Financial Statements

AUTOMOBILE ACCIDENTS

COMPENSATIONS ADMINISTRATION

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Automobile Accidents Compensations Administration
San Juan, Puerto Rico

We have audited the accompanying financial statements of Automobile Accidents Compensations Administration, a component unit of the Commonwealth of Puerto Rico, as of and for the years ended June 30, 2012 and June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Automobile Accidents Compensations Administration's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Automobile Accidents Compensations Administration as of June 30, 2012 and June 30, 2011, and the respective changes in its financial position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standard*, we have also issued our report dated September 26, 2012, on our consideration of the Automobile Accidents Compensations Administration's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

September 26, 2012

Aquino, De Cordova, Alfaro & Co., LLP

by

Lic. #3171

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has been affixed to the
original report

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial report of the Automobile Accidents Compensations Administration ("hereinafter referred to as the Administration") represents a narrative overview and analysis of the financial performance and activities for the fiscal years ended June 30, 2012, 2011 and 2010. The information presented herein should be read in conjunction with the attached Financial Statements, including the notes thereto.

Summarized financial statement information, relevant financial and operational indicators, operational budgets and other management tools were used for purpose of this analysis.

FINANCIAL HIGHLIGHTS

- There was an income from insurance operations of $8.2 million, an increase of $9.2 million more than the previous year ($8.2 million in 2012 vs. -$1 million in 2011). This is mainly due to a decrease of $9.5 million in the reserves for future benefits. In 2011, there was a decrease in the loss from insurance operations of $9.5 million or 90.3% less than 2010 ($10.5 million in 2010), mainly due to a decrease on the benefits expenses as well as the benefit received from the fees negotiated with the medical providers.
- The total operating expenses decreased by $6.6 million, 8.3% less when compared with prior year total expenses incurred ($72.8 million in 2012 vs. $79.4 million in 2011). The operating expenses in 2011 decreased $10.8 million, 12% less than 2010 ($90.3 million in 2010).
- General and administrative expenses (including depreciation and amortization) are $1.6 million less than previous year ($19 million in 2012 vs. $20.6 million in 2011). This is mainly due to an impairment loss for approximately $963 thousand recognized in 2011 and a control in costs during the year 2012. Between 2011 and 2010 there are $4.2 million more ($16.4 million in 2010); mainly due to an increase in the allowance for uncollectible accounts.
- Gross insurance premiums earned increased by $2.1 million, 2.5%, when compared with prior fiscal year ($83.6 million in 2012 vs. $81.5 million in 2011). Gross insurance premiums earned in 2011 are $1.2 million or 1.5% less than 2010 ($82.7 millions in 2010).
- Total assets increased by $7.3 million ($176.6 million in 2012 vs. $169.2 million in 2011), and decreased in 2011 by $24 million ($193.3 million in 2010).
- The Administration's liabilities exceeded assets by $34.7 million as of June 30, 2012 and $47 million as of June 30, 2011. Total net deficit decreased $12.4 million when compared with the end of prior fiscal year (-$34.7 million in 2012 vs. -$47.1 million in 2011). In 2011, the net deficit decreased $20.5 when compared with the end of 2010 (-$67.6 million in 2010).
- Total liabilities decreased $5 million ($211.3 million in 2012 vs. $216.3 million in 2011), and decreased $44.6 million in 2011 in comparison with 2010 ($260.9 million in 2010).
- The investments portfolio experienced a realized gain of $2.2 during the year ended June 30, 2012 and a realized loss of $1.5 million during the year ended June 30, 2011, and an unrealized loss of $1.6 million during the year ended June 30, 2012 and an unrealized gain of $19.6 million during the year ended June 30, 2011.

OVERVIEW OF THE FINANCIAL REPORT

The Administration is a component unit of the Commonwealth of Puerto Rico (hereinafter referred to as the "Commonwealth") and is presented in the Commonwealth's government-wide financial statements as an enterprise fund.

The Administration's financial statements are presented, attached to this document, and represent the financial position and results of operation of the Administration as of June 30, 2012 and 2011, and for the fiscal years then ended.

The financial statements include a Balance Sheet, a Statement of revenues, expenses and changes in net assets (deficit), a statement of cash flows, and the notes to such financial statements.

BALANCE SHEETS

The Balance Sheets presents the Administration's statement of position as of June 30, 2012 and 2011, showing information that includes all of the Administration's assets and liabilities, as well as the net deficit. An evaluation of the overall financial health of the Administration would extend to other external factors, such as the quality of the portfolio of investments and their related market conditions, the experience of gains and losses that may be affected by demographic variables, and the inflationary increase of medical costs.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)

The statement of revenues, expenses and changes in net assets (deficit) shows how the Administration's net assets changed during the fiscal year. All current fiscal year revenues and expenses are included regardless of when the cash is received or paid. An important purpose of the design of this statement is to show the financial reliance of the Administration's functions on premium revenues earned.

STATEMENTS OF CASH FLOWS

The statement of cash flows presents the sources and uses of cash flows divided in categories: operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The statement reconciles net cash and cash equivalents at the beginning and end of the year and reconciles the net operating income (loss) with the cash provided by operating activities to provide an explanation of cash and non-cash activities within the statement of revenues, expenses and changes in net assets (deficit).

NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements provide information required and necessary to the understanding of material information of the Administration financial statements. The notes present information about the Administration's significant accounting policies, significant account balances and activities, risk management, obligations, commitments and contingencies.

DETAILED FINANCIAL ANALYSIS

The Administration was created in 1968 by virtue of Law 138 as a public corporation of the Government of Puerto Rico. It operates a system of compulsory insurance for vehicles licensed for the use within the Commonwealth of Puerto Rico. The insurance covers bodily injuries caused by automobile accidents and has an annual premium, which was established back in 1968, of $35 per motor vehicle. The Administration, therefore, is responsible for managing the risks of insurance established in the Law and provides adequate resources for insured beneficiaries by managing premiums, claims and expenses.

The financial position of the Administration as of June 30, 2012, changed with respect to that of the prior years as follows:

	2012	2011	Variance Dollars	Variance Percent	2010	Variance Dollars	Variance Percent
Cash and cash equivalents	$ 18,973,160	$ 10,998,054	$ 7,975,106	72.51%	$ 5,993,647	$ 5,004,407	83.50%
Collateral received under securities lending program	-	-	-	0.00%	43,222,484	(43,222,484)	-100.00%
Investments, at fair value	147,125,316	147,513,643	(388,327)	-0.26%	131,258,866	16,254,777	12.38%
Accounts receivable	2,377,913	3,117,916	(740,003)	-23.73%	3,920,874	(802,958)	-20.48%
Capital assets	8,094,574	7,587,851	506,723	6.68%	8,895,346	(1,307,495)	-14.70%
Other assets	42,945	31,106	11,839	38.06%	31,106	-	0.00%
Total Assets	$ 176,613,908	$ 169,248,570	$ 7,365,338	4.35%	$ 193,322,323	$ (24,073,753)	-12.45%
Reserves for future benefits	$ 157,140,133	$ 166,595,917	$ (9,455,784)	-5.68%	$ 165,926,782	$ 669,135	0.40%
Deferred premiums reserve	38,269,641	39,477,916	(1,208,275)	-3.06%	37,770,335	1,707,581	4.52%
Obligation to return collateral under securities lending program	-	-	-	0.00%	43,222,484	(43,222,484)	-100.00%
Payable for acquisition of investments	1,394,630	724,591	670,039	92.47%	357,913	366,678	102.45%
Accounts payable, including insurance premiums in advance (2010)	10,434,617	5,470,862	4,963,755	90.73%	9,563,647	(4,092,785)	-42.80%
Accrued liabilities	4,037,466	4,057,686	(20,220)	-0.50%	4,052,524	5,162	0.13%
Total liabilities	211,276,487	216,326,972	(5,050,485)	-2.33%	260,893,685	(44,566,713)	-17.08%
Net assets invested in capital assests	8,094,574	7,587,851	506,723	6.68%	8,895,346	(1,307,495)	-14.70%
Unrestricted net assets	(42,757,153)	(54,666,253)	11,909,100	-21.79%	(76,466,708)	21,800,455	-28.51%
Net deficit	(34,662,579)	(47,078,402)	12,415,823	-26.37%	(67,571,362)	20,492,960	-30.33%
Total Liabilities and Net Deficit	$ 176,613,908	$ 169,248,570	$ 7,365,338	4.35%	$ 193,322,323	$ (24,073,753)	-12.45%

TOTAL ASSETS

Total assets increased $7.3 million or 4.3% due to the net effect of the following:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents increased $7.9 million for the year ended June 30, 2012 mainly due to the termination of the relationship with the International Fund Manager, due to the uncertainty in the international markets. While the Administration hires a new manager, it is holding this portion of the portfolio in cash. It should be noted that the net cash provided from operating activities amounted to $3.3 million during the fiscal year 2012 vs. $337 thousand provided the year before. The increase of $3 million in the net cash provided by operating activities was due to an increase of $1 million in cash received from insured and a reduction of $1.6 million in cash paid for benefits and expenses and to employees for services ($76.5 million in 2012 vs. $78.1 million in 2011), as well as an increase of $311 thousand in other operating receipts which had a significant impact in the increase of the cash provided by operating activities.

