SENADO
ESTADO LIBRE ASOCIADO DE PUERTO RICO

Secretaría

LCDA. TANIA BARBAROSSA ORTIZ

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

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

YMD

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 DESAROLLO DEL INDIVIDUO
- [ ] ASUNTOS DE LA MUJER
- [ ] INFRASTRUCTURA, DESAROLLO 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

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

PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

(With Independent Auditors' Report Thereon)

PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

INDEX TO THE BASIC FINANCIAL STATEMENTS

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Puerto Rico Industrial, Tourist,
Educational, Medical and Environmental
Control Facilities Financing Authority:

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (the "Authority") as of and for the years ended June 30, 2013, 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.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND TAX CONSULTANTS
Member Firm of The American Institute and the Puerto Rico Society of Certified Public Accountants

Tel. 787.777.0660 • Fax. 787.765.8033 • www.llmdcpa.com

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 June 30, 2013, 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 6 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.

LLM&D, PSC

December 24, 2013
San Juan, PR

License No. 90
Expiration Date: December 1, 2016

Stamp No. E87213 of Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report

This section presents the management's discussion and analysis of the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (the "Authority") financial performance for the fiscal year ended June 30, 2013, and is presented as a narrative overview and analysis in conjunction with the basic financial statements.

The Authority was created to issue revenue bonds and to lend the proceeds thereof to finance the acquisition, construction, and equipping of industrial, tourist, educational, medical, and environmental control facilities. The Authority charges a placement fee based on the face value of the bonds issued. The Authority is exempt from taxation in Puerto Rico.

1. Financial Highlights

- The Authority's total net position increased by $95,000 or 1% during the fiscal year 2013.
- During the year ended June 30, 2013, conduit debts were issued for the financing of various projects of two higher education institutions amounting to approximately $81.8 million. The Authority earned approximately $409,000 as placement fees from both bond issuances.
- The Authority's net income from operations for the year ended June 30, 2013, amounted to approximately $85,000 representing a decrease of approximately $759,000, or 90% when compared to the year ended June 30, 2012. Reduction is mainly related to a significant reduction in the number of conduit debt issued during 2013 when compared to the 2012.

Financial Statements Overview

The financial statements include the management's discussion and analysis narrative, the independent auditors' report, and the basic financial statements of the Authority. The notes to the basic financial statements provide additional information not disclosed in this section.

2. Required Financial Statements

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

Current year 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 through its user fees and other charges.

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 operations, investing, and capital and noncapital 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.

3. Financial Analysis

The statement of net position and the statement of revenues, expenses, and changes in net position present information about the Authority's activities in a way that will help determine whether the Authority, as a whole, is better or worse financially as a result of the current year's activities. Both statements present 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 must be considered such as changes in economic conditions and new or changed government legislation.

4. Net Position and Changes in Net Position

Condensed financial information on assets, liabilities, and net position are presented below (dollar amount in thousands):

	June 30,		Change	
	2013	2012	Amount	Percent
ASSETS:				
Current assets	$ 9,555	$ 9,667	$ (112)	(1)%
Total assets	$ 9,555	$ 9,667	$ (112)	(1)%
LIABILITIES:				
Current liabilities	$ 72	$ 279	$ (207)	(74)%
Total liabilities	72	279	(207)	(74)%
UNRESTRICTED NET POSITION	9,483	9,388	95	1%
TOTAL LIABILITIES AND NET POSITION	$ 9,555	$ 9,667	$ (112)	(1)%

The Authority's net position for the year ended June 30, 2013, increased by $95,000, or 1% over the course of the year's operations. During the year ended June 30, 2013, the Authority charged approximately $409,000 as placement fees for bonds issued to finance various projects of two higher education institutions amounting to approximately $81.8 million.

Condensed financial information on revenues, expenses, and changes in net position are presented below (dollar amount in thousands):

	June 30,		Change	
	2013	2012	Amount	Percent
OPERATING REVENUES:				
Placement fees	$ 409	$ 1,013	$ (604)	(60)%
Financing fees	-	489	(489)	(100)%
Total operating revenue	409	1,502	(1,093)	(73)%
OPERATING EXPENSES				
Service fees	205	507	(302)	(60)%
General and administrative	102	133	(31)	(23)%
Other	17	18	(1)	(6)%
Total operating expenses	324	658	(334)	(51)%
Income from operations	$ 85	$ 844	$ (759)	(90)%
NON-OPERATING REVENUES/(EXPENSES):				
Interest income from:				
Note receivable	$ -	$ 652	$ (652)	(100)%
Deposits	10	9	1	11%
Other income	-	3,500	(3,500)	(100)%
Revenue from disposition of other assets	-	9,358	(9,358)	(100)%
Interest expense	-	(882)	882	(100)%
Total non-operating revenue	10	12,637	(12,627)	(100)%
Changes in net position	95	13,481	(13,386)	(99)%
Net position, beginning of year	9,388	(4,093)	13,481	329%
Net position, end of year	$ 9,483	$ 9,388	$ 95	1%

Comparative statements of net position show the changes in the Authority's financial position and the statements of revenues, expenses and changes in net position provide guidance as to the nature and source of these changes.

