

ANNEX A

Financial Oversight and Management Board for Puerto Rico



Budgetary Comparison Schedule For Year Ended June 30, 2017

FINANCIAL OVERSIGHT AND MANAGEMENT BOARD OF PUERTO RICO
FOR THE YEAR ENDED JUNE 30, 2017

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**COMMONWEALTH OF PUERTO RICO
FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Final Budget</u>	<u>Actual Amounts in Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Contributions from territorial government	\$ 31,000,000	\$ 31,000,000	\$ -
Other	12,000	12,064	64
Total revenues	<u>31,012,000</u>	<u>31,012,064</u>	<u>64</u>
EXPENDITURES:			
Payroll and other related costs	338,000	337,975	25
Rent and other office costs	31,000	30,575	425
Purchased services	1,940,000	1,937,808	2,192
Transportation and travel costs	260,000	259,667	333
Professional services	28,239,000	28,186,661	52,339
Materials and supplies	4,000	3,721	279
Equipment purchases	34,000	33,757	243
Other expenditures	166,000	165,879	121
Total expenditures	<u>31,012,000</u>	<u>30,956,043</u>	<u>55,957</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 56,021</u>	<u>\$ 56,021</u>

The notes to this budgetary comparison schedule are an integral part of this schedule.
This budgetary comparison schedule has not been audited, reviewed or compiled and no assurance is provided on it.

FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO

NOTES TO BUDGETARY COMPARISON SCHEDULE – GOVERNMENTAL FUND FOR THE YEAR ENDED JUNE 30, 2017

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1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

On June 30, 2016, the Financial Oversight and Management Board for Puerto Rico (the Oversight Board) was established by the bipartisan Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) in Public Act 114 - 187 of the 114th Congress to address the economic crisis in Puerto Rico and to provide a method for Puerto Rico as a covered territory to achieve fiscal responsibility and to restore access to the capital markets.

The Oversight Board is tasked with working with the Government of Puerto Rico to create the necessary foundation for economic growth and to restore opportunity to the people of Puerto Rico. The Oversight Board consists of seven members appointed by the President of the United States and an ex-officio member appointed by the Governor of Puerto Rico.

Section 107(a) of PROMESA establishes that a budget should be adopted for each fiscal year of operations and shall be submitted to the President, the House of Representatives Committee on Natural Resources and the Senate Committee on Energy and Natural Resources, the Governor, and the Legislature in accordance with section 107(a) of the Act. In accordance with Article VIII of the Oversight Board Bylaws, as amended, the Chair shall propose for each fiscal year an annual budget for the Oversight Board no later than one month before the beginning of the fiscal year, which upon an affirmative vote of a majority of the members then serving shall be adopted as the annual budget of the Oversight Board, except that the budget for the initial fiscal year shall be proposed and adopted pursuant to a schedule as determined by the Chair.

The Oversight Board shall, from time to time as it deems necessary, notify the Governor and the Legislature its funding requirements as set forth in section 107(b) of PROMESA.

A. Budgetary Accounting

The Oversight Board's budget is prepared in accordance with a statutory basis of accounting, which is not in accordance with accounting principles generally accepted in the United States of America (US GAAP). Revenue is generally recognized when cash is received and expenditures are generally recorded when the related expenditure is incurred or encumbered. Amounts required for the settlement of claims and judgments against the Oversight Board, and certain other liabilities are not recognized until they are encumbered or otherwise processed for payment. Specifically certain liabilities for the year ended June 30, 2017 have been accrued for purposes of this budgetary comparison schedule.

Under statutory basis of accounting, the Oversight Board uses encumbrance accounting to record the full amount of purchase orders, contracts and other commitments of allocated resources as deductions from the allocation prior to actual expenditure. In the general fund, encumbrance accounting is a significant aspect of budgetary control.

The Oversight Board funds do not have a legally mandated budget.

B. Budgetary Control

Formal budget integration is employed as a management control device during the fiscal year for the general fund. The annual budget for the fiscal year ended June 30, 2017 was **\$31,000,000**.

FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO

NOTES TO FORECASTED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND (CONTINUED) FOR THE YEAR ENDING JUNE 30, 2018

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1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Budgetary Control (Continued)

The Oversight Board's revenues are established by PROMESA in Section 107, which states that on the 5th day of each month the Governor of Puerto Rico shall transfer or cause to be transferred the greater of \$2,000,000 or such amount as shall be determined by the Oversight Board to an account under the exclusive control of the Oversight Board from a dedicated funding source and without any legislative appropriations of the territorial government. The contributions from territorial government presented are those estimated by the Oversight Board as sufficient to cover all expenditures for its operations for the fiscal year ended June 30, 2017 using the zero-based budgeting method.

As also established by PROMESA in Section 107, if the Oversight Board determines in its sole discretion that any funds transferred exceed the amounts required for the Oversight Board's operations, any such excess funds shall be periodically remitted to the territorial government.

For budgetary purposes, encumbrance accounting is used. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For US GAAP reporting purposes, encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.