Cash and cash equivalents, when compared with 2010, increased $5 million for the year ended June 30, 2011. It should be noted that the net cash provided from operating activities amounted to $337 thousand during the fiscal year 2011 vs. $1.1 million used the year before. The decrease of $744 thousand in the net cash provided by operating activities was due to a decrease of $8.9 million in cash received from insured and a reduction of $9.6 million in cash paid for benefits and expenses and to employees for services ($78.1 million in 2011 vs. $87.7 million in 2010), as well as a reduction of $1.4 million in other operating receipts which had a significant impact in the decrease of the cash provided by operating activities.

Management performed a strict strategic and financial planning of withdrawals needed for operating activities. During the fiscal year ended June 30, 2012 no withdrawals were made from the investment portfolio to finance operating activities.

INVESTMENTS

During the last twenty years, the premium income received has been insufficient to cover the operating expenses of the Administration. As a result, withdrawals from the investment portfolio were frequently made to cover operating funding needs. During the last three years, no withdrawals were made from the portfolio compared to 2009 when $15.8 million were withdrawn.

During 2012, the Administration experienced a decrease of the fair value of its investments amounted to $388 thousand when compare with 2011.

INVESTMENTS - CONTINUED

The following are the rationales for the decrease of $388 thousand in the fair market value of the investments portfolio:

- Realized gains in the sales of investments were $2.2 million in 2012 vs. $1.5 million of realized losses last year, an increase of $3.7 million or 243%. In 2010, the portfolio experienced realized gains of $1.8 million (a decrease of $3.3 million or 183% when compared with 2011).

- Unrealized losses on investments amounted to $1.6 million in 2012, while last year experienced unrealized gains of $19.6 million. This represents a net change of -$21.2 million, or -108%. In 2010 the portfolio experienced realized gains of $5.1 million. This represents a net change of $14.5 million, or 285% when compared with 2011.

In 2011, the Administration experienced an increase of the fair value of its investments amounted to $16.2 when compared with 2010.

INVESTMENT MARKET CONDITIONS

The market conditions were unfavorable, leading to a net decrease of $388 thousand in the investments portfolio at fair market value. Like every investor, the Administration is subject to the market risk, which consists of changes in market rates and prices that may adversely affect the financial condition or the results of operations.

Unfavorable market conditions for Fiscal Year 2011-2012 were experienced as a result of volatile market conditions. There were some indicators that confirm and give support to our argument:

- The uncertainties raised by the Euro zone debt crisis and because 2012 is an election year.
- The expansionary policies adopted in 2009 led to high inflation in emerging markets, leading to monetary policy tightening throughout 2011.

There were favorable market conditions for investment Fiscal Year 2010-2011 as a result of market stabilization. There were some indicators that confirm and give support to this argument:

- There has been an improvement in consumer consumption.
- Even though the Growth Domestic Price decreased 1%, population also grew at 1% per year, this translates to "no growth" per capita.
- Government spending shrunk slightly.

INVESTMENT MARKET CONDITIONS - CONTINUED

In the second quarter of Fiscal Year 2012, the Administration ended the relationship with the international money managers, in order to reduce the risk related to the economic crisis in Europe. The Administration is in the process of hiring new asset managers with different strategies to reduce the risk in the portfolio.

The Administration will continue to evaluate very closely the performance of the investments' money managers in fiscal year 2012-2013.

ACCOUNTS RECEIVABLE

The decrease in accounts receivable of $740 thousand was mainly caused by an increase of payment agreements of recovery of benefits as well as fluctuations in the premiums due from the Treasury Department at year end. Premiums receivable are estimated based on information provided by the Puerto Rico Treasury Department and are subject to change if new information is provided. In addition, the allowance for doubtful accounts experienced an increase based upon historic collection experience and current economic condition. In 2011, when compared with 2010, there was a decrease in accounts receivable of $803 thousand, for the information provided by the Puerto Rico Treasury Department.

CAPITAL ASSETS

The increase shown in the net capital assets was $506 thousand ($8.1 million in 2012 vs. $7.6 million in 2011), and was related to the net effect of acquisitions, and depreciation charges during the fiscal year. The few property acquisitions made by the Administration during the year were made to maximize the services and enhance the efficiency of operations. The Administration has been working on new software and technology developments designed to help speed up the claim processing area, as well as control the disbursement procedures in the years to come.

In November 2005, the Administration entered into a agreement with a third party to obtain and implement a cost effective information system infrastructure to automate the administration and payment of medical services providers and claimants.

In 2011, a decrease in the net capital assets of $1.3 million was experienced ($8.9 millions in 2010) due to the same reasons. For the fiscal year ended June 30, 2011, the Administration recognized an impairment loss for approximately $963,000 associated with the significantly and unexpectedly decline in service utility of some modules of the system. The provision for impairment represents the difference between the net carrying cost and the estimated fair market value. The write-down is included in operating expenses in the Administration's statement of revenues, expenses and change in net assets (deficit).

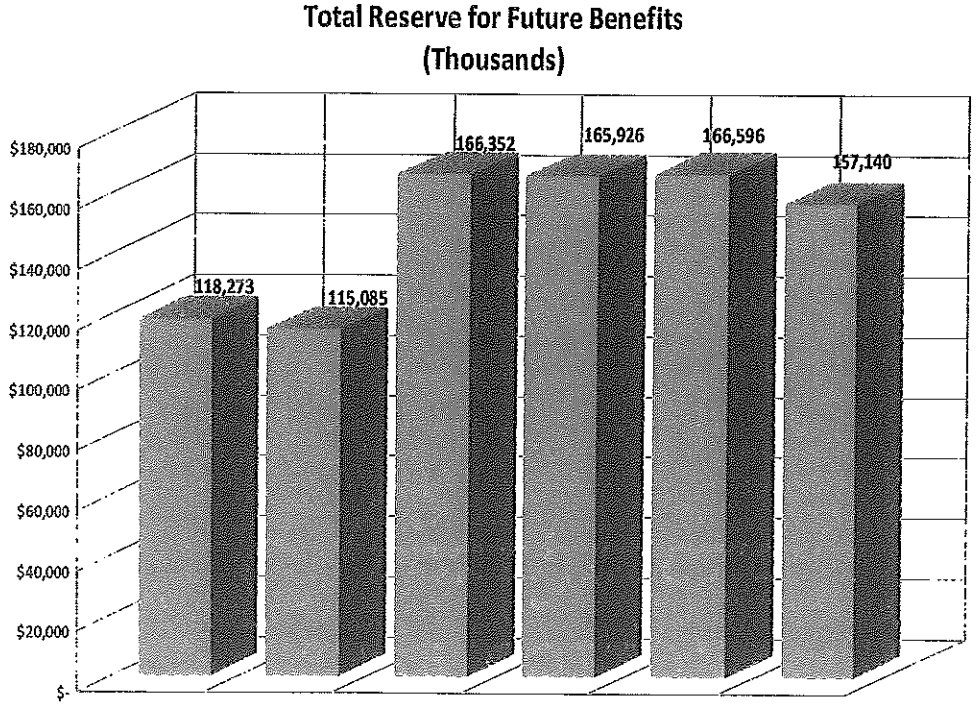
LIABILITIES AND NET DEFICIT

Below is a general discussion of the liabilities and net assets section of the Administration's financial position.

