PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEARS ENDED JUNE 30, 2009 AND 2008 AND OTHER SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2009, AND INDEPENDENT AUDITORS' REPORT

ORTIZ, RIVERA, RIVERA & CO.

CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES

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PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, AND OTHER SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Public Buildings Authority
San Juan, Puerto Rico

We have audited the accompanying basic financial statements as listed in the table of contents of the Public Buildings Authority (the Authority), a blended component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of June 30, 2008, were audited by other auditors whose report dated September 29, 2008, expressed an unqualified opinion on those statements.

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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2009, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in the audit of the 2009 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2009 basic financial statements taken as a whole.

San Juan, Puerto Rico
November 9, 2009

Ortiz, Rivera, Rivera & Co.

The stamp 2459305 was affixed
to the original of this report.

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Following is an overview and analysis of the financial activities of the Public Buildings Authority (the Authority) for the fiscal years ended June 30, 2009 and 2008. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. It is intended to serve as an introduction to the Authority's financial statements, which are comprised of the basic financial statements and the notes to the financial statements. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

The Statements of Net Assets present information on all of the Authority's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority's is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, result in increased net assets, which also indicates an improved financial position.

The Statements of Revenues, Expenses and Changes in Net Assets present information showing how the Authority's net assets are reported as soon the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Statements of Cash Flows report cash receipts, cash payments, and net changes in cash resulting from operations, non-capital financing activities, capital and related financing activities, and investing activities.

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the basic financial statements.

In addition to the basic financial statements and accompanying notes, various schedules present certain information concerning changes in bonds sinking funds accounts, activity of operating cash accounts, detail of rental operating revenues and receivable and summary of capital improvements programs compared to budget.

FINANCIAL HIGHLIGHTS:

- The Authority's net assets decreased by $577,388 (0.5%) and $15 million (11.1%) in 2008.
- The Authority's operating income increase from $99.9 million in 2008 to $112.5 million in 2009, mostly due to increase in rent revenue.

Overview of the Financial Statements:

Statement of Net Assets – Following is condensed financial information of the statement of net assets of the Authority.

ANALYSIS OF 2009 AND 2008			Change	
	2009	2008	In Dollars	Percentage
Current assets	$ 154,346,458	$ 79,307,892	75,038,566	94.6%
Capital assets	2,868,073,813	2,841,967,330	26,106,483	0.9%
Other noncurrent assets	523,805,215	542,844,227	(19,039,012)	-3.5%
Total assets	$ 3,546,225,486	$ 3,464,119,449	82,106,037	2.4%
Current liabilities	$ 443,994,775	$ 256,280,998	187,713,777	73.2%
Noncurrent liabilities	2,982,064,146	3,087,094,498	(105,030,352)	-3.4%
Total liabilities	3,426,058,921	3,343,375,496	82,683,425	2.5%
Net assets				
Invested in capital assets, net of related debt	147,525,233	59,561,883	87,963,350	147.7%
Restricted	770,500	2,200,327	(1,429,827)	-65.0%
Unrestricted	(28,129,168)	58,981,743	(87,110,911)	-147.7%
Total net assets	120,166,565	120,743,953	(577,388)	-0.5%
Total liability and net assets	$ 3,546,225,486	$ 3,464,119,449	82,106,037	2.4%

ANALYSIS OF 2008 AND 2007			Change	
	2008	2007	In Dollars	Percentage
Current assets	$ 79,307,892	$ 81,123,911	(1,816,019)	-2.2%
Capital assets	2,841,967,330	2,821,102,558	20,864,772	0.7%
Other noncurrent assets	542,844,227	452,184,407	90,659,820	20.0%
Total assets	$ 3,464,119,449	$ 3,354,410,876	109,708,573	3.3%
Current liabilities	$ 256,280,998	$ 246,786,591	9,494,407	3.8%
Noncurrent liabilities	3,087,094,498	2,971,789,005	115,305,493	3.9%
Total liabilities	3,343,375,496	3,218,575,596	124,799,900	3.9%
Net assets				
Invested in capital assets, net of related debt	59,561,883	101,955,352	(42,393,469)	-41.6%
Restricted	2,200,327	10,838,611	(8,638,284)	-79.7%
Unrestricted	58,981,743	23,041,317	35,940,426	156.0%
Total net assets	120,743,953	135,835,280	(15,091,327)	-11.1%
Total liability and net assets	$ 3,464,119,449	$ 3,354,410,876	109,708,573	3.3%

Analysis of Net Assets at June 30, 2009 and 2008

The net assets for 2009, compared to prior year, had a decrease of .05%. The balance is the result of increase in net operating and non operating expenses and increase in gain on sale of real estate

The other noncurrent assets show a decrease of $19 million (3.5%) mainly driven by decrease in construction funds and bond sinking funds.

Analysis of Net Assets at June 30, 2008 and 2007

The net assets for 2008, compared to prior year, had a decrease of 11.1%. The balance is the result of operating income and the offset of interest on bonds and notes, amortization of deferred loss on bonds, and other nonoperating transactions.

The other noncurrent assets show an increase of $90.6 million (20%) mainly driven by the availability of construction funds, increase in rent receivables and increase in the debt service fund.

Statements of Revenues, Expenses and Changes in Net Assets

	2009	2008	Change In Dollars	Change Percent
Operating revenues - rent revenue	$ 326,119,053	$ 295,819,104	30,299,949	10.2%
Nonoperating revenue				
Gain on sale of real estate	29,699,209	314,000	29,385,209	9358.3%
Interest income	2,075,925	5,057,702	(2,981,777)	-59.0%
Intergovernmental	15,902,637	8,764,400	7,138,237	81.4%
Payment from Commonwealth	-	6,074,306	(6,074,306)	-100.0%
Interest on swaps	2,502,145	-	2,502,145	N/A
Float interest, services charges and other	2,468,655	5,431,941	(2,963,286)	-54.6%
Total revenue	378,767,624	321,461,453	57,306,171	17.8%
Operating expenses:				
Salaries and employee benefits	92,040,210	84,558,237	7,481,973	8.8%
Depreciation	66,153,843	60,514,631	5,639,212	9.3%
Utilities	20,431,222	20,674,658	(243,436)	-1.2%
Repairs and maintenance	10,104,829	7,906,939	2,197,890	27.8%
Security services	14,099,069	12,820,618	1,278,451	10.0%
Rent and insurance	8,157,327	8,042,616	114,711	1.4%
General and administrative	5,132,374	3,477,079	1,655,295	47.6%
Total operating expenses	216,118,874	197,994,778	18,124,096	9.2%
Less: Administrative expenses applied to construciton in progress	(2,495,736)	(2,076,458)	(419,278)	20.2%
Net operating expenses	213,623,138	195,918,320	17,704,818	9.0%
Nonoperating expenses:				
Interest on bonds and notes, net of capitalized interest	156,391,048	125,437,652	30,953,396	24.7%
Amortization of deferred loss on bond defeseance	7,270,561	6,430,711	839,850	13.1%
Amortization of bond issue costs	631,140	557,292	73,848	13.3%
Settlement of legal claim and other contingencies	1,335,400	5,593,648	(4,258,248)	-76.1%
Interest on swaps	-	2,529,633	(2,529,633)	-100.0%
Loss on disposition of capital assets	93,725	85,524	8,201	9.6%
Total nonoperating expenses	165,721,874	140,634,460	25,087,414	17.8%
Total expenses	379,345,012	336,552,780	42,792,232	12.7%
Change in net assets	(577,388)	(15,091,327)	14,513,939	-96.2%
Net assets, beginning of year	120,743,953	135,835,280	(15,091,327)	-11.1%
Net assets, end of year	$ 120,166,565	$ 120,743,953	(577,388)	-0.5%

Analysis of Fiscal Years 2009 and 2008

For 2009 and 2008, operating revenues were approximately $326.1 million and $295.8 million, respectively. This change resulted in a 10.2% increase of the rental income.

