



Secretaría

LCDA. TANIA BARBAROSSA ORTIZ

- VER AL DORSO
- NOTAS
- PARA CALENDARIO
- TRAER EXPEDIENTE
- DAR CUENTA
- REGISTRAR Y PROCESAR
- ARCHIVAR
- PREPARAR CARTA
- NOMBRAMIENTO
- AUTORIZADO Y GESTIONAR

Handwritten initials

EL CAPITOLIO
PO BOX 9023431
SAN JUAN, PUERTO RICO
00902-3431

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INICIALES

REFERIDO A:

COMISIONES PERMANENTES

- HACIENDA Y FINANZAS PÚBLICAS
- GOBIERNO, EFICIENCIA GUBERNAMENTAL
E INNOVACIÓN ECONÓMICA
- JURIDICA, SEGURIDAD Y VETERANOS
- SALUD Y NUTRICIÓN
- EDUCACIÓN, FORMACIÓN Y DESARROLLO DEL INDIVIDUO
- ASUNTOS DE LA MUJER

- INFRAESTRUCTURA, DESARROLLO URBANO
Y TRANSPORTACIÓN
- AGRICULTURA, SEGURIDAD ALIMENTARIA
Y SUSTENTABILIDAD DE LA MONTAÑA
- RECURSOS NATURALES, AMBIENTALES
Y ASUNTOS ENERGÉTICOS
- COOPERATIVISMO, PEQUEÑAS Y MEDIANAS EMPRESAS
Y MICRO-EMPRESAS
- TURISMO, CULTURA, RECREACIÓN Y DEPORTES
Y GLOBALIZACIÓN
- RELACIONES LABORALES, ASUNTOS DEL CONSUMIDOR
Y CREACIÓN DE EMPLEOS
- DERECHOS CIVILES, PARTICIPACIÓN CIUDADANA
Y ECONOMÍA SOCIAL
- AUTONOMÍA MUNICIPAL, DESCENTRALIZACIÓN
Y REGIONALIZACIÓN
- BANCA, SEGUROS Y TELECOMUNICACIONES
- VIVIENDA Y COMUNIDADES SOSTENIBLES
- ÉTICA E INTEGRIDAD LEGISLATIVA
- CORPORACIONES PÚBLICAS
Y ALIANZAS PÚBLICO-PRIVADAS
- REGLAS, CALENDARIO Y ASUNTOS INTERNOS

SOLICITUD DE SERVICIO DE MENSAJERÍA

Or: Contabilidad Fecha: 1/22/14
BANCO GUBERNAMENTAL DE FOMENTO
PARA PUERTO RICO

Juan Carlos Blatin

Destino o Agencia: Senado de PR

Física: El Capitolio

Temas o Artículos:

Financieros auditados @ 6/30/13 CT, AFICA S, PRTA 2012

Entrega al Mensajero: Recogido Entrega Acuse de Recibo

Entregado por: [Signature] Fecha 1/22/14 Hora 2:13pm

PARA USO DE LA SECCIÓN DE CORREO INTERNO

Designado _____

Mensajero [Signature]

337
CORREO GUBERNAMENTAL
SENADO DE PR
EL CAPITOLIO
SAN JUAN, P.R. 00915

#1681

LLM&D, PSC
165 Ponce de León Ave.,
Second Floor
San Juan, Puerto Rico
00917-1233

2011 JAN 27 PM 12:37

Puerto Rico Telephone Authority

(A Component Unit of the Commonwealth of Puerto Rico)

*BASIC FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION*

December 31, 2012

(With Independent Auditors' Report Thereon)

PUERTO RICO TELEPHONE AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

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LLM&D, PSC
165 Ponce de León Ave.,
Second Floor
San Juan, Puerto Rico
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Puerto Rico Telephone Authority:

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Puerto Rico Telephone Authority (the "Authority") as of and for the years ended December 31, 2012, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Authority'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 basic financial statements.

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

Opinion

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2012, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1, in 2013, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

December 24, 2013
San Juan, PR

LLM&D, PSC

License No. 90
Expiration Date: December 1, 2016

Stamp No. E87211 of Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

PUERTO RICO TELEPHONE AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

As management of the Puerto Rico Telephone Authority (the "Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2012. Please read it in conjunction with the Authority's basic financial statements, which follow this section.