RESERVES FOR FUTURE BENEFITS

The composition of the reserves for future benefits as of the end of the last six fiscal years was as follows:

Description	2007	2008	2009	2010	2011	2012
Death	$ 12,424	$ 13,249	$ 17,988	$ 16,488	$ 14,419	$ 12,497
Funeral	409	362	360	369	237	231
Disability	5,310	6,337	5,548	5,791	3,945	3,302
Medical hospital:						
Basic	44,671	35,788	42,124	44,515	46,421	42,500
Extended Benefit	55,132	59,024	99,944	98,371	101,257	98,345
Dismemberment	327	325	388	392	317	265
Total	$ 118,273	$ 115,085	$ 166,352	$ 165,926	$ 166,596	$ 157,140



DECREASE IN RESERVES FOR FUTURE BENEFITS

A reserve for future benefits is an estimate of unpaid benefits on any given date. The estimate of the reserve for future benefits is an actuarial function involving the current financial evaluation of future contingent events. The total reserve figure for Fiscal Year ended June 30, 2012 shows a decrease of $9.5 million or 5.7% ($157.1 million in 2011 vs. $166.6 million in 2011), because of a downward trend in the costs per insured vehicle caused mainly by the reduction on the number of accidents and injuries arising from motor vehicle usage and a revised cash management procedures implemented by ACAA in response to cash flow constraints. In 2011, the estimate of the reserve increased $669 thousand or 0.40% ($165.9 million in 2010). According to the actuarial report, the Reserve for Future Benefits is segregated into six major areas: benefits for Death, Funeral, Disability, Dismemberment and Medical Hospital Benefits, basic and extended. Each major area is evaluated separately and a reserve is estimated for each of them.

It should be noted that most payments for Funeral and Dismemberment benefits are settled within two years, while the Disability benefits may perhaps run for two years. Other benefits settlements may depend on the composition and age distribution of the beneficiaries. Up to 2008, the Reserve for Future Benefits were discounted. Effective in 2009, the Reserve were undiscounted as recommended by our actuary.

PAYABLE FOR ACQUISITION OF INVESTMENT

Payable for the acquisition of investments increased by $670 thousand when compared to prior year ($1.4 million on 2012 vs. $724 thousand on 2011). In 2011, the payable increased by $366 thousand ($358 thousand in 2010). The reason for this variation depends on the transactions pending settlements in the investment portfolio.

ACCOUNTS PAYABLE

Accounts payable increased by $5.4 million or 108% when compared to prior year ($10.4 million on 2012 vs. $5 million on 2011). The main reason for this is an increment in the pending invoices corresponding to vendors of medical services and expenses for the beneficiaries of the Administration. In 2011, the accounts payable decreased by $3.5 million or 41.5% when compared with 2010 ($8.5 million in 2010, excluding insurance premiums in advances for $597 thousand). The main reason for this reduction of pending invoices corresponding to vendors of medical services and expenses for the beneficiaries of the Administration.

ACCRUED LIABILITIES

Accrued liabilities in 2012 practically remained the same as the previous year only decreasing by $20 thousand or 0.50% when compared to prior year. The main reason for this stabilization has been the pressure placed by management on employees to use their excess accrued vacation time and the reduction in payroll expenses.

In 2011, the accrued liabilities increased by $5 thousand or 0.13% ($4 million in 2010).

NET DEFICIT AT END OF YEAR

The net deficit for the Fiscal Year ended June 30, 2012 decreased by $12.4 million. This decrease in net deficit was related to all management actions here in before stated.

It should be noted that, as required by the Law that created the Administration, the excess of revenues collected during any fiscal year over the payment of benefits and operational expenses must be kept by the Administration to cover all unanticipated claims. Also, if in any year the receipts and the reserves accrued are not sufficient to cover the losses and the expenses incurred, the Secretary of the Treasury shall provide, as an advance to the Administration, the sums required to remediate the deficiency. Such advance would be obtained from any funds available in the general Government fund.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)

The following statement presents a detail of the Administration's revenues, expenses and change in net deficit (000's omitted):

			Variance			Variance	
	2012	2011	Dollars	Percent	2010	Dollars	Percent
Net insurance premiums earned	$ 79,608	$ 77,549	$ 2,059	2.66%	$ 78,609	$ (1,060)	-1.35%
Benefits incurred	31,908	37,737	(5,829)	-15.45%	49,631	(11,894)	-23.96%
Beneficiaries' services	21,931	21,088	843	4.00%	24,247	(3,159)	-13.03%
General and administrative expenses	19,013	20,618	(1,605)	-7.78%	16,377	4,241	25.90%
Total operating expenses	72,852	79,443	(6,591)	-8.30%	90,255	(10,812)	-11.98%
Other income (expenses), net	1,411	877	534	60.89%	1,175	(298)	-25.36%
Income (loss) from insurance operations	8,167	(1,017)	9,184	-903.05%	(10,471)	9,454	-90.29%
Interests and dividends, net	3,660	3,414	246	7.21%	3,922	(508)	-12.95%
Realized gains (losses) on sales of investments	2,215	(1,545)	3,760	243.37%	1,816	(3,361)	-185.08%
Unrealized (losses) gains on investments	(1,626)	19,641	(21,267)	-108.28%	5,099	14,542	285.19%
Change in Net Assets	$ 12,416	$ 20,493	$ (8,077)	-39.41%	$ 366	$ 20,127	5499.18%

REVENUES FROM INSURANCE PREMIUMS

The premiums are earned ratably over the one-year term of coverage, and it is anticipated to remain in-line with the prior year if no significant change in premiums collected is established. The insurance premium rate per vehicle per year is $35 and has remained the same for over 40 years. Net revenues from insurance premiums experienced an increase of $2 million or 2.7% over last year ($79.6 million in 2012 vs. $77.5 million in 2011). The increase resulted from estimates based on information provided by the Puerto Rico Treasury Department, which is subject to future changes based on new information that may be provided. In 2011, Net revenues from insurance premiums experienced a decrease of $1.1 million or 1.4% over the previous year ($78.6 million in 2010).

SERVICE FEES

Law No. 233 was enacted during the Fiscal Year ended June 30, 2004. This Law allows the Puerto Rico Treasury Department to charge a fee of 5% over all revenues collected by the Puerto Rico Treasury Department for collection expense purposes. On a full year basis, this charge reached an amount of $3.9 million for the Fiscal Year 2011-12, in comparison to $3.9 million for Fiscal Year 2010-11. This amount is also estimated from information provided by the Puerto Rico Treasury Department, which is subject to future changes based on new information that may be provided. In the fiscal year 2009-10 the services fees amounted to $4.1 million.

BENEFITS EXPENSES INCURRED

During Fiscal Year ended June 30, 2012, the benefits incurred experienced a combined 15.4% decrease or $5.8 million ($31.9 million in 2012 vs. $37.7 million in 2011). This decrease was mainly caused by a reduction plan implemented by the Administration in 2011.

During Fiscal Year ended June 30, 2011, the benefits incurred experienced a combined 23.9% decrease or $11.8 million ($49.6 million in 2010). This was mainly caused by aggressive cost reduction plan implemented by the Administration, including instructional letters and sound approval procedures. In addition, a change in the Prescription Benefit Manager and the implementation of new pharmacy policies contributed to a reduction of the actual benefits paid without considering the reserve adjustment.

BENEFICIARIES' SERVICES

The beneficiaries' services expense experienced an increase of $843 thousand or 4% ($21.9 million in 2012 vs. $21.1 million in 2011). This is mainly due to improvements made to the ACAA21 system in regional offices. In 2011, the beneficiaries' services expenses decreased $3.1 million or 12.8% ($24.2 million in 2010). This mainly due to invoice payment process which includes a new review and utilization program for hospital claims.

GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

The general and administrative expenses (including depreciation and amortization) experienced a decrease of $1.6 million when compared with the previous year ($19 million in 2012 vs. $20.6 million in 2011). The main cause for this decrease was a better cost control during the fiscal year. During 2011 the Administration experienced a increase of $4.2 million with the previous year ($16.4 million in 2010) because of an in increase in the allowance for uncollectible accounts and the recognition of impairment loss of capital asset.

DISTRIBUTION OF TOTAL OPERATING EXPENSES

In summary, as previously explained, the Total Operating Expenses (including transfers to another governmental agency) incurred during the year ended June 30, 2012 decreased $2.4 million when compared with the prior year ($74.4 million in 2012 vs. $81.1 million in 2011). In 2011, the Total Operating Expenses incurred during the year decreased by $10.2 million when compared with 2010 ($91.3 million). The composition of the Administration's Total Operating Expenses (including transfer to another governmental agency) as compared with the previous five fiscal years is as follows:

	2008	2009	2010	2011	2012
Death & funeral benefits	$ 4,087	$ 7,907	$ 1,310	$ 288	$ 490
Disability benefits	5,061	2,778	2,891	175	1,176
Accident & health benefits	45,352	92,243	45,430	37,275	30,242
G & A	17,638	18,022	16,377	20,617	19,013
Beneficiaries' services	24,028	25,664	25,323	22,768	23,514
Total Expenses	$ 96,166	$ 146,614	$ 91,331	$ 81,123	$ 74,435

In 2012 the Administration entered into a agreement with a third party to obtain and implement a cost effective information system infrastructure to automate the finance and payroll processes as well as improvements to the ACAA21 System.