The net operating expenses increased compared to prior year 2008. The main increase was due to increase in salary and employee benefits. Nonoperating expenses for the year ended June 30, 2009 increased due to increase on interest on bonds and notes.

PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
Mangement's Discussion and Analysis
For the Years Ended June 30, 2009 and 2008

			Change	
	2008	2007	In Dollars	Percent
Operating revenues - rent revenue	295,819,104	$ 290,307,095	5,512,009	1.9%
Nonoperating revenue				
Gain on sale of real estate	314,000	135,512	178,488	131.7%
Interest income	5,057,702	7,438,040	(2,380,338)	-32.0%
Transfer of capital assets from Commonwealth	-	15,312,448	(15,312,448)	-100.0%
Intergovernmental	8,764,400	1,288,355	7,476,045	580.3%
Reduction of liaility in excess of asset transferred	-	3,687,388	(3,687,388)	-100.0%
Payment from Commonwealth	6,074,306	-	6,074,306	N/A
Float interest, services charges and other	5,431,941	610,966	4,820,975	789.1%
Total revenue	321,461,453	318,779,804	2,681,649	0.8%
Operating expenses:				
Salaries and employee benefits	84,558,237	90,136,007	(5,577,770)	-6.2%
Voluntary separation benefits	-	20,482,697	(20,482,697)	-100.0%
Depreciation	60,516,631	60,094,089	422,542	0.7%
Utilities	20,674,658	17,432,175	3,242,483	18.6%
Repairs and maintenance	7,906,939	12,409,050	(4,502,111)	-36.3%
Security services	12,820,618	15,529,854	(2,709,236)	-17.4%
Rent and insurance	8,042,616	8,698,725	(656,109)	-7.5%
General and administrative	3,477,079	5,490,068	(2,012,989)	-36.7%
Total operating expenses	197,996,778	230,272,665	(32,275,887)	-14.0%
Less: Administrative expenses applied to construciton in progress	(2,076,458)	(3,610,623)	1,534,165	-42.5%
Net operating expenses	195,920,320	226,662,042	(30,741,722)	-13.6%
Nonoperating expenses:				
Interest on bonds and notes, net of capitalized interest	125,437,652	133,420,630	(7,982,978)	-6.0%
Payment to Commonwealth	-	4,105,100	(4,105,100)	-100.0%
Amortization of deferred loss on bond defeseance	6,430,711	5,541,882	888,829	16.0%
Amortization of bond issue costs	557,292	456,573	100,719	22.1%
Settlement of legal claim and other contingencies	5,593,648	-	5,593,648	N/A
Interest on swaps	2,529,633	-	2,529,633	N/A
Loss on disposition of capital assets	85,524	49,329	36,195	73.4%
Total nonoperating expenses	140,634,460	143,573,514	(2,939,054)	-2.0%
Total expenses	336,554,780	370,235,556	(33,680,776)	-9.1%
Change in net assets	(15,093,327)	(51,455,752)	36,362,425	-70.7%
Net assets, beginning of year	135,825,280	187,291,032	(51,465,752)	-27.5%
Net assets, end of year	$ 120,731,953	$ 135,835,280	(15,103,327)	-11.1%

Analysis of Fiscal Years 2008 and 2007

For 2008 and 2007, operating revenues were approximately $295.8 million and $290.3 million, respectively. This change resulted in a 1.9% increase of the rental income.

The net operating expenses decreased compared to prior year 2007. The main reduction was due to the absence of the voluntary separation program which was in force during the prior year.
Nonoperating expenses for the year ended June 30, 2008 decreased due to the decrease on interest payments which offset the increase in legal claim and other contingencies expense.

CAPITAL ASSETS

The Authority`s investment in capital assets as of June 30, 2009 and 2008 amounted to approximately $2.8 billion for both years, net of accumulated depreciation. Capital assets include land, land improvements, construction in progress, equipment, furniture, and vehicles. Most buildings consist of governmental facilities that are leased to the Commonwealth's agencies and public corporations. For more information, please refer to Note 8 of the basic financial statements.

During the years ended June 30, 2009 and 2008 the Authority invested approximately $90 and $80 million, for the construction of buildings that will then be leased to the Commonwealth. This construction activity was financed through interim lines of credit with the Governmental Development Bank (GDB), and the proceeds of the Bonds Issuance. The rent revenue generated by these buildings is pledged first for the payment of long term debt.

DEBT ADMINISTRATION

As of June 30, 2009 and 2008, the Authority has outstanding bonds payable of $2.997 billion and $3.03 billion, respectively. The balance is net of unamortized bond discounts, bond premium, deferred loss on bonds refunding and bonds issuance costs. For more information, please refer to Note 12 of the basic financial statements.

OTHER CURRENTLY KNOWN FACTS

As discussed in note 18, in July 1, 2009 the Authority issued its $330,935,000 aggregate principal amount of Government Facilities Revenue Refunding Bonds, Series P Guaranteed by the Commonwealth of Puerto Rico. The bonds are being issued to refund Series K Swaps and related fees and pay costs of issuance of the bonds under the 1995 Bond Resolution. Also at that time, the Authority elected to realize a conversion of the interest rate from a LIBOR Based Variable Interest Rate to a Fixed Rate to maturity of its $50,000,000 aggregate principal amount of Government Facilities Revenue Refunding Bonds, Serie K. This bond was originally issued on May 27, 2004 in the original principal amount of $347,065,000. Bonds Series K and P aggregates to $380,935,000 with an interest rate arising from 5.25% to 7.00% with maturity on July 1, 2036.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those interested parties. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Comptroller's Office, Public Buildings Authority, PO Box 41029, San Juan, PR 00940-1029.

PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents **(Note 4)**	$ 33,579,167	$ 28,077,271
Rent receivable, net **(Note 5)**	115,004,130	37,223,218
Notes receivable **(Note 6)**	-	6,000,000
Other receivables, net **(Notes 2 and 6)**	5,763,161	8,007,403
Total current assets	154,346,458	79,307,892
Noncurrent assets:		
Restricted cash and cash equivalents **(Note 4)**		
Bonds sinking funds	112,497,049	66,457,808
Cash to be deposited in sinking funds	42,521,156	54,141,340
Construction funds	84,211,545	145,248,143
Funds for swap transactions	3,911,397	4,667,587
Funds for construction of facilities for other govermental agencies	3,628,008	5,014,609
Restricted for the School Renovation Fund	305,136	305,136
Rent receivable **(Note 5)**	135,257,907	132,426,702
Due from Commonwealth **(Note 7)**	90,052,056	81,176,406
Notes receivable from other governmental agencies **(Note 6)**	7,734,568	7,734,568
Land and buildings under construction for other govermental agencies **(Note 10)**	152,282	120,508
Prepaid insurance on bonds	28,794,463	30,634,946
Capital assets, net **(Notes 2 and 8)**	2,868,073,813	2,841,967,330
Property held for sale **(Notes 2 and 9)**	14,739,648	14,916,474
Total noncurrent assets	3,391,879,028	3,384,811,557
Total assets	$ 3,546,225,486	$ 3,464,119,449

The accompanying notes are an integral part of these financial statements.

