000 was a transfer to the Department of Labor and Human Resources (DTHR) for the "Programa de Verano Activate y Trabaja" as established by Executive Order 0E-2013-046 dated June 7, 2013.

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 $1,092,618.

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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:

	Budgeted Amount		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive/(Negative)
CASH RECEIPTS				
Licenses	$ 9,676,804	$ 9,676,804	$ 8,726,315	$ (950,489)
Testing fees	621,145	621,145	686,358	65,213
Fines	644,987	644,987	655,371	10,384
Sales of publications	73,276	73,276	79,269	5,993
Other	15,515	15,515	146,890	131,375
Total cash receipts	11,031,727	11,031,727	10,294,203	(737,524)
CASH DISBURSEMENTS				
Program: Oversight and Regulation of the Insurance Industry				
Personal services:				
Salaries and fringe benefits	6,068,000	6,068,000	5,209,509	(858,491)
Employer contributions	949,000	949,000	948,118	(882)
Professional services	1,800,000	1,800,000	1,222,855	(577,145)
Total cash disbursments for personal services	8,817,000	8,817,000	7,380,482	(1,436,518)
Non-personal services:				
Rent	1,188,000	1,188,000	1,005,989	(182,011)
Repairs & Maintenance	15,000	15,000	8,874	(6,126)
Materials	103,000	103,000	88,677	(14,323)
Advertisement	60,000	60,000	5,550	(54,450)
Telephone & Communication	100,000	100,000	56,007	(43,993)
Equipment	132,000	132,000	102,730	(29,270)
Travel	47,000	47,000	21,696	(25,304)
Other	434,000	434,000	431,580	(2,420)
Total cash disbursments for non-personal services	2,079,000	2,079,000	1,721,103	(357,897)
Total cash disbursements	10,896,000	10,896,000	9,101,585	(1,794,415)
Excess of cash receipts over cash disbursements from operations	135,727	135,727	1,192,618	1,056,891
Withdrawal by DTRH imposed by OE-2013-046	-	-	(100,000)	(100,000)
Excess of cash receipts over cash disbursements, net	$ 135,727	$ 135,727	$ 1,092,618	$ 956,891

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.

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Office of the Commissioner of Insurance

(Commonwealth of Puerto Rico)

Statement of Cash Receipts and Cash Disbursements – Governmental Funds

Year Ended June 30, 2014

	General Fund	Special Revenue Fund
CASH RECEIPTS		
Licenses	$ 8,726,315	$ -
Testing fees	686,358	-
Fines	655,371	-
Sales of publications	79,269	-
Federal grant	-	577,239
Other	146,890	-
Total cash receipts	10,294,203	577,239
CASH DISBURSEMENTS		
Program: Oversight and Regulation of the Insurance Industry		
Personal services:	5,209,509	-
Salaries and fringe benefits	948,118	-
Employer Contributions	1,222,855	546,014
Professional services	7,380,482	546,014
Total cash disbursments for personal services		
Non-personal services:	1,005,989	-
Rent	8,874	-
Repairs & Maintenance	88,677	-
Materials	5,550	-
Advertisement	56,007	-
Telephone & Communication	102,730	-
Equipment	21,696	-
Travel	431,580	-
Other	1,721,103	-
Total cash disbursments for non-personal services	9,101,585	546,014
Total cash disbursements from operations		
	1,192,618	31,225
Excess of cash receipts over cash disbursements from operation		
	(100,000)	-
Withdrawal by DTRH imposed by OE-2013-046		
	$ 1,092,618	$ 31,225
Excess of cash receipts over cash disbursements, net		

See notes to statement of cash receipts and cash disbursements.

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 21, 2014, the date which the financial statements were available to be issued.

3. RELATED PARTY

As of June 30, 2014, 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 $42.6 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.

4. COMMITMENTS

On January 1, 2011, the Office entered into a non-cancelable operating lease agreement for the office facilities including common area maintenance charges and electricity expenses. The lease expires on December 31, 2015, with a renewal option period of 30 days. Also, the Office has several non-cancelable operating leases for equipment and parking spaces expiring between May 2017 and June 2017.