STATEMENTS OF CASH FLOWS

The Administration's cash flow for the year resulted in a net increase in cash and cash equivalents of $5 million, as shown below (000's omitted):

	2012	2011	Variance Dollars	Variance Percent	2010	Variance Dollars	Variance Percent
Cash flows provided by operating activities:							
Cash received from insured	$ 79,016	$ 77,993	$ 1,023	1.31%	$ 86,868	$ (8,875)	-10.22%
Cash paid for benefits and expenses	(47,014)	(48,104)	1,090	-2.27%	(53,353)	5,249	-9.84%
Cash paid to employees for services and accumulated benefits	(29,505)	(30,024)	519	-1.73%	(34,354)	4,330	-12.60%
Other operating receipts	783	472	311	65.89%	1,920	(1,448)	-75.42%
Net cash provided by operating activities	3,280	337	2,943	873.29%	1,081	(744)	-68.83%
Cash flows from non-capital financing activities:							
(Decrease) increase in securities lending obligations	-	(43,222)	43,222	-100.00%	14,499	(57,721)	-398.10%
	-	(43,222)	43,222	-100.00%	14,499	(57,721)	-398.10%
Cash flows used in capital and related financing activities - capital expenditures	(561)	(348)	(213)	61.21%	(402)	54	-13.43%
Cash flows from investing activities:							
Proceeds from sale of investments	106,295	106,459	(164)	-0.15%	115,535	(9,076)	-7.86%
Purchase of investments	(106,702)	(102,752)	(3,950)	3.84%	(119,165)	16,413	-13.77%
Contributions on investments in real estate, net of gross income	1,977	(2,076)	4,053	-195.23%	(1,300)	(776)	59.69%
Purchase of securities, net of collections of interest dividend income, and non-cash collateral received on securities lending transactions	3,686	46,607	(42,921)	-92.09%	(10,664)	57,271	-537.05%
Net cash provided by (used in) investing activities	5,256	48,238	(42,982)	-89.10%	(15,594)	63,832	-409.34%
Net increase (decrease) in cash and cash equivalents	$ 7,975	$ 5,005	$ 2,970	59.34%	$ (416)	$ 5,421	-1303.13%

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES

The cash received from insurance premiums during the fiscal year increased by $1 million or 1.3% over the same period last year ($79 million in 2012 vs. $78 million in 2011). In 2011, the cash received from insurance premiums decreased by $8.9 million or 10.2% over the same period the previous year ($86.9 million in 2010).

We must remember that, on the other hand, in 2004 the collections were reduced by 5.0% due to the implementation of Law No. 233, which resulted in a service charge by the Puerto Rico Treasury Department for the collection of the premiums. The fees charged amounted to $3.9 million in 2012, $3.9 million in 2011, $4.1 million in 2010, $3.8 million in 2009, $4.3 million in 2008, $4.2 million in 2007, $4 million in 2006, and $3.9 million in 2005, and $965 thousand in 2004.

Other areas affecting the cash from operating activities included payments for benefits and employees expenses. During the year, a decrease of $1.6 million or 4% was experienced in the payments for benefits and expenses and to employees for services and accumulated benefits ($76.5 million in 2012 vs. $78.1 million in 2011). On the other hand, the other operating receipts experienced an increase of $311 thousand ($783 thousand in 2012 vs. $472 thousand in 2011) due to the net effect of other collections and the change in other accounts receivable. In 2011, the other operating receipts decreased by $1.4 million ($472 thousand in 2011 vs. $1.9 million in 2010) due to the efforts in collections and the net effect with the change in other accounts receivable.

CONTACTING THE ADMINISTRATION'S FINANCIAL MANAGEMENT

This financial analysis (including the financial statements and notes thereto) is designed to provide a general overview of the Administration's finances and to comply with the financial reporting guidelines established by the Commonwealth of Puerto Rico, as well as to demonstrate the Administration's commitment to public accountability. For questions regarding this analysis and/or to request additional information, contact the Administration's Finance Department at Chardón Ave. #249, Arterial Hostos Square, Hato Rey, PR, 00918 or by calling 787-753-8495.

AUDITED FINANCIAL STATEMENTS

AUTOMOBILE ACCIDENTS COMPENSATIONS ADMINISTRATION
BALANCE SHEETS
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 18,973,160	$ 10,998,054
Investments, at fair value	147,125,316	147,513,643
Accounts receivable:		
Premiums	50,242	666,088
Accrued interest and dividends	756,565	782,405
Receivable from sale of investments	992,550	916,273
Other, net	578,556	753,150
	2,377,913	3,117,916
	168,476,389	161,629,613
CAPITAL ASSETS		
Being depreciated, net	5,017,441	4,510,718
Not being depreciated	3,077,133	3,077,133
	8,094,574	7,587,851
Other assets	42,945	31,106
	$ 176,613,908	$ 169,248,570

See accompanying notes to financial statements.

AUTOMOBILE ACCIDENTS COMPENSATIONS ADMINISTRATION
BALANCE SHEETS - CONTINUED
JUNE 30, 2012 AND 2011

	2012	2011
LIABILITIES AND NET ASSETS (DEFICIT)		
LIABILITIES		
Reserves for future benefits:		
Accident and health	$ 140,845,541	$ 147,677,944
Death and funeral	12,727,996	14,656,128
Disability	3,566,596	4,261,845
	157,140,133	166,595,917
Deferred premiums reserve	38,269,641	39,477,916
Payable for acquisition of investments	1,394,630	724,591
Accounts payable	10,434,617	5,020,130
Due to Puerto Rico Traffic Safety Commission	-	450,732
Accrued liabilities	4,037,466	4,057,686
TOTAL LIABILITIES	211,276,487	216,326,972
COMMITMENTS AND CONTIGENCIES		
NET ASSETS (DEFICIT)		
Invested in capital assets	8,094,574	7,587,851
Unrestricted	(42,757,153)	(54,666,253)
	(34,662,579)	(47,078,402)
	$ 176,613,908	$ 169,248,570

See accompany notes to financial statements.

AUTOMOBILE ACCIDENTS COMPENSATIONS ADMINISTRATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
PREMIUMS		
Gross insurance premiums earned	$ 83,576,859	$ 81,512,490
Less services fee	(3,968,449)	(3,963,158)
NET INSURANCE PREMIUMS EARNED	79,608,410	77,549,332
BENEFITS AND EXPENSES		
Death and funeral benefits	490,289	287,820
Disability benefits	1,175,716	175,555
Accident and health benefits	30,241,859	37,273,891
Beneficiaries' services	21,931,150	21,088,036
General and administrative expenses	18,391,051	19,925,741
Depreciation and amortization expense	621,711	691,808
TOTAL OPERATING EXPENSES	72,851,776	79,442,851
OTHER OPERATING INCOME (EXPENSES)		
Other income, mainly recoveries of benefits	2,993,499	2,557,246
Transfers to other Governmental Agency	(1,582,868)	(1,680,365)
INCOME (LOSS) FROM INSURANCE OPERATIONS	8,167,265	(1,016,638)
NON OPERATING REVENUES (EXPENSES)		
Interest and dividends, net of administration costs	3,660,216	3,383,197
Interest - securities lending	-	91,324
Interest, fees and other expenses of securities lending	-	(60,784)
Realized gains (losses) on sales of investments	2,214,547	(1,545,177)
Unrealized (losses) gains on investments	(1,626,205)	19,641,038
TOTAL NON-OPERATING REVENUES	4,248,558	21,509,598
CHANGE IN NET ASSETS	12,415,823	20,492,960
NET DEFICIT AT BEGINNING OF YEAR	(47,078,402)	(67,571,362)
NET DEFICIT AT END OF YEAR	$ (34,662,579)	$ (47,078,402)

See accompanying notes to financial statements.

AUTOMOBILE ACCIDENTS COMPENSATIONS ADMINISTRATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Cash received from insured	$ 79,015,981	$ 77,993,747
Cash paid for benefits and expenses	(47,014,060)	(48,104,481)
Cash paid to employees for services and accumulated benefits	(29,504,932)	(30,023,693)
Other operating receipts	783,062	471,657
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,280,051	337,230
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Decrease in securities lending obligations	-	(43,222,484)
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital expenditures	(561,432)	(347,560)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	106,295,584	106,458,783
Purchases of investments	(106,701,762)	(102,752,445)
Distributions (contributions) on investments in real estate, net of gross income	1,976,609	(2,076,205)
Collections of interest, dividend income, and collateral received on securities lending transactions (in 2011)	3,686,056	46,607,088
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,256,487	48,237,221
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,975,106	5,004,407
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,998,054	5,993,647
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 18,973,160	$ 10,998,054

See accompanying notes to financial statements.