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PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF NET ASSETS (CONTINUED)
JUNE 30, 2009 AND 2008

LIABILITIES AND NET ASSETS	2009	2008
Liabilities		
Current liabilities:		
Borrowings under credit line **(Notes 7 and 13)**	$ 181,457,894	$ 50,000,000
Accounts payable	13,392,952	11,199,974
Due to other governmental entities **(Note 11)**	66,780,376	42,534,172
Accrued expenses	8,427,227	7,861,989
Bonds payable **(Note 12)**	79,535,000	52,505,000
Interest payable	74,301,231	77,234,578
Due to contractors **(Note 13)**	20,100,095	14,945,285
Total current liabilities	443,994,775	256,280,998
Non-current liabilities:		
Bonds payable **(Note 12)**	2,918,395,075	2,982,850,341
Borrowings under credit line, including interest payable **(Note 13)**	4,083,411	29,301,214
Due to contractors, including retainage **(Note 13)**	29,542,053	31,979,303
Advances from governmental agencies **(Notes 10 and 13)**	3,009,790	2,934,790
Advance from Puerto Rico Housing Department **(Note 7)**	-	15,000,000
Compensated absences **(Notes 2 and 13)**	13,948,924	13,015,996
Contingencies **(Notes 5,13, and 17)**	9,435,534	9,036,474
Due to Commonwealth **(Notes 7 and 13)**	3,649,359	2,976,380
Total noncurrent liabilities	2,982,064,146	3,087,094,498
Total liabilities	3,426,058,921	3,343,375,496
Commitments (Note 16)		
Net Assets		
Investment in capital assets, net of related debt	148,935,233	59,561,883
Restricted	770,500	2,200,327
Unrestricted	(29,539,168)	58,981,743
Total net assets	$ 120,166,565	$ 120,743,953

The accompanying notes are an integral part of these financial statements.

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PUBLIC BUILDINGS AUTHORITY
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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING REVENUE		
Rent revenue	$ 326,119,053	$ 295,819,104
OPERATING EXPENSES		
Salaries and employee benefits	92,040,210	84,558,237
Depreciation	66,153,843	60,514,631
Utilities	20,431,222	20,674,658
Repairs and maintenance	10,104,829	7,906,939
Security services	14,099,069	12,820,618
Rent and insurance	8,157,327	8,042,616
General and administrative	5,132,374	3,477,079
Total operating expenses	216,118,874	197,994,778
Less: Administrative expenses applied to construction in progress	(2,495,736)	(2,076,458)
Net operating expenses	213,623,138	195,918,320
Operating income	112,495,915	99,900,784
NONOPERATING REVENUES (EXPENSES)		
Gain on sale of real estate	29,699,209	314,000
Interest income	2,075,925	5,057,702
Intergovernmental	15,902,637	8,764,400
Float interest, service charges, and other	2,468,655	5,431,941
Interest on bonds and notes	(156,391,048)	(125,437,652)
Interest on swaps	2,502,145	(2,529,633)
Payment from Commonwealth	-	6,074,306
Amortization of deferred loss on bond defeasance	(7,270,561)	(6,430,711)
Amortization of bond issuance costs	(631,140)	(557,292)
Settlement of legal claim and other contingencies	(1,335,400)	(5,593,648)
Loss on disposition of capital assets	(93,725)	(85,524)
Total nonoperating expenses	(113,073,303)	(114,992,111)
CHANGE IN NET ASSETS	(577,388)	(15,091,327)
NET ASSETS, BEGINNING OF YEAR	120,743,953	135,835,280
NET ASSETS, END OF YEAR	$ 120,166,565	$ 120,743,953

The accompanying notes are an integral part of these financial statements.

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PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants covering debt service and operating rent	$ 245,655,143	$299,589,921
Payments to employees and related benefits	(88,790,115)	(94,925,433)
Payments to suppliers for goods and services	(20,555,629)	(27,572,900)
Net cash provided by operating activities	136,309,399	177,091,588
CASH FLOWS PROVIDED BY NON CAPITAL RELATED FINANCING ACTIVITIES		
Non-operating revenue	15,921,784	16,491,554
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital expenditures, excluding interest capitalized of $10 million and $13.6 million in 2009 and 2008, respectively, and administrative expenses capitalized of $2.2 million and $2.0 million in 2009 and 2008, respectively	(102,904,555)	(81,956,168)
Proceeds from sale of real estate	29,699,209	314,000
Repayment of bonds	(53,915,000)	(75,690,000)
Borrowings under credit lines	110,547,659	30,614,945
Interest paid	(156,391,048)	(132,915,550)
Net advances to governmental agencies	(3,882,487)	(1,122,025)
Proceeds from bonds issue	-	945,170,220
Payment on bonds defease	-	(614,490,038)
Payment on credit line	(4,304,189)	(159,726,668)
Payment on bonds issue costs	-	(13,138,348)
Intergovernmental grants	7,760,588	7,481,279
Net cash used in capital and related financing activities	(173,389,823)	(95,458,353)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest collected	402,349	4,582,739
Net interest (paid) collected on swap agreements	(2,502,145)	3,192,129
Net cash (used) provided by investing activities	(2,099,796)	7,774,868
Net (decrease) increase in cash and cash equivalents	(23,258,436)	105,899,657
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	303,911,894	198,012,237
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 280,653,458	$303,911,894

The accompanying notes are an integral part of these financial statements.

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PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
RECONCILIATION OF CASH AND CASH EQUIVALENTS WITH THE STATEMENT OF NET ASSETS		
Unrestricted	$ 44,257,891	$ 28,077,271
Bonds sinking funds	112,497,049	66,457,808
Cash to be deposit in bond sinking funds	31,842,432	54,141,340
Construction funds	84,211,545	145,248,143
Restricted for the School Renovation Fund	305,136	305,136
Funds for swaps transactions	3,911,397	4,667,587
Funds available for construction to other governmental agencies	3,628,008	5,014,609
	$ 280,653,458	$303,911,894
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 112,495,915	$ 99,900,784
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	66,153,843	60,514,631
Loss on disposal of equipment	93,725	-
Capitalized salaries and administrative expenses	(2,495,736)	(2,076,458)
Decrease (increase) in operating assets:		
Rent receivable	(75,490,624)	1,560,459
Other receivables	2,244,242	5,331,276
Note receivable	6,000,000	2,898,852
Increase (decrease) in operating liabilities:		
Accounts payable	3,417,833	17,252,783
Due to other governmental agencies	24,246,204	-
Accrued expenses	(356,003)	(8,290,739)
Net cash provided by operating activities	$ 136,309,399	$177,091,588
SUMMARY OF NONCASH TRANSACTIONS		
Accretion of bonds payable	$ 6,578,862	$ 4,868,997
Nonmonetary exchange transaction:		
Reduction of rent receivable	-	7,468,728
Insurance expense	-	(7,468,728)
Payment from Commonwealth	-	6,074,306
Interest expense	-	(6,074,306)

The accompanying notes are an integral part of these financial statements.

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1. REPORTING ENTITY

The Public Buildings Authority (the Authority) is a blended component unit of the Commonwealth of Puerto Rico, (the Commonwealth), created on June 19, 1958 by Act No. 56, as amended, of the Legislature of Puerto Rico (the Enabling Act). The Authority designs, constructs, administers, and provides maintenance to office buildings, courts, warehouses, schools, health care facilities, welfare facilities, shops and related facilities leased to the Commonwealth or any of its departments, agencies, instrumentalities or municipalities. The annual rent for each leased building is based on the amounts needed by the Authority to cover the payment of:

a. principal, interest and other amortization requirements of the notes and bonds issued to finance the buildings;

b. operating and maintenance expenses of the buildings, including a reasonable proportional share of administrative expenses, excluding depreciation;

c. cost of equipment replacement and extraordinary repairs.

Components (b) and (c), described above, are subject to escalation to permit the Authority recover the investment incurred. Amounts due from departments and governmental agencies of the Commonwealth may be subject to periodic revisions and/or adjustments based on the availability of funds at the Commonwealth level.