(1) Financial Highlights

The Authority's total assets increased by approximately \$190 thousand (1.6%) to approximately \$12 million during the year ended December 31, 2012.

(2) Overview of the Financial Statements

The basic financial statements include the management's discussion and analysis section, the independent auditors' report, and the basic financial statements of the Authority. The basic financial statements also include notes that explain in more detail some of the information in the basic financial statements.

(3) Required Financial Statements

The basic financial statements of the Authority are prepared using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Authority. The statement of net position presents the Authority's assets and liabilities, providing information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing its liquidity and financial flexibility.

Revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered its costs from the revenues it has generated.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

(4) Financial Analysis of the Authority

The statement of net position and the statement of revenues, expenses, and changes in net position report information about the Authority's activities in a way that will help determine whether the Authority as a whole is better off or worse off financially as a result of this year's activities. These two statements report the net position of the Authority and the changes in them. One can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors, such as changes in economic conditions and new or changed government legislation, need to be considered.

PUERTO RICO TELEPHONE AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

(5) Net Position

Condensed financial information is presented below (in thousands):

	<u>December 31,</u>		<u>Change</u>	
	<u>2012</u>	<u>2011</u>	<u>Amount</u>	<u>Percent</u>
Cash	\$ 12,053	\$ 11,863	\$ 190	1.6%
Accrued interest receivable	<u>1</u>	<u>1</u>	<u>-</u>	<u>0%</u>
Total assets	<u>12,054</u>	<u>11,864</u>	<u>190</u>	<u>1.6%</u>
Accounts payable and accrued liabilities	4	11	(7)	(63.6)%
Noncurrent liabilities	<u>6,759</u>	<u>7,026</u>	<u>(267)</u>	<u>(3.8)%</u>
Total liabilities	<u>6,763</u>	<u>7,037</u>	<u>(274)</u>	<u>(3.9)%</u>
Net position	<u>5,291</u>	<u>4,827</u>	<u>464</u>	<u>9.6%</u>
Total liabilities and net position	<u>\$ 12,054</u>	<u>\$ 11,864</u>	<u>\$ 190</u>	<u>1.6%</u>

As mentioned above, the Authority's total assets increased by approximately \$190 thousand when compared with prior year. This mainly results from the receipt of approximately \$350 thousand arising from interest income and a gain on a municipal derivative antitrust litigation settlement (of which the Authority was a participant as plaintiff with the attorneys general of several states) between Attorneys General Muni Bond Derivative Settlement and Bank of America, offset by payments made during 2012 for professional services and other operating expenses. Total liabilities decreased by approximately \$274 thousands, principally as a result of eliminating a contingency reserve for potential claims from former bondholders, which was no longer considered necessary.

Condensed statements of revenue, expenses, and changes in net position are presented below (in thousands):

	<u>Year ended December 31,</u>		<u>Change</u>	
	<u>2012</u>	<u>2011</u>	<u>Amount</u>	<u>Percent</u>
Operating expenses:				
Professional services and other	\$ 159	\$ 106	\$ 53	50%
Non-operating revenue:				
Interest income	12	12	-	0%
Other income	<u>610</u>	<u>-</u>	<u>610</u>	<u>100%</u>
Total non-operating revenue:	<u>622</u>	<u>12</u>	<u>610</u>	<u>5,083%</u>
Change in net position	<u>\$ 463</u>	<u>\$ (94)</u>	<u>\$ 557</u>	<u>(28)%</u>

While the statement of net position shows the change in financial position, the statement of revenues, expenses, and changes in net position provides answers as to the nature and source of these changes. During 2012, the change in net position results from a couple of activities. One was the receipt of approximately \$350 thousand arising from interest income and a gain on a municipal derivative antitrust litigation settlement as disclosed on the previous paragraph, offset by professional services and other operating expenses. The other reason responds to the elimination of a contingency reserve no longer considered necessary, also disclosed on the previous paragraph.

PUERTO RICO TELEPHONE AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

(6) Contacting the Authority's Financial Management

This financial report is designed to provide those interested with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Puerto Rico Telephone Authority, PO Box 42001, San Juan, Puerto Rico, 00940-2001.