AUTOMOBILE ACCIDENTS COMPENSATIONS ADMINISTRATION
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income (loss) from insurance operations	$ 8,167,265	$ (1,016,638)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	621,711	691,808
Provision for doubtful accounts	2,385,031	4,161,397
Loss from impairment of capital assets	-	963,247
Changes in assets and liabilities:		
Premiums receivable	615,846	(666,088)
Other accounts receivable	(2,210,437)	(2,085,589)
Other assets	(11,839)	-
Reserve for future benefits	(9,455,784)	669,135
Deferred premium reserve	(1,208,275)	1,707,581
Accounts payable	4,847,485	(3,567,820)
Accrued liabilities	(20,220)	5,162
Insurance premiums advance from Puerto Rico Treasury Department	-	(597,078)
Due to Puerto Rico Traffic Safety Commission	(450,732)	72,113
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,280,051	$ 337,230

SUPPLEMENTAL DISCLOSURES OF NON CASH AND RELATED FINANCING ACTIVITIES:

	2012	2011
Account receivable written-off	$ 2,500	$ -
Securities sold, but not yet delivered	$ 76,277	$ 577,629
Securities purchased, but not yet received	$ 670,039	$ 366,678
Retirement of fully depreciated property and equipment	$ 453,745	$ -
Property and equipment acquired through debt	$ 567,002	$ -

See accompanying notes to financial statements.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Summary of Significant Accounting Policies

The Automobile Accidents Compensations Administration (the "Administration" or "ACAA") is a public corporation and a component unit of the Commonwealth of Puerto Rico, created by Law No.138 of June 26, 1968 (as amended). The Administration operates a system of compulsory insurance for vehicles licensed to be used on public roads and highways in Puerto Rico. This insurance covers bodily injuries and compensation for beneficiaries (and their dependents) caused by automobile accidents. The annual premium is $35 per motor vehicle.

As a public corporation, the Administration is exempt from the payment of taxes, except on payroll.

A summary of the Administration's significant accounting policies used in the preparation of the accompanying financial statements follows:

Basis of Accounting

The Administration reports follows the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* as amended by GASB Statement No. 34, which requires proprietary activities to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, and Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless the pronouncements conflict or contradict GASB pronouncements.

This pronouncement permits the adoption of all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict or contradict GASB pronouncements. The Administration, as allowed by GASB, has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that are not in conflict with GASB pronouncements.

Insurance Premiums

Insurance premiums are collected in advance by the Treasury Department and recognized ratably as income during the policy year. As per Law No. 233 of September 2, 2003, the Puerto Rico Treasury Department of the Commonwealth of Puerto Rico charges a 5% service fee over all revenue collected by the Treasury Department. The service charges during the years ended June 30, 2012 and 201 1, amounted to approximately $3,968,000 and $3,963,000, respectively. The portion of premiums that will be earned in the future is deferred and reported as Deferred Premiums Reserve.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

For financial statement purposes, the Administration considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents as of June 30, 2012 and 2011, consist of funds invested in short term bills, notes and investments funds.

Investments

The Administration invests in marketable securities in order to shift the risks to uncertainty of the possible liabilities regarding claims.

Investments are recorded at their fair market value in conformity with GASB Statement No. 31, *"Accounting and Financial Reporting for Investments and for External Investment Pools."* The fair value is based on quotations obtained from national securities exchanges. When securities are not listed in national securities exchanges, quotations are obtained from brokerage firms. Changes in fair value are reported in the Statements of Revenues, Expenses and Changes in Net Assets.

The Administration follows the provisions of GASB Statement No. 28, *"Accounting and Financial Reporting for Securities Lending Transactions."* This statement establishes standards of accounting and financial reporting for securities lending transactions in which governmental entities (lenders) transfer their securities to broker-dealers and other entities (borrowers) for collateral and simultaneously agree to return the collateral for the same securities in the future. Cash collateral of securities received for which the Administration has the ability to invest and pledge forward at their discretion is recorded as an asset and a liability. Letters of credit and securities that cannot be pledged are not recorded as assets and liabilities in the Administration's books of accounts.

Receivables or Payables Resulting from the Sale or Acquisition of Investments

Investment transactions at or close to June 30, 2012 and 2011, for which the settlement date occurs after the fiscal year ends, are recorded separately for financial statement purposes.

Accounts Receivable

Receivables from premiums collected are estimates based on the amounts reported by the Puerto Rico Treasury Department which could be subject to change. Any change is recorded when it is identified.

Receivables are unsecured and presented net of estimated allowances for uncollectible accounts. Such allowances are determined based upon past collection experience and current economic conditions.

Accrued interest and dividends represents uncollected income earned on investments.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

Capital assets are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is provided using the straight-line method over the estimated useful life of the assets. Leasehold improvements are amortized over the respective lease terms or the estimated useful life of the improvements, whichever is shorter. Expenditures for maintenance and repairs that do not extend the life of the assets are charged to operations, while those for renewals and improvements are capitalized. Capital assets are defined by the Administration as assets which have a cost of $250 or more at the date of acquisition and have an expected useful life of one or more years.

Estimated useful life is as follows:

Building	45 years
Equipment	10-20 years
Computer and software	5-7 years
Vehicles	4 years
Office furniture and fixtures	5-10 years

Accounting for the Impairment of Capital Assets

The Administration accounts for asset impairment under the provision of GASB Statement No. 42, *Accounting and Financial Reporting for impairment of Capital Assets and for Insurance Recoveries.* This statement establishes accounting and financial reporting standards for impairments of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the Administration should be reported at the lower of carrying value or fair value.

Benefits Expenses

Benefits expenses are recorded when claims are incurred. In addition, management has established reserves to cover for the estimated cost of all future benefits related to claims incurred but not reported during the year. These reserves are adjusted annually following the advice of an independent actuary. Management believes that these reserves are reasonable and reflective of anticipated ultimate experience. Since the reserves are based on estimates, the net amounts that will ultimately be paid to settle the liability may change from the estimated amounts provided for.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Benefits Expenses - continued

The Law that created the Administration limits medical hospitalization benefits to a maximum of two years after an accident, except in severe trauma cases. The Law allows a Medical Committee to extend payment of medical benefits beyond the two-year period as deemed necessary.

In addition, the Law that created the Administration requires that the excess of revenues collected during any fiscal year over the payment of benefits and operational expenses must be kept by the Administration to cover all unanticipated claims. Also, if in any year the receipts and the reserves accrued are not sufficient to cover the losses and the expenses incurred, the Secretary of the Treasury of Puerto Rico shall provide, as an advance to the Administration the sums required to remedy the deficiency. Such advance would be obtained from any funds available in the General Fund of the Commonwealth of Puerto Rico.

Compensated Absences

The Administration accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". GASB Statement No. 16 requires accrual of the cost of the benefits through the years that employees provide services until the date of full eligibility for such benefits.

The vacation policy of the Administration generally provides for the annual accumulation of thirty (30) days of vacation and eighteen (18) days of sick leave. Vacation time and sick leave are fully vested to the employees from the first day of work. The excess of accumulated vacation over thirty (30) days and over three (3) days of sick leave is paid periodically to those employees as provided in the collective bargaining agreement. For administrative employees, any excess over fifteen (15) days of sick leave is also paid periodically. In addition, all employees are entitled upon retirement to a lump-sum payment equal to a day worth of salary for each year of service, up to thirty (30) years, as long as the last ten (10) years of service have been rendered in ACAA.

Pension Cost

Pension cost is accounted for in accordance with the provisions of GASB Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers". This statement establishes standards of accounting and financial reporting for pension expenditures/expenses and related pension liabilities, pension assets, note disclosures, and required supplementary information in the financial statements of state and local governmental employers.

This Statement defines that pension expense is equal to the statutory required contribution to the employee retirement system. A pension liability or asset is reported equal to the cumulative differences between statutory required contributions and actual contributions up to June 30, 2012 and 2011.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Termination Benefits

The Administration accounts for termination benefits in accordance with the provision of GASB Statement No. 47, "Accounting for Termination Benefits". This Statement establishes accounting standards for termination benefits. Pursuant to this Statement, the Administration should recognize a liability and expense for voluntary termination benefits (for example, early-retirement incentives) when the offer is accepted and the amount can be estimated. At June 30, 2012 and 2011, no formal voluntary termination benefits were incurred.