The Enabling Act provides that the full faith and credit of the Commonwealth is pledged for the payment of rent under any lease agreement executed pursuant to the Enabling Act with any department of the Commonwealth. The Enabling Act also provides that the Department of the Treasury of the Commonwealth of Puerto Rico (the Treasury Department) will make advances to the Authority for any unpaid portion of rent payable to the Authority by any agency or instrumentality of the Commonwealth that has entered into lease agreements with the Authority. Such advances are recorded as a reduction of accounts receivable since the responsibility of reimbursement belongs to the agency in accordance to the Enabling Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally in the United States of America. Under this method, revenues are recognized when earned, regardless of when received, and expenses when incurred, regardless of when paid.

b. Basis of Presentation

The financial statements are presented as an enterprise fund and conform to the provisions of Governmental Accounting Standards Board Statement No. 34 *"Basic Financial Statements – and Management's Discussion and Analysis - for the State and Local Governments."* (GASB 34), as amended, establishes standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted, described as follows:

- Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation reduced by the outstanding balance of any bonds, mortgage, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

- Restricted – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through covenants), contributors, or law or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.

- Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

As permitted by GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting"* the Authority has elected to apply all Financial Accounting Standards Board Statements and Interpretations, issued after November 30,1989 that does not conflict with those issued by GASB.

c. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of 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 reported period. Actual results may differ from those estimates.

d. Fair Value of Financial Instruments

The carrying amounts reported in the statement of net assets for cash and cash equivalents and receivables, approximate fair value due to their short-term duration. Amounts deposited in bond sinking funds and construction funds are carried at fair value. The carrying amount of bonds payable approximates fair value since interest rates on such debt approximate the rates currently available in the market for other debt with similar terms and remaining maturities.

e. Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities at the date of purchase of 90 days or less, excluding resources held in restricted accounts. The Commonwealth requires that public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth.

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f. Custodial Credit Risk

This is the risk, in the event of a bank failure, that the government's deposits may not be returned to it.

g. Allowance for Doubtful Accounts

The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses on existing receivables, excluding debt service rentals and maintenance charges that may become uncollectible based on evaluations of the collectability of each balance. Because of uncertainties inherent in the estimation process, management's estimate of losses in the receivables outstanding and the related allowance may change in the near term. As of June 30, 2009 and 2008, the allowance for doubtful accounts for other receivables amounted to $14.4 million and $13.7 million, respectively.

h. Investments

The Authority is authorized to invest in Puerto Rico and U.S. government obligations or in obligations guaranteed by the Puerto Rico or U.S. governments or its agencies or instrumentalities. The Authority invests in certificates of deposit with financial institutions rate AA or AAA by Moody's Investor Services. Pursuant to the Investment Guidelines for the Commonwealth, adopted by the Governmental Development Bank for Puerto Rico (GDB), the Authority may invest in obligations of the Commonwealth, obligations of the United States, certificates of deposit, commercial paper, banker's acceptances, or in pools of obligations of the municipalities of Puerto Rico, among others. Monies in the sinking funds can only be invested in direct obligations of the United States government, and/or interest-bearing time deposits, or other similar arrangements, as provided by the Bond Resolutions.

i. Restricted Assets and Liabilities Payable from Restricted Assets

Restricted assets represent the amounts deposited by the Authority to provide for the amortization of bonds payable and related interest costs and cash available in the related construction fund.

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j. Capital Assets

Capital assets are recorded at cost. The construction costs include indirect administrative costs and interest costs allocated during the construction period. Capital assets are assets with an individual cost of more than $100 and a useful life in excess of five (5) years. As of June 30, 2009 and 2008 property (excluding cost of land, equipment and construction in progress) with a total cost of $3,309 million and $3,172 million, respectively, is leased to other governmental agencies.

Expenditures for major renewals and betterments that extend the useful live of the assets are capitalized and normal repairs and maintenance are expensed when incurred. Depreciation determined using the straight-line method over the estimated useful live of the assets is as follows:

Buildings	50 years
Equipment and automobiles	5-10 years

During the year ended June 30, 2009, the Authority evaluated its capital assets for impairment and did not determine any material impairment amount.

k. Property Held for Sale

Represents the estimated net realizable amount from the sale of certain real estate properties. Capital assets that have been indentified to be for sale are presented net of accumulated depreciation and net of the incidental cost to dispose or sell such assets.

l. Amortization of Discount, Premium and Bond Issuance Costs on Bonds Payable

Discount, premiums and bond issuance costs on bonds payable are amortized over the term of the bond, based on the straight-line method, which approximates the effective interest method.

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m. Operating Revenues and Expenses

Operating revenues and expenses are those that result from the Authority's operations. All leases are deemed to be operating leases. Accordingly, rent revenue is recognized as operating revenue over the term of the lease. Rent revenue is pledged as collateral for the repayment of the Authority's revenue bonds.

n. Risk Financing

The Authority carries commercial insurance to cover casualty, theft, claims and other losses. The current insurance policies have not been cancelled or terminated. The Authority has not settled any claims in excess of its insurance coverage during the past three years. The Authority also pays premiums for workers compensation insurance to another component unit of the Commonwealth.

o. Compensated Absences

Compensated absences are accrued when earned by the employees. Employees may carry forward their vacation and sick leave as permitted by statute and may receive a cash payment from the Authority upon termination of employment.

p. Adoption of Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued the following accounting standards that have effective dates after June 30, 2009 for the Authority:

- Statement No. 51, Accounting and Reporting for Intangible Assets, which is effective for periods beginning after June 15, 2009.
- Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which is effective for periods beginning after June 15, 2009.
- Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for periods beginning after June 15, 2010.

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The Authority is currently studying the statements and evaluating the applicability and possible adoption of the statements on the Authority's future financial statements.

3. MANAGEMENT PLANS

As presented in the accompanying financial statements, during the years ended June 30, 2009 and 2008, the Authority has faced certain cash flow difficulties arising from the budgetary constraints established by the Commonwealth, in the collection of the accumulated rent receivable. The Authority is dependent upon the timely payment of the rent revenue when due, mainly due from agencies and instrumentalities of the Commonwealth. The appropriated budget by the Commonwealth for fiscal years ended June 30, 2009 and 2008 for the payment of rent to the Authority has fallen short, allowing for the continued accumulation of the rent receivable of approximately $250 million in 2009 and $169 million in 2008.

The Authority has identified several properties that may be sold to provide additional funds, and is currently negotiating with the Commonwealth the acceleration of the collection of rent in arrears. In the opinion of the management of the Authority, these plans, should they be successful, will allow the Authority to continue operating without major cash flow difficulties. However, since the implementation of these plans will also depend on the Commonwealth's executive decision, as well as possible legislation requirements, the actual success of these plans cannot be assured.

For the 2009-2010 fiscal year budget, management has plans to implement fiscal controls and economic measures as follows:

a. Reduction of 34% in key management employment positions and 40% in the total salary paid to those employees.

b. Preventing to hire new personnel for vacant positions.

c. Reduction in the utilities expenses.

d. Request to the Labor Union to override the salaries automatic increase stipulated during 2008.

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e. Change of the telecommunications provider; change the services and eliminating services not in use.

f. Maximizing the collection of rent receivable from other agencies.

4. CASH, RESTRICTED CASH, AND DEPOSITS

The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2009 and 2008, $66.4 million and $71 million, respectively, of the Authority's bank balance was exposed to custodial credit risk. However, since these amounts represent deposits at the GDB, component unit of the Commonwealth, the collateralization requirement does not apply.