PUERTO RICO TELEPHONE AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS

CURRENT ASSETS:

Cash	\$ 1,497,090
Accrued interest receivable	678
Total current assets	<u>1,497,768</u>

RESTRICTED NON-CURRENT ASSETS:

Cash	10,555,662
Accrued interest receivable	346
Total restricted non current assets	<u>10,556,008</u>
Total assets	<u>\$ 12,053,776</u>

LIABILITIES AND NET POSITION

LIABILITIES:

Accounts payable and accrued liabilities	\$ 4,331
Noncurrent liabilities	6,759,166
Total liabilities	<u>6,763,497</u>

NET POSITION:

Restricted	3,801,908
Unrestricted	1,488,371
Total net position	<u>5,290,279</u>

Total liabilities and net position	<u>\$ 12,053,776</u>
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See notes to basic financial statements.

PUERTO RICO TELEPHONE AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

NON-OPERATING INCOME:	
Interest	12,054
Other	<u>609,862</u>
Total non-operating income	<u>621,916</u>
CHANGE IN NET POSITION	463,195
NET POSITION - Beginning of year	<u>4,827,084</u>
NET POSITION - End of year	<u><u>\$ 5,290,279</u></u>

See notes to basic financial statements.

PUERTO RICO TELEPHONE AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

CASH FLOWS USED IN OPERATING ACTIVITIES -	
Payments to service providers	\$ (160,520)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES -	
Other income collected	338,028
CASH FLOWS FROM INVESTING ACTIVITIES -	
Interest received	<u>11,984</u>
NET INCREASE IN CASH	189,492
CASH - Beginning of year	<u>11,863,260</u>
CASH - End of year	<u><u>\$ 12,052,752</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (158,721)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Decrease in accrued expenses and other liabilities	<u>(1,799)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (160,520)</u></u>
RECONCILIATION TO STATEMENT OF NET POSITION:	
Cash - unrestricted	\$ 1,497,090
Cash - restricted	<u>10,555,662</u>
	<u><u>\$ 12,052,752</u></u>

See notes to basic financial statements.

PUERTO RICO TELEPHONE AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

- (b) Unrestricted component of net position consists of net amount of the assets and liabilities that does not meet the definition of the preceding category. Unrestricted component of net position often is designated, in order to indicate that management does not consider them to be available for general operations. Unrestricted component of net position often has constraints on use that are imposed by management, but such constraints may be removed or modified.

Revenue and Expenses — The Authority distinguishes operating items from non-operating items. There was no operating income during 2012. Operating expenses are those incurred in the administration of the Authority. All other revenue and expenses are reported as non-operating.

Restricted Cash — At December 31, 2012, the restricted cash balance of approximately \$10.6 million represents cash deposited with the Bank. Restricted cash includes approximately \$3.8 million which represents funds received from the sale of its wholly owned subsidiaries. In accordance with Joint Resolution 209 of June 24, 1998 of the Legislature of Puerto Rico (the “Joint Resolution 209”), as amended, any funds remaining from the sale described in Note 1 above are to be transferred to a separate component unit of the Commonwealth for infrastructure development. The Authority is currently undergoing a consultation process with its legal counselor to determine when to dispose of these funds as set forth in Joint Resolution 209. Further, restricted cash includes approximately \$6.7 million which represent surplus funds received from the Federal Emergency Management Agency (“FEMA”) for the assistance on damages incurred during the pass of the Hurricane George during 1998. The carrying value and the bank balance amounts are the same. See Note 4 for more details.

The GASB has issued the following accounting pronouncements that have an effective date after December 31, 2012:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities, or viceversa. In the case of the Authority, as there are no deferred outflows or deferred inflow of resources, no impact is expected from the future adoption of this statement. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.
- GASB Statement No. 66, *Technical Corrections 2012*. The objective of this Statement, among other provisions, is to amend Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. No impact is expected upon the adoption of this statement on January 1, 2013.