The Authority's operating revenue decreased by approximately $1 million when compared with fiscal year 2012 due to a reduction in placement fees. During the year ended June 30, 2013 the Authority charged approximately $409,000 as placement fees for bonds issued to finance various projects of two higher education institutions amounting to approximately $81.8 million.

The Authority's non-operating revenue decreased by approximately $12.6 million when compared with fiscal year 2012 due to the collection of amounts due from and capital assets sold in fiscal year 2012. This transaction was particular of fiscal year 2012 and not related to the regular operations of the Authority.

5. Debt Administration – Conduit Debt

The Authority's main operations consist of issuing revenue bonds that are considered conduit debt and, therefore, neither these bonds nor the related loans granted by the Authority are presented in the accompanying basic financial statements. Revenue is earned from the collection of a placement fee which generally represents 1% of the face value of the bonds issued, except for bonds issued to finance educational, medical, or environmental control facilities or other projects otherwise eligible to be financed in the U.S. tax-exempt bond market, for which the placement fee charged is one half percentage (0.5%). The revenue bonds are special and limited obligations of the Authority and, except to the extent payable from bond proceeds and investments thereof, will be payable solely from and secured by a pledge and assignment of the amounts receivable under the loan agreements between the Authority and the borrowers.

Furthermore, payment of the principal and interest on the revenue bonds is unconditionally guaranteed by the borrowers, their parent companies, or letters of credit generally issued by major U.S. banks or U.S. branches of international banks. The revenue bonds do not constitute a debt or a pledge of the good faith and credit of the Authority or the Commonwealth of Puerto Rico or any political subdivision thereof.

At June 30, 2013, the Authority has issued revenue bonds in an aggregate amount of approximately $6,353 million, which $1,036 million are outstanding. See Note 6 to the basic financial for the composition of the revenues bonds outstanding.

6. Contacting the Authority's Financial Management

This financial report is designed to provide all interested with a general overview of the Authority's finances and to enhance the Authority's accountability for the resources it manages. If you have questions about this report or need additional financial information, contact the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority, P.O. Box 42001, San Juan, Puerto Rico, 00940-2001.

PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS:	
Cash	$ 9,554,293
Accrued interest receivable	796
Total assets	$ 9,555,089
LIABILITIES - Accounts payable and accrued liabilities	$ 72,052
NET POSITION - Unrestricted	9,483,037
Total liabilities and net position	$ 9,555,089

See notes to basic financial statements.

PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES - Placement fees	$ 408,925
OPERATING EXPENSES:	
Service fees	204,463
General and administrative	102,108
Other	16,992
Total operating expenses	323,563
INCOME FROM OPERATIONS	85,362
NON-OPERATING INCOME - Interest	9,718
CHANGE IN NET POSITION	95,080
NET POSITION - Beginning of year	9,387,957
NET POSITION - End of year	$ 9,483,037

See notes to basic financial statements.

PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL, AND ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS USED IN OPERATING ACTIVITIES:	
Placement fees collected	$ 408,925
Financing fees collected	1,045
Payments for operating expenses	(530,311)
Net cash used in operating activities	(120,341)
CASH FLOWS FROM INVESTING ACTIVITIES - Interest received	9,700
NET CHANGE IN CASH	(110,641)
CASH - Beginning of year	9,664,934
CASH - End of year	$ 9,554,293
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating income	$ 85,362
Adjustment to reconcile operating income to net cash used in operating activities:	
Decrease in other receivables	1,045
Decrease in accounts payable and accrued liabilities	(206,748)
NET CASH USED IN OPERATING ACTIVITIES	$ (120,341)

See notes to basic financial statements.

1. REPORTING ENTITY

The Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (the "Authority") is a component unit of the Commonwealth of Puerto Rico (the "Commonwealth") and an affiliate of the Government Development Bank for Puerto Rico (the "Bank"), created by Act No. 121 (the "Act") of the Legislature of the Commonwealth on June 27,1977, as amended.

The Authority was created to issue revenue bonds and to lend the proceeds thereof to finance the acquisition, construction, and equipping of industrial, tourist, educational, medical, and environmental control facilities. The Authority charges a placement fee based on the face value of the bonds issued. The Authority is exempt from taxation in Puerto Rico. See more information about these bonds on Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Authority conform to Accounting Principles Generally Accepted in the United States of America ("GAAP"), for governments as prescribed by the Governmental Accounting Standards Board ("GASB").