Restricted cash consist of the following:

a. Bond sinking funds
b. Cash to be deposited in sinking funds
c. Construction funds
d. Funds for swap transactions
e. Funds for construction of facilities for other governmental entities
f. School renovation funds

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a. Bond Sinking Funds

The bond sinking funds under Bond Resolutions No. 77, 158 and 468 as of June 30, 2009 and 2008, consist of cash, US Treasury Bills and money market funds carried at fair value, as follows:

	June 30, 2009		
Description	Bond Service Account	Reserve and Redemption Accounts	Total
Resolution No. 77 - Office Buildings - Cash	$ 2,748	$ -	$ 2,748
Resolution No. 158 - Public Education and Health Facilities	3,572,975		3,572,975
Resolution No. 468 - Governmental Facilities - Money Market Funds	108,921,326		108,921,326
	$ 112,497,049	$ -	$ 112,497,049

	June 30, 2008		
Description	Bond Service Account	Reserve and Redemption Accounts	Total
Resolution No. 77 - Office Buildings - Cash	$ 2,725	$ -	$ 2,725
Resolution No. 158 - Public Education and Health Facilities	-	3,849,364	3,849,364
Resolution No. 468 - Governmental Facilities - Money Market Funds	62,605,719	-	62,605,719
	$ 62,608,444	$ 3,849,364	$ 66,457,808

Each bond sinking fund consists of three (3) separate accounts designated as a "Bond Service Account", a "Reserve Account" and a "Redemption Account", except under Resolution No. 468, which has no Reserve Account in its Sinking Fund. Revenues received from debt service rentals with respect to the facilities financed under Bond Resolutions No. 77, No. 158 and No. 468 are deposited with their respective Fiscal Agents for the credit of such accounts in the following order:

- to the Bond Service Account, in such amount as may be required to make the amount equal to the amount of interest then due and payable and the interest which will become due and payable within the next ensuing six months on all bonds of each series then outstanding and the principal of all serial bonds, if any, which will become payable within the next ensuing twelve months;

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- to the Redemption Account, in such amount as may be required to make the amounts so deposited in the current fiscal year equal to the amortization requirement, if any, for such fiscal year for the term bonds of each series then outstanding, plus the premium, if any, which would be payable on a like principal amount of bonds if such principal amount of bonds should be redeemed on the next redemption date from monies in their respective Bond Sinking Funds; and

- the remaining balance, if any, is deposited to the credit of the Reserve Account, except under Resolution No. 468, where such balance is deposited to the credit of the Bond Service Account.

Bond Resolution No. 77 requires that monies held in the various accounts be, as nearly as practicable, invested and reinvested in direct obligations of, or obligations on which the principal of and the interest are unconditionally guaranteed by, the United States government. In lieu of such investments, monies in any or all of such accounts may be placed in interest-bearing time deposits.

Bond Resolution No. 158 requires that monies be invested and reinvested in investment obligations, repurchase agreements or time deposits fully secured by investment obligations, as those terms are defined therein.

Bond Resolution No. 468 requires that monies be invested and reinvested in government obligations, bankers' acceptances, certificates or time deposits of any Commonwealth's approval bank or national banking association, repurchase or reverse repurchase agreements or any other investment which are rated in one of the three highest rating categories.

Investments will mature or will be subject to redemption by the holder thereof at the option of such holder:

- as to investment of monies in the Bond Service Account and the Redemption Account not later than the dates when the monies held for credit thereof will be required for the purposes intended.

- as to investment of monies in the Reserve Account under Bond Resolution No. 77, (i) 25% of the principal amount not later than the next interest payment date of bonds issued there under, (ii) 25% not later than the second interest

- payment date after such investment, and (iii) 50% not later than three years after the date of such investment, and

- as to investment of monies in the Reserve Account under Bond Resolution No. 158, (i) 50% of such monies not later than five years from the date of investment, and (ii) the balance of such monies as directed by an order signed by the Executive Director of the Authority.

The Authority has caused to be deposited to the credit of the respective reserve accounts under the 1970 Bond Resolution and the 1978 Bond Resolution reserve account letters of credit issued by The Bank of Nova Scotia acting through its San Juan Branch (BNS) (each, a BNS Reserve Account Letter of Credit and, collectively, the BNS Reserve Account Letters of Credit) in the respective amounts required by said resolutions to be held to the credit of such reserve accounts. The schedule expiration date of the BNS Reserve Account Letters of Credit was renewed, and the new expiration date is July 15, 2011 for the 1970 Bond Resolution and July 15, 2010 for the 1978 Bond Resolution. Among other things, the BNS Reserve Account Letters of Credit authorize drawings for the payment of any amount required to be paid out of moneys in the reserve account to which BNS Reserve Account Letter of Credit relates after the withdrawal from the applicable reserve account of all cash and securities therein.

The obligations of the Authority under the reimbursement agreements with BNS are payable from the portion of the rentals received by the Authority in respect of the facilities financed or refinanced with the proceeds of the bonds issued under the 1970 Bond Resolution or the 1978 Bond Resolution, as appropriate, and not from any rentals received by the Authority in respect of the government facilities financed or refinanced with the proceeds of any Government Facilities Bonds issued under the 1995 Bond Resolution and allocable to such Government Facilities Bonds. No reserve account is established or required under the 1995 Bond Resolution.

b. Cash to be Deposited in Sinking Funds

These funds represent the funds deposited at the Governmental Development Bank to be transferred to the bond sinking fund accounts with the fiscal agents. Funds available at June 30, 2009 and 2008 amounted to $42,521,156 and $54,141,340, respectively.

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c. Construction Funds

Construction Funds are created for the purpose of providing resources for the payment of all or any part of the remaining cost of the Initial Facilities, as defined, or for payment of all or any part of the cost to the Authority of any Additional Facilities or Improvements, as defined, in accordance with the Bond Resolutions. As of June 30, 2009 and 2008 construction funds aggregate $84,211,545 and $145,248,143, respectively.

d. Funds for Swap Transactions

These funds represent the balance received from swap transactions entered into by the Authority as detail on Note 12. Funds are set aside for payment of the swap commitment or to pay interest on the related bonds. Deposits on these funds began in August 2007. Funds available at June 30, 2009 and 2008 amounted to $3,911,397 and $4,667,587, respectively.

e. Funds for the Construction of Facilities for Other Governmental Entities

Funds for the construction of facilities for other governmental entities represent the balance of the funds received less the amounts invested in the construction of said facilities. The properties constructed through this arrangement belong to the individual agencies and not to the Authority. Upon completion of each project, the Authority settles with the agency either by returning remaining funds or billing for the excess costs over the funds received. Funds available at June 30, 2009 and 2008 amounted to approximately $ 3.6 million and $5.0 million, respectively.

f. School Renovation Funds

These funds represent the balance received under federal financial assistance programs, as a sub-recipient of the Commonwealth of Puerto Rico Department of Education. These funds are restricted to be used for projects related to school renovation and are subject to compliance requirements applicable to this federal program. At June 30, 2009 and 2008, the balance of these funds amounted to approximately $305 thousand and $305 thousand, respectively.

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5. RENT RECEIVABLE

This balance represents the amount due from Commonwealth agencies and instrumentalities determined in accordance with the corresponding rent contracts. In accordance with the provisions of the Enabling Act, the Secretary of the Treasury of the Commonwealth may make advances on behalf of certain agencies and instrumentalities lessees and make payments on behalf of certain department lessees. Minimum lease rentals for the following five years are as follows:

Year ending June 30,	Minimum Lease Rentals
2010	$340,163,405
2011	367,140,178
2012	361,182,252
2013	341,847,169
2014	324,094,782

Minimum lease rentals are revised every July 1st based on, among other things, debt service requirements for the particular year. During the years ended June 30, 2009 and 2008 the Authority reclassified approximately $135 million and $132 million, respectively, of the rent receivables as a noncurrent asset because there is an uncertainty of when the collection will be achieved.

6. NOTES AND OTHER RECEIVABLES

On July 23, 2004, the Authority entered into a note receivable agreement with the Department of Education (Institute of Technology in Ponce), for the payment of construction costs aggregating $12,256,705 to be collected into a thirty two (32) years period plus interest at 2.81%. Subsequent to the signing of the agreement, the Authority credited to the balance due $4,522,137 as agreed with the Puerto Rico Office Management and Budget. Future minimum collections, during the remaining term of the note, after the application of the credit of $4,522,137, are as follows:

Year ending June 30,	Principal	Interest
2010	$ -	$ 434,682
2011	-	217,341
2012	-	217,341
2013	-	217,341
2014	-	217,341
2015-2019	-	1,086,705
2020-2024	1,787,390	975,575
2025-2029	2,219,852	685,880
2030-2034	2,554,295	351,436
2035-2037	1,173,031	37,690
Total	$ 7,734,568	$ 4,441,332

On July 28,2004, the Authority entered into a note receivable agreement with the Puerto Rico Courts Administration, (PRCA), for the payment of past due rents, to be collected into a five (5) years period plus interest at 2.5%. As of June 30, 2008, the outstanding amount due from PRCA is $6,000,000 and was collected during the year ended June 30, 2009.