The minimum rental commitments for leases in effect at June 30, 2014, are as follows:

Year Ending June 30,	Amount
2015	$ 1,045,810
2016	610,069
2017	123,403
	$ 1,779,282

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.

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.

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 8.275% of gross salary up to $6,600
Hired on or after April 1, 1990	8.275% of gross salary

Total Employer contributions made during the year ended June 30, 2014 was $588,459.

Total covered payroll for the year ended June 30, 2014, was approximately $5 million. For the fiscal year ended June 30, 2014, 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, 2014, a copy of which can be obtained from Retirement System Administration, PO Box 42003, San Juan, Puerto Rico 00949.

6. CONTINGENCIES

Federal Award

On March 23, 2010, the President signed into law the Patient Protection and Affordable Care Act of 2010 which included a wide variety of provisions designed to promote a high quality, high value, health care system. These included significant grant funding to assist States in working with the Federal Government to implement comprehensive health reform. Section 1003 of the Affordable Care Act requires the Secretary of the Department of Health and Human Services (HHS), in conjunction with the States, to establish a process for the annual review of health insurance premiums to protect consumers from unreasonable, unjustified and/or excessive rate increases.

The Office of the Commissioner of Insurance received the Health Insurance Premium Review Grant Cycle I and II covering the period from March 28, 2011 to September 20, 2014, to enhance their current rate review process for health insurance premiums. This included developing new or enhancing existing health insurance rate review processes that will promote immediate improvements in private health insurance consumer protections. The expenditures financed by Cycle I and II grants are subject to program compliance audits in order to assure compliance with grant requirements, which could result in requests for reimbursement by the grantor agencies for expenditures, if disallowed under the terms of the grants. These amounts, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The Office's administration believes that such disallowances, if any, will not have a material adverse effect on the financial position of the Office.

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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, 2014

	Budgeted Amount		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive/(Negative)
CASH RECEIPTS				
Licenses	$ 9,676,804	$ 9,676,804	$ 8,726,315	$ (950,489)
Testing fees	621,145	621,145	686,358	65,213
Fines	644,987	644,987	655,371	10,384
Sales of publications	73,276	73,276	79,269	5,993
Other	15,515	15,515	146,890	131,375
Total cash receipts	11,031,727	11,031,727	10,294,203	(737,524)
CASH DISBURSEMENTS				
Program: Oversight and Regulation of the Insurance Industry				
Personal services:				
Salaries and fringe benefits	6,068,000	6,068,000	5,209,509	(858,491)
Employer contributions	949,000	949,000	948,118	(882)
Professional services	1,800,000	1,800,000	1,222,855	(577,145)
Total cash disbursments for personal services	8,817,000	8,817,000	7,380,482	(1,436,518)
Non-personal services:				
Rent	1,188,000	1,188,000	1,005,989	(182,011)
Repairs & Maintenance	15,000	15,000	8,874	(6,126)
Materials	103,000	103,000	88,677	(14,323)
Advertisement	60,000	60,000	5,550	(54,450)
Telephone & Communication	100,000	100,000	56,007	(43,993)
Equipment	132,000	132,000	102,730	(29,270)
Travel	47,000	47,000	21,696	(25,304)
Other	434,000	434,000	431,580	(2,420)
Total cash disbursments for non-personal services	2,079,000	2,079,000	1,721,103	(357,897)
Total cash disbursements	10,896,000	10,896,000	9,101,585	1,794,415
Excess of cash receipts over cash disbursements from operations	135,727	135,727	1,192,618	1,056,891
Withdrawal by DTRH imposed by OE-2013-046	-	-	(100,000)	(100,000)
Excess of cash receipts over cash disbursements, net	$ 135,727	$ 135,727	$ 1,092,618	$ 956,891

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 Commissioner's Statement of Cash Receipts and Cash Disbursements.

2. BUDGET AND BUDGETARY ACCOUNTING

The Office's budget system is its primarily controlled 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 Governmental Funds 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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