Risk Management

The Administration is exposed to the risk of loss from torts, theft, damages to, and destruction of assets, errors and omissions, employee injuries and illnesses, natural disasters, environmental and other losses. Commercial insurance coverage is obtained for claims that may arise from such matters. The commercial insurance coverage is negotiated by the Treasury Department of the Commonwealth of Puerto Rico, and the cost is paid by the Administration. No additional payments were made after the annual insurance costs were determined.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimated amounts. The accounts requiring the use of significant estimates include certain receivables, reserve for future benefits, deferred premiums reserve, and useful lives of property and equipment.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value of Financial Instruments

Financial instruments consist of cash, accounts receivable, accounts payable and debt. The carrying amount of all significant financial instruments approximates fair value, principally due to length of maturity.

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2012 and 2011, cash and cash equivalents mainly consist of deposits in banks and short term investments categorized as follows:

Category	Description
1	Cash Deposits in local banks collateralized or insured by the Federal Deposit Insurance Corporation.
2	Uncollateralized Deposits.

A summary of the Administration's cash and cash equivalents by category of risk as of June 30, 2012 and 2011, are shown below:

	2012			
	Credit Risk Category		Bank	Carrying
	1	2	Balance	Amount
Unrestricted cash	$ 5,590,379	$ -	$ 5,590,379	$ 4,208,221
Restricted cash	762,215	-	762,215	(8,490)
Short Term Investments	-	14,773,429	14,773,429	14,773,429
	$ 6,352,594	$ 14,773,429	$ 21,126,023	$ 18,973,160

	2011			
	Credit Risk Category		Bank	Carrying
	1	2	Balance	Amount
Unrestricted cash	$ 4,506,453	$ -	$ 4,506,453	$ 2,163,168
Restricted cash	633,708	-	633,708	12,411
Short Term Investments	-	8,822,475	8,822,475	8,822,475
	$ 5,140,161	$ 8,822,475	$ 13,962,636	$ 10,998,054

NOTE B - CASH AND CASH EQUIVALENTS - CONTINUED

Deposits held in custody by financial institutions are either insured by the Federal Depository Insurance Corporation (FDIC) up to $250,000, or collateralized with various financial instruments held by a trustee of the Treasury Department of the Commonwealth of Puerto Rico. Based on these provisions, insured or collateralized deposits are not considered to be subject to custodial risk, which is the risk that in the event of a bank's failure, the Administration's deposits may not be returned.

The restricted cash represents funds of Puerto Rico Traffic Safety Commission held in custody by the Administration (see Note I).

NOTE C - INVESTMENTS

The Administration invests in stocks, bonds, real estate, United States obligations, and cash equivalents as described more fully in its investment policy. Also, it can invest in international securities. As of June 30, 2012 and 2011, the credit quality rating for the investment securities portfolio was comprised of the following:

	2012				
	Credit Risk Rating				
Investment Type:	AAA to A	BBB + to B	CCC	Not Rated	Total
Corporate bonds	$ 13,571,417	$ 10,132,705	$ -	$ 3,204,620	$ 26,908,742
U.S. sponsored agencies notes:					
Federal Home Mortgage Corporation (FHLMC)	-	2,838,849	-	-	2,838,849
Federal National Mortgage Association (FNMA)	3,579,343	-	-	230,548	3,809,891
U.S. Government bonds	34,309,829	-	-	-	34,309,829
Mortgage and assets-backed securities:					
Government National Mortgage Association (GNMA)	-	-	-	1,250,502	1,250,502
FNMA	2,470,832	-	-	752,362	3,223,194
FHLMC	-	409,976	-	-	409,976
Asset Backed Securities	-	-	-	857,777	857,777
Commercial Mortgage - Backed	-	228,566	144,035	2,001,111	2,373,712
Municipal/provincial bonds	-	2,621,507	-	4,203,152	6,824,659
U.S. corporate stocks	24,647,101	8,989,688	-	11,249,889	44,886,678
Non U.S. corporate stocks	3,956,005	102,922	-	4,027,591	8,086,518
Real Estate	-	-	-	11,344,989	11,344,989
Total investments	$ 82,534,527	$ 25,324,213	$ 144,035	$ 39,122,541	$ 147,125,316

NOTE C - INVESTMENTS - CONTINUED

	2011				
	Credit Risk Rating				
Investment Type:	AAA to A	BBB + to B	CCC	Not Rated	Total
Corporate bonds	$ 8,601,587	$ 7,120,281	$ -	$ 7,315,603	$ 23,037,471
U.S. sponsored agencies notes:					
Federal Home Loan Bank (FHLB)	737,772	-	-	1,108,626	1,846,398
Federal Home Mortgage Corporation (FHLMC)	-	2,632,540	-	-	2,632,540
Federal National Mortgage Association (FNMA)	5,361,104	-	-	77,215	5,438,319
U.S. Government bonds	30,795,530	-	-	-	30,795,530
Mortgage and assets-backed securities:					
FNMA	2,948,627	-	-	455,736	3,404,363
FHLMC	-	300,606	-	-	300,606
Asset Backed Securities	-	-	-	161,880	161,880
Commercial Mortgage - Backed	-	426,929	158,483	2,226,427	2,811,839
Municipal/provincial bonds	-	-	-	1,653,082	1,653,082
U.S. corporate stocks	26,636,782	6,982,704	-	13,301,928	46,921,414
Non U.S. corporate stocks	3,172,339	2,415,920	-	12,485,336	18,073,595
Real Estate	-	-	-	10,436,606	10,436,606
Total investments	$ 78,253,741	$ 19,878,980	$ 158,483	$ 49,222,439	$ 147,513,643

The custody of these investments is held by a custodial bank in the name of the Administration. The investments portfolio is managed by five in 2012 and six asset management firms in 2011 and external consultants, and internal cash position is managed by the Assistant Executive Director for Finance, Planning and Budgeting.

NOTE C - INVESTMENTS - CONTINUED

The Administration's investment policy taken as a whole, requires money managers to maintain, with certain limitations, the following composition of the assets: not more than 72%, and not less than 30% in fixed income securities; not more than 60% in 2012 and 57.5% in 2011, and not less than 24% in 2012 and 2011 in equity securities. The equity securities position in the portfolio, no more than 15% in 2012 and 12.5% in 2011 may be invested in international markets. Investments in real estate should not exceed 7% of the total investment portfolio.

Equity investments will not be considered speculative in nature and will be those traded on the major national and international securities exchanges. Equity investments may only be acquired from companies with a market capitalization of $1 billion. Up to 15% of the equity portfolio may contain stocks of companies with a market capitalization of less than $1 billion, but not less than $200 million (at the time of purchase), and will not be unduly concentrated in any one industry or economic sector, with the exception of Puerto Rico Stocks.

Except for instruments issued by the Commonwealth of Puerto Rico and its instrumentalities, fixed income securities may only be acquired if they are rated, at the time of purchase, within the four highest classifications designated by one of the major rating services, i.e., Standard and Poor's or Moody's Investor Services. Not more than 5% of any single debt issue may be purchased as an investment, with the exception of the US Government or its agencies' paper. Not more than 10% of the assets of the fund at market value may be invested in the securities of a single issuer, with the exception of the US Government or its agencies. The bonds portfolio average duration shall not exceed seven years.

The Administration's investment in real estate consists of contributions to the Invesco Real Estate Fund I and II, LP, which are funds organized to invest in diversified real estate assets. The total commitment to Fund I and II requires contributions that will amount to $10,000,000 for each fund. Total contributions to the Fund I and II at June 30, 2012, amounted to $9,248,390 and $6,000,331, respectively, none return of capital. At June 30, 2011, total contributions amounted to $9,248,390 and $6,000,331, respectively, none return of capital.

The cumulative unrealized gain for both Funds at June 30, 2012 were $181,317 and $1,566,972, respectively. At June 30, 2011, the cumulative unrealized gain for both funds were $1,519,475 and $1,388,836, respectively. Fair value of the investments at June 30, 2012 and 2011, amounted to $11,344,989 and $10,436,606, respectively. Off-balance-sheet derivatives, option contracts, commodities, private placements, limited partnerships other than real estate, and venture-capital investments are among the assets that are specifically prohibited.

On May 19, 2011, Invesco Real Estate Fund II sent a capital demand notice to contribute $2,000,000 to the fund. The Administration refused to make the contribution based on the section 3.8 (a) of the partnership agreement which establish the requirements to elect a limited Opt-out Right. At June 30, 2012 the Administration and Invesco Real Estate Fund II are in a legal process on this issue. The risk in the case would be the contribution of $2,000,000, less return of capital to be distributed.