Other receivables represents amount due for services not guaranteed by the Commonwealth, net of allowance for doubtful accounts.

7. TRANSACTION WITH THE COMMONWEALTH OF PUERTO RICO

a. Due from Commonwealth

The amount due from the Commonwealth of Puerto Rico represents the approximate costs of certain construction projects that have been either suspended or cancelled unilaterally by the Commonwealth during planning stages and, therefore, the funds must be returned and deposited in the corresponding bond sinking, construction, or reserve accounts, as deemed appropriate by the bond indentures.

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The Puerto Rico's Office of Management Budget (OMB), recognized that, subject to certain audit requirements by the OMB, this account shall be recognized as a liability by the Commonwealth. Accordingly the Authority has recognized this amount as amount due from the Commonwealth as, in the opinion of the Authority's management; these costs will be recovered from future appropriations from the Commonwealth. Nevertheless, OMB has not appropriated any funds to reimburse the Authority and, since the timing of the collection cannot be readily determined, this amount is presented as a noncurrent asset.

b. Transfer of Capital Assets from the Commonwealth

This amount represents funds transferred unilaterally by the Commonwealth for the construction of certain projects.

c. Payment from the Commonwealth

During the fiscal year ended June 30, 2008, payment of interest due of $6,074,306 were made by the Commonwealth on the Authority's behalf under the operational line of credit maintain with the GDB.

d. Due to Commonwealth

The balance of $3.6 million and $3.0 million, as of June 30, 2009 and 2008, respectively, represents excess of advances received from other governmental agencies for rent charges and for construction costs incurred for government agencies projects.

e. Advance from Puerto Rico Housing Department

During fiscal year 2008, the Authority received an advance of $15 million from Puerto Rico Housing Department related to the sale of a building. However, as of June 30, 2008 the transaction was not finalized and the amount collected is presented as a liability until the deeds and final payments are made. The transaction was completed during the month of August 2008.

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8. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2009 and 2008 were as follows:

	Year Ended June 30, 2009			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 117,626,544	$ 1,418,418	$ (288,005)	$ 118,756,957
Construction in progress	310,810,336	90,509,058	(136,936,749)	264,382,645
Total capital assets, not being depreciated	428,436,880	91,927,476	(137,224,754)	383,139,602
Capital assets, being depreciated:				
Buildings	3,172,416,382	138,029,847	(615,051)	3,309,831,178
Equipment and automobiles	14,857,747	252,589	(924,956)	14,185,380
	3,187,274,129	138,282,436	(1,540,007)	3,324,016,558
Less accumulated depreciation for:				
Buildings	(761,463,346)	(65,366,048)		(826,829,394)
Equipment and automobiles	(12,280,333)	(787,682)	815,062	(12,252,953)
	(773,743,679)	(66,153,730)	815,062	(839,082,347)
Total capital assets, being depreciated, net	2,413,530,450	72,128,706	(724,945)	2,484,934,211
Capital assets, net	$ 2,841,967,330	$ 164,056,182	$ (137,949,699)	$ 2,868,073,813

	Year Ended June 30, 2008			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 113,944,647	$ 4,099,464	$ (417,567)	$ 117,626,544
Construction in progress	405,314,577	80,485,594	(174,989,835)	310,810,336
Total capital assets, not being depreciated	519,259,224	84,585,058	(175,407,402)	428,436,880
Capital assets, being depreciated:				
Buildings	3,012,370,040	174,989,835	(14,943,493)	3,172,416,382
Equipment and automobiles	14,938,412	383,578	(464,243)	14,857,747
	3,027,308,452	175,373,413	(15,407,736)	3,187,274,129
Less accumulated depreciation for:				
Buildings	(713,762,766)	(59,566,971)	11,866,391	(761,463,346)
Equipment and automobiles	(11,702,352)	(947,660)	369,679	(12,280,333)
	(725,465,118)	(60,514,631)	12,236,070	(773,743,679)
Total capital assets, being depreciated, net	2,301,843,334	114,858,782	(3,171,666)	2,413,530,450
Capital assets, net	$ 2,821,102,558	$ 199,443,840	$ (178,579,068)	$ 2,841,967,330

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Total interest costs capitalized during the years ended June 30, 2009 and 2008, aggregate to approximately $10.6 million and $13 million, respectively. Total general and administrative expenses capitalized during the years ended June 30, 2009 and 2008 aggregates approximately $2.2 million and $2.0, respectively.

9. PROPERTY HELD FOR SALE

The Authority identified certain properties for sale, as part of its efforts to increase liquidity. The amounts shown of $ 14.7 million and $14.9 million as of June 30, 2009 and 2008, respectively, were reclassified from capital assets as property held for sale and is recorded at cost or net book value. No cost to disposal has been estimated as these properties consist of real estate and the Authority believes that the net realizable amount will exceed the current book value of the property held for sale.

10. LAND AND BUILDINGS UNDER CONSTRUCTION AND ADVANCES FROM OTHER GOVERNMENTAL AGENCIES

Land and buildings under construction for other governmental agencies as of June 30, 2009 and 2008 were as follows:

	June 30, 2009			
	2008	Increase	Decrease	2009
Construction in progress	$ 120,508	$ 31,774	$ -	$ 152,282

	June 30, 2008			
	2007	Increase	Decrease	2008
Construction in progress	$ 18,125,582	$ 464,534	$ (18,469,608)	$ 120,508

Advances from other governmental entities at June 30, 2009 and 2008 amounted to approximately $3 million and $2.9 million, respectively. These amounts represent funds received from several agencies and municipalities for the construction of projects.

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11. DUE TO OTHER GOVERNMENTAL ENTITIES

Due to other governmental agencies as of June 30, 2009 and 2008 were as follow:

	2009	2008
Puerto Rico Electric Power Authority	$ 57,987,079	$ 39,091,240
Puerto Rico Aqueduct and Server Authority	3,168,109	2,186,530
Employees' Retirement System	2,447,060	-
Puerto Rico Department of Labor	2,127,095	890,225
General Services Administration	715,544	-
Puerto Rico Land Authority	335,304	335,304
Puerto Rico Treasury Department	-	30,276
Department of Transportation and Public Works	185	597
Total	$ 66,780,376	$ 42,534,172

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12. BONDS PAYABLE

Bonds payable as of June 30, 2009 and 2008 were as follow:

Description	2009	2008
Office Buildings Bonds		
Serial Bonds, maturing through 2010, with interest rates ranging from 5.70% to 5.75%	$ 11,800,000	$ 11,800,000
Term Bonds, maturing through 2021, with interest rates ranging from 5.50% to 5.75%	37,315,000	37,315,000
Tax-exempt components maturing through 2008, with interest rate of 5.60%	-	5,400,000
	49,115,000	54,515,000
Public Education and Health Facilities Bonds		
Serial Bonds, maturing through 2010, with interest rates ranging from 5.70% to 5.75%	66,015,000	66,015,000
Tax-exempt components maturing through 2008, with interest rates ranging from 5.50% to 5.60%	-	31,640,000
	66,015,000	97,655,000
Government Facilities Revenue Bonds		
Serial Bonds maturing through 2027, with interest rates ranging from 3.13% to 6.25%	958,880,000	967,150,000
Term Bonds maturing through 2037, with interest rates ranging from 3.00% to 6.25%	1,900,310,000	1,900,310,000
Capital Appreciation Bonds, maturing through 2031, with interest rates ranging from 3.75% to 5.50%	98,061,979	100,088,118
	2,957,251,979	2,967,548,118
Total bonds outstanding	3,072,381,979	3,119,718,118
Less: Bonds discounts	(22,789,583)	(24,011,322)
Deferred loss on bonds defeased	(138,693,597)	(145,964,158)
Deferred bond issuance costs	(15,163,007)	(14,615,412)
Plus: Bonds premiums	102,194,283	100,228,115
Net bonds payable	2,997,930,075	3,035,355,341
Less: Current portion	(79,535,000)	(52,505,000)
Total bonds payable	$ 2,918,395,075	$ 2,982,850,341