PUERTO RICO TELEPHONE AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

- GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The major fundamental change, among others related to the application and determination of certain measurement assumptions in valuing pension plans, is switching from the existing “funding-based” accounting model, where currently the Annual Required Contribution (ARC) is compared to the actual payments made and that difference determines the Net Pension Obligation; to an “accrual basis” model similar to current FASB standards, where the Total Pension Obligation (Actuarially determined) is compared to the Net Plan Position and the difference represents the Net Pension Liability. This particular Statement will not be applicable to the Authority, as the Authority does not have its own pension plan; on the other hand, this will be applicable to the three Employees’ Retirement Systems of the Commonwealth (the “Retirement Systems”). However, this change applicable to only the Retirement Systems, will have an impact on the different government agencies and public corporations, including the Authority, when GASB Statement No. 68, discussed below, is adopted effective for fiscal year 2015. The provisions of this Statement are effective for the financial statements of the Retirement Systems for periods beginning after June 15, 2013.

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement, among other requirements, will bring the effect of Statement 67 summarized above, into the accounting records of the individual agencies, public corporations and municipalities, whose employees participate in the Retirement Systems. The Authority, as well as the other component units of the Commonwealth and the municipalities, are considered “cost-sharing” employers of the Retirement Systems; therefore, a government participating in the Retirement Systems, such as the Authority, would report the resulting Net Pension Liability from Statement 67 as follows:
 - ✓ Based on the Authority’s proportion of the collective net pension liability of all the governments participating.
 - ✓ The proportion should be consistent with the method used to assess contributions (percentage of payroll).

The impact of the effects of this Statement on the Authority’s basic financial statements is not expected to be significant as the Authority currently has no employees participating in Retirement Systems. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfer of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

PUERTO RICO TELEPHONE AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a governmental entity guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. Certain qualitative factors should be considered when evaluating the likelihood of a guaranty payment, such as: initiation of a bankruptcy process, breach of a debt contract in relation to the guaranteed obligation and indications of significant financial difficulty to pay agents or trustees. This Statement is not expected to have any impact on the Authority as the Authority has no financial guarantees outstanding at December 31, 2012. This Statement is effective for financial statements for periods beginning after June 15, 2013.

3. CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2012, all of the Authority's bank balances, aggregating to approximately \$12 million, were exposed to custodial credit risk since such deposits, all of which are maintained at the Bank, are uninsured and uncollateralized.

4. NONCURRENT LIABILITIES

Noncurrent liabilities represents other liabilities that includes approximately \$6.7 million of the Hurricane George damage assistance funds received from FEMA, as "pass-through" from the Government's Authorized Representative (the "GAR") represented by the Commonwealth's Office of Management and Budget (the "OGP", by its Spanish acronym), during 1998 to 1999, on behalf of a former subsidiary. The formal determination concerning entitlement of these funds is pending. The Authority is currently pursuing efforts with FEMA and the OGP to establish the course of action and final destination of these funds.

5. TAXES

The Joint Resolution 209 relieved the Authority from making the in-lieu tax payments to the Commonwealth as required under the provision of Authority's enacting law.

6. TRANSACTIONS WITH GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

The Authority has no employees. The Bank provides certain management and administrative services to the Authority for which the Bank charged \$72,000 during the year ended December 31, 2012. As of December 31, 2012, the Authority does not owe any amount to the Bank.

PUERTO RICO TELEPHONE AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

7. CONTINGENCY

On October 17, 1989 the Authority, on behalf of PRTC, initiated an expropriation process of a distribution center located in Cataño, PR (the "Property"), which it was historically being occupied by PRTC. As result of the expropriation process, the Authority acquired the Property from Puerto Nuevo Development Corporation ("PRDC") for approximately \$11.4 million. Subsequently, PRDC commenced a legal procedure against the Authority to claim an adjustment of the expropriation value alleging that the market value of the Property was approximately \$14.5 million at expropriation date.

In September 2006, the court ruled against the Authority and ordered to compensate PRDC with \$3.9 million, including interest, for the difference between the expropriation value and the market value of the Property at expropriation date. Since the PRTC was sold to a private entity, including the Property which was part of the sale transaction, the Authority sued PRTC to recover the amount of \$3.9 million paid to PRDC. On June 27, 2012, the court ordered PRTC to compensate the Authority for \$3.9 million plus interest, computed at annual rate of 4.25%, and attorney's fees from August 31, 2006 up to the payment date. As of December 24, 2013, the Authority estimated the compensation amount in approximately \$5 million, including interest. However, PRTC appealed the court order, and the Authority is pending for a final resolution.

8. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 24, 2013, the date the financial statements were available to be issued, to determine if any such events should either be recognized or disclosed in the 2012 financial statements.