NOTE C - INVESTMENTS – CONTINUED

The Administration's cash reserve should be invested in high quality, short-term investments including commercial paper, US Treasury obligations, certificates of deposit, bankers' acceptances, and repurchase agreements collateralized by US Government securities.

The Administration's Statement of Investment Policy, Objectives and Guidelines provides more specific information regarding investment requirements.

The estimated market value of debt securities at June 30, 2012 and 2011, by contractual maturity is shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	2012					
Investment Type:	Within One Year	After one to Five Years	After Five to Ten Years	After Ten Years	Without Maturity	Total
Corporate bonds	$ 2,544,264	$ 12,044,925	$ 11,796,961	$ 522,592	$ -	$ 26,908,742
U.S. sponsored agencies notes:						
Federal Home Mortgage Corporation (FHLMC)	-	2,654,123	184,726	-		2,838,849
Federal National Mortgage Association (FNMA)	-	3,809,891	-	-		3,809,891
U.S. Government bonds	3,159,211	21,990,101	8,960,297	200,220	-	34,309,829
Mortgage and assets-backed securities:						
Government National Mortgage Association (GNMA)	-	-	-	1,250,502	-	1,250,502
FNMA	-	286,628	-	2,936,566	-	3,223,194
FHLMC	-	-	46,771	363,205	-	409,976
Asset Backed Securities	-	147,014	315,410	395,353	-	857,777
Commercial Mortgage - Backed	-	153,875	-	2,219,837	-	2,373,712
Municipal/provincial bonds	-	3,088,979	3,735,680	-	-	6,824,659
U.S. corporate stocks	-	-	-	-	44,886,678	44,886,678
Non U.S. corporate stocks	-	-	-	-	8,086,518	8,086,518
Real Estate	-	-	-	-	11,344,989	11,344,989
Total investments	$ 5,703,475	$ 44,175,536	$ 25,039,845	$ 7,888,275	$ 64,318,185	$ 147,125,316

NOTE C - INVESTMENTS - CONTINUED

	2011					
Investment Type:	Within One Year	After one to Five Years	After Five to Ten Years	After Ten Years	Without Maturity	Total
Corporate bonds	$ 2,261,761	$ 6,709,268	$ 13,568,448	$ 497,994	$ -	$ 23,037,471
U.S. sponsored agencies notes:						
Federal Home Loan Bank (FHLB)	253,802	1,592,596	-	-	-	1,846,398
Federal Home Mortgage Corporation (FHLMC)	-	2,632,540	-	-		2,632,540
Federal National Mortgage Association (FNMA)	1,758,284	3,336,877	343,158	-		5,438,319
U.S. Government bonds	1,521,475	17,300,110	11,973,945	-		30,795,530
Mortgage and assets-backed securities:						
FNMA	-	-	-	3,404,363	-	3,404,363
FHLMC	-	-	67,158	233,448	-	300,606
Asset Backed Securities	-	-	161,317	563	-	161,880
Commercial Mortgage - Backed	-	-	-	2,811,839	-	2,811,839
Municipal/provincial bonds	479,247	346,446	347,442	479,947	-	1,653,082
U.S. corporate stocks	-	-	-	-	46,921,414	46,921,414
Non U.S. corporate stocks	-	-	-	-	18,073,595	18,073,595
Real Estate	-	-	-	-	10,436,606	10,436,606
Total investments	$ 6,274,569	$ 31,917,837	$ 26,461,468	$ 7,428,154	$ 75,431,615	$ 147,513,643

NOTE C - INVESTMENTS - CONTINUED

During the fiscal years ended June 30, 2012 and 2011, the Administration sold a number of investments as part of its investment strategy. The results of said sales are as follow:

	2012	2011
Proceeds from sale of investments	$ 106,295,584	$ 106,458,783
Amortized cost of investments and net effect of receivable/payable on sale/purchase transactions	104,081,037	108,003,960
Realized gains (losses) in sales of investments	$ 2,214,547	$ (1,545,177)

The accompanying financial statements were prepared on the basis of accounting policies required by GASB Statement No. 31. Therefore all investment securities are accounted for at fair market value rather than cost. Thus, the accompanying financial statements reflect changes in the market value as well as realized gains (losses) of the Administration's investment portfolio as follows:

	2012	2011
Realized gains (losses) in sales of investments	$ 2,214,547	$ (1,545,177)
Change in fair value of investments securities	(1,626,205)	19,641,038
Net change in fair value of investments	$ 588,342	$ 18,095,861

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2012 and 2011 the Administration has investments of approximately $147,100,000 and $147,500,000, respectively, which are not insured by the Federal Deposit Insurance Corporation (FDIC). The Administration mitigates this risk by maintaining a diversified investing portfolio.

Interest risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Administration manages its exposure to declines in fair value by (1) maintaining a diversified portfolio of debt and equity investments and (2) diversifying the weighted average maturity of its investments in debt securities.

NOTE C - INVESTMENTS - CONTINUED

Foreign exchange risk is the risk that changes in exchanges rates will adversely affect the value of an investment or a deposit. According to the aforementioned investment guidelines the Administration's investing in foreign securities (or any other types of investments for which foreign exchange risk exposure may be significant) is limited to 15% of the total portfolio. Accordingly, management has concluded that the foreign exchange risk related to the Administration's investments is considered low at June 30, 2012 and 2011.

NOTE D - OTHER ACCOUNTS RECEIVABLE

Other accounts receivable consist of the following:

	2012	2011
Commonwealth of Puerto Rico:		
State Insurance Fund Corporation (related party)	$ 1,075,007	$ 1,071,752
Government agencies and Puerto Rico Safety Traffic Commision (related party)	1,069,513	987,340
Sub Total	2,144,520	2,059,092
Recovery from beneficiaries	11,262,648	9,285,808
Insurance companies	1,540,389	1,516,385
All others	260,652	138,987
	15,208,209	13,000,272
Less allowance for doubtful accounts	(14,629,653)	(12,247,122)
	$ 578,556	$ 753,150

NOTE E - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2012 and 2011, were as follows:

	2012				
	June 30, 2011	Additions	Retirements	Reclassified	June 30, 2012
Capital assets being depreciated					
Building	$ 6,975,930	$ -	$ -	$ -	$ 6,975,930
Equipment	938,250	-	-	-	938,250
Computer and software	4,455,234	1,077,547	398,778	-	5,134,003
Motor Vehicles	201,219	-	-	-	201,219
Furniture and fixtures	2,106,744	37,562	54,967	-	2,089,339
Leasehold improvements	3,611,183	13,325	-	-	3,624,508
	18,288,560	1,128,434	453,745	-	18,963,249
Less accumulated depreciation and amortization:					
Building and leasehold improvements	(6,794,215)	(392,086)		-	(7,186,301)
Other	(6,983,627)	(229,625)	(453,745)	-	(6,759,507)
	4,510,718	506,723	-	-	5,017,441
Capital assets not being depreciated					
Land	900,881	-	-	-	900,881
Software being developed	2,176,252	-	-	-	2,176,252
	3,077,133	-	-	-	3,077,133
	$ 7,587,851	$ 506,723	$ -	$ -	$ 8,094,574

NOTE E - CAPITAL ASSETS - CONTINUED

	2011				
	June 30, 2010	Additions	Retirements	Reclassified	June 30, 2011
Capital assets being depreciated					
Building	$ 6,975,930	$ -	$ -	$ -	$ 6,975,930
Equipment	938,250	-	-	-	938,250
Computer and software	4,336,990	120,599	-	(2,355)	4,455,234
Motor Vehicles	171,239	29,980	-	-	201,219
Furniture and fixtures	2,057,415	46,974	-	2,355	2,106,744
Leasehold improvements	3,461,176	150,007	-	-	3,611,183
	17,941,000	347,560	-	-	18,288,560
Less accumulated depreciation and amortization:					
Building and leasehold improvements	(6,385,655)	(408,560)	-	-	(6,794,215)
Other	(6,700,379)	(283,248)	-	-	(6,983,627)
	4,854,966	(344,248)	-	-	4,510,718
Capital assets not being depreciated					
Land	900,881	-	-	-	900,881
Software being developed	3,139,499	-	(963,247)	-	2,176,252
	4,040,380	-	(963,247)	-	3,077,133
	$ 8,895,346	$ (344,248)	$ (963,247)	$ -	$ 7,587,851

In November 2005, the Administration entered into an agreement with a third party to obtain and implement a cost effective information system infrastructure to automate the administration and payment of medical services providers and claimants. For the fiscal year ended June 30, 2011, the Administration recognized an impairment loss for approximately $963,000 associated with the significantly and unexpectedly decline in service utility of some modules of the system. The provision for impairment represents the difference between the net carrying cost and the fair market value. The write-down is included in operating expenses in the Administration's statement of revenues, expenses and change in net assets (deficit). No impairment charge was recorded during the year ended June 30, 2012.