Effective July 1, 2012, the Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement provides financial reporting guidance for deferred outflows of resources, which are consumptions of net position by the government that is applicable to a future reporting period and deferred inflows of resources which are acquisitions of net position by the government that is applicable to a future reporting period. Statement No. 63 amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The adoption of Statement No. 63 resulted in a change in the presentation of the Statement of Net Assets to what is now referred to as the Statement of Net Position and the term "net assets" is changed to "net position" throughout the basic financial statements. The Authority had no deferred outflows or deferred inflows of resources as permitted by Statement No. 63, at June 30, 2013.

Following is a description of the more significant accounting policies followed by the Authority:

Measurement Focus and Basis of Accounting – The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flow. The Authority's placement fee income is recognized upon the issuance of the bonds.

Financial Statements Presentation – The accompanying financial statements have been prepared in accordance with GAAP applicable to the governmental enterprise fund, which are similar to those applied to a private entity. The GASB is the organization in charge of providing such accounting standards for governmental entities. The accounting principles require the Authority to apply certain accounting standards similar to those applied in the private sector.

Income Tax – The Authority is exempt from taxation in Puerto Rico.

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating Revenues and Expenses – Operating revenues and expenses are distinguished from non-operating items. The only operating revenue of the Authority is the placement fee charged to borrowers. Operating expenses include administrative expenses and other costs associated with the issuance of bonds, such as servicing fees charged to the Authority by the Bank, another component unit of the Commonwealth.

Revenue Bonds and Related Loans - Revenue bonds issued by the Authority are considered conduit debt and, therefore, neither these bonds nor the related loans granted by the Authority are presented in the accompanying basic financial statements.

Recently Issued Accounting Guidance:

The GASB has issued the following Statements:

- 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 vice versa. 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, and amendment of GASB Statement No. 10 and No. 62.* 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 July 1, 2013.

- 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 the 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 include 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.

- 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 June 30, 2013. 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 the failure of a depository financial institution, the Authority will not be able to recover deposits. Currently, the Authority does not have a custodial credit risk policy. At June 30, 2013, the Authority maintained interest-bearing demand deposits with the Bank, which is not covered by federal depository insurance, of approximately $9.6 million, uninsured and uncollateralized.

4. SERVICE AGREEMENT

The Authority has an agreement with the Bank whereby the Bank provides managerial, administrative and financial services to the Authority. Pursuant to this agreement, the Authority was charged $200,000 by the Bank during the fiscal year 2013.

5. PLACEMENT FEES

The Authority generally charges a placement fee of one percent (1%) of the face value of bond issued or as deemed appropriate for the specific issue, except for bonds issued to finance educational, medical, or environmental control facilities or other projects otherwise eligible to be placed in the U.S. tax-exempt bond market, for which the placement fee charged is one half percentage (0.50%). During the year ended June 30, 2013, the Authority charged approximately $409,000 as placement fees for bonds issued to higher education institutions.

6. REVENUE BONDS

The revenue bonds are special and limited obligations of the Authority and, except to the extent payable from bond proceeds and investments thereof, will be payable solely from and secured by a pledge and assignment of the amounts payable under the loan agreements between the Authority and the borrowers. Furthermore, payment of principal and interest on the revenue bonds is unconditionally guaranteed by the borrowers, their parent companies, or letters of credit generally issued by major U.S. banks or U.S. branches of international banks.

The revenue bonds are considered conduit debt and do not constitute a debt or a pledge of the good faith and credit of the Authority or the Commonwealth or any political subdivision thereof.

In connection with the issuance of revenue bonds, the Authority enters into trust agreements, whereby the Authority assigns and pledges to the trustees, for the benefit of the holders of the revenue bonds; (1) all amounts receivable by the Authority in repayment of the amounts due under the loan agreements; (2) any rights, title, and interest of the Authority in the proceeds derived from the issuance of the revenue bonds and of any securities in which moneys in any fund or account created by the trust agreements or loan agreements are invested and the proceeds derived there from; and (3) the Authority's rights, title, and interest in and to the loan agreements, subject to the Authority's retention of certain rights, including the right to collect moneys payable to the Authority, which are not received with respect to repayment of the loans.

At June 30, 2013, the Authority has issued revenue bonds in an aggregate amount of approximately $6,353 million of which approximately $1,036 million are outstanding.

Outstanding revenue bonds as of June 30, 2013, are as follows:

Revenue Bonds	Original Amount		Outstanding Amount	
Industrial	$	528,639,745	$	438,626,952
Educational		368,060,000		327,330,000
Medical		195,295,000		169,515,000
Tourist		110,725,000		100,425,000
	$	1,202,719,745	$	1,035,896,952

7. 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 2013 financial statements.