Aggregate maturities of sinking funds' amortization requirements on bonds, (excluding discounts and premiums), accreted value on bonds and related interest payments in future years are as follows:

Year ending June 30,	Principal	Interest
2010	$ 79,535,000	$ 152,628,596
2011	84,850,000	148,052,581
2012	81,001,970	144,401,524
2013	78,580,447	140,553,265
2014	77,710,000	135,914,730
2015-2019	438,465,000	608,189,181
2020-2024	434,705,000	488,172,599
2025-2029	543,410,000	366,506,755
2030-2034	674,411,667	214,965,082
2035-2039	554,720,000	41,723,827
Principal outstanding and interest	3,047,389,084	2,441,108,140
Add (deduct): Accreted value on bonds outstanding	24,992,895	(24,992,895)
	$3,072,381,979	$ 2,416,115,245

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Activity of bonds payable during the year ended June 30, 2009 is as follows:

	June 30, 2009				
	2008	Issuances/ Accretion	Payments/ Current	2009	Current Portion
Office Building Bonds					
Serial Bonds	$ 11,800,000	$ -	$ -	$ 11,800,000	$ 5,735,000
Terms Bonds	37,315,000	-	-	37,315,000	-
Tax-Exempt Bonds	5,400,000	-	(5,400,000)	-	-
	54,515,000	-	(5,400,000)	49,115,000	5,735,000
Public Education and Health Facilities Bonds					
Serial Bonds	66,015,000	-	-	66,015,000	33,430,000
Tax-Exempt Bonds	31,640,000	-	(31,640,000)	-	-
	97,655,000	-	(31,640,000)	66,015,000	33,430,000
Government Facilities Revenue Bonds					
Serial Bonds	967,150,000	-	(8,270,000)	958,880,000	40,370,000
Term Bonds	1,900,310,000	-	-	1,900,310,000	-
Capital Appreciation Bonds	100,088,118	6,578,861	(8,605,000)	98,061,979	-
	2,967,548,118	6,578,861	(16,875,000)	2,957,251,979	40,370,000
Total bonds outstanding	3,119,718,118	6,578,861	(53,915,000)	3,072,381,979	79,535,000
Less: Bonds discounts	(24,011,322)	(185,138)	1,406,877	(22,789,583)	-
Deferred loss on bond defeased	(145,964,158)	-	7,270,561	(138,693,597)	-
Deferred bonds issuance cost	(14,615,412)	631,140	(1,178,735)	(15,163,007)	-
Plus: Bonds premiums	100,228,115	11,132,029	(9,165,861)	102,194,283	-
Total bonds payable, net	$3,035,355,341	$ 18,156,892	$ (55,582,158)	$2,997,930,075	$79,535,000

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Activity of bonds payable during the year ended June 30, 2008 is as follows:

	June 30, 2008				
	2007	Issuances/ Accretion	Payments/ Current	2008	Current Portion
Office Building Bonds					
Serial Bonds	$ 11,800,000	$ -	$ -	$ 11,800,000	$ -
Terms Bonds	37,315,000	-	-	37,315,000	-
Tax-Exempt Bonds	10,520,000	-	(5,120,000)	5,400,000	5,400,000
	59,635,000		(5,120,000)	54,515,000	5,400,000
Public Education and Health Facilities Bonds					
Serial Bonds	66,015,000	-	-	66,015,000	-
Tax-Exempt Bonds	61,640,000	-	(30,000,000)	31,640,000	31,640,000
	127,655,000	-	(30,000,000)	97,655,000	31,640,000
Government Facilities Revenue Bonds					
Serial Bonds	963,720,000	362,015,000	(358,585,000)	967,150,000	6,860,000
Term Bonds	1,551,340,000	533,275,000	(184,305,000)	1,900,310,000	-
Capital Appreciation Bonds	157,192,208	4,868,997	(61,973,087)	100,088,118	8,605,000
	2,672,252,208	900,158,997	(604,863,087)	2,967,548,118	15,465,000
Total bonds outstanding	2,859,542,208	900,158,997	(639,983,087)	3,119,718,118	52,505,000
Less: Bonds discounts	(26,958,147)	(2,635,758)	5,582,583	(24,011,322)	-
Deferred loss on bond defeased	(100,509,984)	(51,860,395)	6,406,221	(145,964,158)	-
Deferred bonds issuance cost	(11,569,748)	(5,604,195)	2,558,531	(14,615,412)	-
Plus: Bonds premiums	57,853,048	52,515,978	(10,140,911)	100,228,115	-
Total bonds payable, net	$2,778,357,377	$892,574,627	$ (635,576,663)	$3,035,355,341	$52,505,000

The maturities of bonds payable are funded by debt service rental revenue collected from the lessees. The bonds are secured by a pledge of the rentals of government facilities financed or refinanced by such bonds and leased by the Authority to departments, agencies, and instrumentalities of the Commonwealth.

The good faith and credit of the Commonwealth are pledged for the payment or advance of such rentals. The payment of principal and interest on the bonds is further secured by the guaranty of the Commonwealth under which the

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Commonwealth, pledges to draw from any funds available in the Department of Treasury of Puerto Rico such sums as may be necessary to cover any deficiency in the amount required for the payment of principal and interest on the bonds, in an aggregate principal amount not exceeding $3,325 million.

The Authority's bonds payable are subject to the arbitrage rebate regulations issued by the Internal Revenue Service of the United States of America that require rebate to the federal government of excess investment earnings on tax-exempt debt proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt debt issued. Excess earnings must be rebated every five years or upon maturity of the debt, whichever is earlier.

In September, 2007, the Authority elected to convert $150,000,000 principal amount of the Bonds designated as "Series M-3" from the Weekly Interest Rate Period to the Long-Term Interest Rate Period. The transaction has the effect of fixing the interest rate payment of the bonds to Maturity. Concurrently with the original issuance of the Series M-3 Bonds, the Authority entered in an interest rate swap with Royal Bank of Canada, the swap provider, in order to effectively fix the interest rate cost to the Authority of the Series M03 Bonds. It is anticipated that on or about the Conversion Date, the swap will be terminated.

a. Advance Refunding and Defeased Bonds

On December 20, 2007, the Authority issued $895,290,000 Government Facilities Revenue Bond Series M, N and O. The proceeds from Series M Bonds were used to (1) to pay for the refunding of certain bonds issued under the 1995 Bond Resolutions, (2) for purpose of refunding interest (but not principal) on the certain bonds under the 1995 Bond Resolution, (3) to pay for the issuance of Series M Bonds. The proceeds from Series N Bonds were used to (1) pay a portion of the costs of construction of certain buildings and facilities to be leased by the Authority to various departments and instrumentalities of the Commonwealth, (2) repay a portion of certain advances made to the Authority by GDB under a line-of-credit facility, (3) to pay a capitalized interest, and (4) to pay for the cost of issuance of Series N Bonds. The proceeds from Series O Bonds were used to (1) repay a portion of certain advances made to the Authority by GDB under a line-of-credit facility, (2) to pay capitalized interest, and (3) to pay for the cost of issuance of Series O Bonds. The Series M, N and O Bonds will bear fixed interest ranging from 3% to 6.25% (except for a portion of Series M Bonds which earns variable

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interest), payable semiannually on each July 1 and January 1 of each year, beginning on January 1, 2008.