NOTE F - RESERVES FOR FUTURE BENEFITS

The balance of the estimated liabilities for the payment of future benefits consists of the following:

	2012	2011
Death and funeral:		
Death	$ 12,496,891	$ 14,419,079
Funeral	231,105	237,049
Disability	3,301,688	3,944,578
Accident and health:		
Medical hospitalization - basic	42,500,064	46,421,242
Medical hospitalization - extended benefits	98,345,476	101,256,702
Dismemberment	264,909	317,267
	$ 157,140,133	$ 166,595,917

The activity in the reserves for future benefits for the years ended June 30, 2012 and 2011, is as follows:

	2012	2011
Reserves for future benefits at beginning of year, presented based on undiscounted method	$ 166,595,917	$ 165,926,782
Incurred claims:		
Provision for insured events of current year	56,525,890	63,179,854
Payment of claims:		
Current year insured events	(22,880,086)	(24,292,894)
Prior years insured events	(43,101,588)	(38,217,825)
	(65,981,674)	(62,510,719)
Reserves for future benefits at end of year, presented based on undiscounted method	$ 157,140,133	$ 166,595,917

NOTE G - LEASE COMMITMENTS

The Administration leases certain facilities for its regional offices, as well as certain office equipment. Office facilities are leased under non-cancelable lease agreements, which expire on various dates through the year 2022.

Future minimum rental payments under non-cancelable operating leases in force are as follow:

Year ending June 30,	Amount
2013	$ 1,178,031
2014	947,008
2015	669,587
2016	545,865
2017	480,838
2018 - 2022	476,850
	$ 4,298,179

Rent expense for the years ended June 30, 2012 and 2011, was approximately $1,332,000 and $1,344,000, respectively.

Rental income to be received under noncancelable operating lease

The Administration rents office spaces under three noncancelable operating leases expiring in October 2012, and January and August 2020, respectively. The future minimum rentals to be received under these agreements are as follows:

Year ending June 30,	Amount
2013	$ 130,000
2014	120,000
2015	120,000
2016	120,000
2017	120,000
Thereafter	324,000
	$ 934,000

NOTE H - RETIREMENT SYSTEMS

Defined-Benefit Pension Plan

The Employee Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (also known as the Retirement System), was created pursuant to Act. No. 447 of May 15, 1951, as amended, and is a cost-sharing, multiple-employer, defined benefit pension plan sponsored by and reported as a component unit of the Commonwealth of Puerto Rico. All regular employees of the Administration hired before January 1, 2000, and less than 55 years of age at the date of employment became members of the Retirement System as a condition of their employment. No benefits are payable if the participant receives a refund of his/her accumulated contributions.

The Retirement System provides retirement, death and disability benefits pursuant to legislation enacted by the Legislature of the Commonwealth. Retirement benefits depend upon the age at retirement and the number of years of creditable service. Benefits vest after ten years of plan participation. Disability benefits are available to members for occupational and non-occupational disabilities. However, a member must have at least ten years of service to receive non-occupational disability benefits.

Members who have attained 55 years of age and have completed at least 25 years of creditable service, or members who have attained 58 years of age and have completed 10 years of creditable service, are entitled to an annual benefit, payable monthly for life. The amount of the annuity shall be 1.5% of the average compensation, as defined, multiplied by the number of years of creditable service up to 20 years, plus 2% of the average compensation, as defined, multiplied by the number of years of creditable service in excess of 20 years. In no case will the annuity be less than $200 per month.

Participants who have completed 30 years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained 55 years of age will receive 65% of the average compensation, as defined; otherwise, they will receive 75% of the average compensation, as defined.

Current legislation requires employees to contribute 5.775% of the first $550 of their monthly gross salary and 8.275% of the excess over $550 of the monthly gross salary. The Administration is required by the same statute to contribute an amount equal to 9.275% of each participant's gross salary.

Defined Contribution Plan

The legislature of the Commonwealth of Puerto Rico enacted Act No. 305 on September 24, 1999, which amends Act. No. 447 to establish, among other things, a defined contribution savings plan program (the Program) to be administered by the Retirement System. All regular employees hired for the first time on or after January 1, 2000, and former employees who participated in the defined-benefit pension plan, received a refund of their contributions; and those rehired on or after January 1, 2000, became members of the Program as a condition to their employment. In addition, employees who at December 31, 1999, were participants of the defined-benefit pension plan had the option, up to March 31, 2000, to irrevocably transfer their prior contributions to the defined-benefit pension plan plus interest thereon to the Program.

NOTE H- RETIREMENT SYSTEMS - CONTINUED

Defined Contribution Plan - Continued

Act No. 305 requires employees to contribute 8.275% of their monthly gross salary to the Program. Employees may elect to increase their contribution up to 10% of their monthly gross salary. Employee contributions are credited to individual accounts established under the Program. Participants have three options to invest their contributions in the Program. Investment income is credited to the participant's account semiannually.

The Administration is required by Act No. 305 to contribute an amount equal to 9.275% of each participant's gross salary. The Retirement System will use these contributions to increase its asset level and reduce the unfunded status of the defined-benefit pension plan.

Upon retirement, the balance in each participant's account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant's lifetime and 50% of such benefit to the participant's spouse in the case of the participant's death. Participants with a balance of $10,000 or less at retirement will receive a lump-sum payment. In case of death, the balance in each participant's account will be paid in a lump sum to the participant's beneficiaries. Participants have the option of receiving a lump sum or purchasing an annuity contract in case of permanent disability.

Total employee and employer's contributions to the above mentioned plans during the year ended June 30, 2012 was approximately $1,491,000 and $1,811,000, respectively, and the contributions for the year ended June 30, 2011, amounted to approximately $1,449,000 and $1,619,000, respectively. Loans repayments for the year ended June 30, 2012 and 2011, amounted to approximately $496,000 and $491,000, respectively. These amounts represented 100% of the required contribution for the corresponding year. Individual information for each option is not available since the allocation is performed by the Retirement System itself.

Additional information on the Retirement System is provided in its stand-alone financial statements for the years ended June 30, 2012 and 2011, a copy of which can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities, PO Box 42005, San Juan, PR 00940-2005.

NOTE I - PUERTO RICO TRAFFIC SAFETY COMMISSION

Act No. 33, "Prevention of Traffic Accidents" of May 25, 1972, as amended, provides that the Administration should contribute to the Puerto Rico Traffic Safety Commission (the Commission) the funds needed for the Commission's operational expenses. At June 30, 2012 the Administration had an overdraft in the Commission's account of $8,490 while in 2011 the Administration held in custody cash of the Commission of $12,411 respectively. For the years ended June 30, 2012 and 2011, the Administration contributed to the Commission approximately $1,583,000 and $1,680,000, respectively.

NOTE J - CONTINGENCIES

The Administration acts as defendant in various legal proceedings or claims in the ordinary course of its operations. Most of these lawsuits principally involve claims on policies which are typical for the Administration and for the insurance industry in general. At June 30, 2012 and 2011, the Administration has an accrual of approximately $1,289,000 and $717,000, respectively. Management, based on the opinion of its legal counsel, believes that the ultimate liability resulting from these pending proceedings and legal actions in the aggregate will not have a material effect on the Administration's financial statements.

NOTE K - SUBSEQUENT EVENT

On July 2, 2012, the government of Puerto Rico enacted the Act No. 134, which creates a support fund for the government budget of the fiscal year 2012-2013. The Administration is required to contribute $12.5 million to the fund during the next fiscal year as a consequence of this law.

The Administration has evaluated subsequent events through September 26, 2012, the date the financial statements were available to be issued.

Aquino, De Córdova, Alfaro & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Automobile Accidents Compensations Administration

We have audited the financial statements of the Automobile Accidents Compensations Administration as of and for the year ended June 30, 2012, and have issued our report thereon dated September 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

Management of Automobile Accidents Compensation Administration's, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Automobile Accidents Compensations Administration's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Automobile Accidents Compensations Administration's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Automobile Accidents Compensations Administration's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Administration's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Automobile Accidents Compensations Administration in a separate letter dated September 26, 2012.

This report is intended solely for the information and use of the Administration's Board of Directors, others within the Administration, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties,

September 26, 2012

Aquino, De Córdova, Alfaro + Co., LLP

by

Lic. #3171

Stamp number 2664166
has been affixed to the
original report