As a result of this advance refunding, the Authority decrease its debt service payments by approximately $678 thousands over the next 28 years. The advance refunding resulted in an economic gain (the difference between the present values of the debt service payments of the refunded bonds and the refunding bonds) of approximately $24.1 million.

In prior years, the Authority defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debts. Accordingly, the trust's account assets and liabilities for the defeased bonds are not included in the statements of net assets. As of June 30, 2009 and 2008, approximately $ 940 million and $1,221 million of bonds outstanding are considered defeased.

b. Derivatives and Hedging of Bonds

During the year ended June 30, 2008, the Authority entered into the following interest-rate swap agreements related to Government Facilities Revenue Refunding Bonds Series K:

			Floating Rate	The Authority					
				Receives		Pays			
Counterparty	Effective Date	Notional Amount	Indicator (Pays)	Type	Rate	Type	Rate	Maturity Date	Fair Value
		(In Thousands)							(In Thousands)
The Bank of New York	July 1, 2007	$ 50,000	Libor	Variable	67% of 1 month Libor	Fixed	3.77%	July 1, 2007	$ (3,924)
	July 1, 2007	150,000	Libor	Variable	67% of 1 month Libor	Fixed	3.66%	July 1, 2007	(9,159)
		$ 200,000							$ (13,083)

The Authority entered into the agreements with The Bank of New York (BNY) on August 8, 2006, and with the Royal Bank of Canada (RBC) on September 11, 2006. All agreements were effective July 1, 2007. The Authority shall pay interest based on a fixed rate on the 1st day of each January and July, beginning on January 1, 2008 and ending on July 1, 2026 – for the agreement with RBC – and July 1, 2027 – for the agreement with BNY. In the BNY agreement, the notional amount will be $39 million effective July 1, 2026.

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Both RBC and BNY will pay interest based on a floating rate calculated at 67% of 1 month London Interbank Offering Rate (LIBOR). The interest will be paid to the Authority on the 1st day of each month, commencing on August 1, 2007 and ending on the Termination Date, subject to adjustment in accordance with the "Following Business day Convention".

The notional amount of the agreement with RBC will be floating – commencing at $150 million and amortizing in accordance with an agreed schedule.

			Floating Rate	The Authority					
				Receives		Pays			
Counterparty	Effective Date	Notional Amount	Indicator (Pays)	Type	Rate	Type	Rate	Maturity Date	Fair Value
		(In Thousands)							(In Thousands)
Royal Bank of Canada	December 20,2007	$ 150,000	Libor	Variable	67% of 1 month Libor	Fixed	3.35%	July 1, 2028	$ (3,481)
		$ 150,000							$ (3,481)

The Authority entered into the agreement with the RBC on December 7, 2007 and it was effective December 20, 2007. The Authority shall pay interest based on a fixed rate on the 1st day of each January and July, beginning on January 1, 2008 and ending on July 1, 2028.

The RBC will pay interest based on a floating rate calculated at 67% of 1 month London Interbank Offering Rate (LIBOR). The interest will be paid to the Authority on the 1st day of each month, commencing on January 1, 2008 and ending on the Termination Date, subject to adjustment in accordance with the "Modified Following Business Day Convention".

The notional amount of the agreement with RBC will be floating – commencing at $150 million and amortizing in accordance with an agreed schedule.

The Authority entered into these interest-rate swap agreements in order to hedge its variable rate debt exposure and the interest rate risks associated therewith in relation to the Government Facilities Revenue Refunding Bonds Series K and Revenue Bonds Series M-3. By using derivative financial instruments to hedge the exposure to changes in interest rates, the Authority exposes itself to credit risk, market-access risks and basis risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Authority, which creates a credit risk for the Authority. When the fair value of the derivative contract is negative, the Authority owes the counterparty and, therefore, does not possess credit risk.

The Authority minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is acceptable under the investment policies of the GDB. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associate with an interest rate swap contract is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. The Authority assesses interest rate cash flows risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected cash flows and evaluating hedging opportunities. The Authority maintains risk management control systems-through the advice of the GDB – to monitor interest rate cash flow risk attributable to both the Authority outstanding or forecasted debt obligations as well as the Authority's offsetting hedge positions.

Basis risk arises when different indexes are used in connection with a derivative instrument. These agreements expose the Authority to basis risk should the relationship between LIBOR and the fixed rates converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized. The Authority assesses basis risk by following the aforementioned market risks control system.

The Authority and the counterparties may terminate each swap agreement if the other party fails to perform under the terms of the contract. In addition, either party may terminate the agreement in the event of a significant loss of creditworthiness. The Authority believes that the possibility of termination before maturity date is remote. If the agreements are terminated before their maturity date, the variable-rate bonds would no longer carry a fixed interest rate. Also, if at the time of termination the agreement has a negative fair value, the Authority would be liable to the counterparty for a payment approximated to the aforementioned fair value.

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13. OTHER LONG-TERM LIABILITIES

Other long-term liabilities are composed of the following:

	Year Ended June 30, 2009				
	Beginning Balance	Increases	Payments/ Decreases	Ending Balance	Current Portion
Borrowings under lines of credit	$ 79,301,214	$ 110,547,659	$ (4,304,189)	$ 185,544,684	$ 181,457,894
Due to contractors, including retainage	46,924,588	93,544,198	(90,826,637)	49,642,149	20,100,095
Advances from governmental agencies	2,934,790	13,412,093	(13,337,093)	3,009,790	-
Compensated absences	13,015,996	932,928	-	13,948,924	-
Contingencies	9,036,474	3,108,529	(2,709,469)	9,435,534	-
Due to Commonwealth	2,976,380	672,979	-	3,649,359	-
Total other long-term liabilities	$ 154,189,442	$ 222,218,386	$ (111,177,388)	$ 265,230,440	$ 201,557,989

	Year Ended June 30, 2008				
	Beginning Balance	Increases	Payments/ Decreases	Ending Balance	Current Portion
Borrowings under lines of credit	$ 215,642,173	$ 38,958,605	$ (175,299,564)	$ 79,301,214	$ 50,000,000
Due to contractors, including retainage	63,976,301	76,170,104	(93,221,817)	46,924,588	14,945,285
Advances from governmental agencies	19,227,990	730,087	(17,023,287)	2,934,790	-
Compensated absences	12,038,266	977,730	-	13,015,996	-
Contingencies	4,960,426	4,076,048	-	9,036,474	-
Due to Commonwealth	1,683,809	1,292,571	-	2,976,380	-
Total other long term liabilities	$ 317,528,965	$ 122,205,145	$ (285,544,668)	$ 154,189,442	$ 64,945,285

Borrowings under line of credit – On May 2, 2008, the Authority executed two Loan Agreements with GDB for the interim financing of its Capital Improvement Program in an amount not to exceed $226 million, bearing interest at 1.50% over the cost of Tax-Exempt Commercial Paper issued by GDB. The loans and the accrued interest are due on October 31, 2009 and will be payable from the proceeds of the next bond issuance of the Authority divided into $211 million on a tax-exempt basis and $15 million on a taxable basis.

The Authority maintains a line of credit with GDB for $75 million, bearing interest at a variable rate based on 1.25% over the three months LIBOR rate, with a minimum of

5% interest rate. The line is collateralized with two of the Authority's properties. The proceeds were used to finance the Authority's operational expenses. Payments of principal and interest will be appropriate from the Commonwealth of Puerto Rico's general budget pursuant to the provisions of the Resolution Num. 387 of December 21, 2005. During the fiscal year ended June 30, 2008 payment of interest due of $6,074,306 were made by the Commonwealth. For the fiscal years ended June 30, 2009 and 2008, the full amount of $75 million of the line of credit was used.

On February 27, 2009, the Authority executed a Loan Agreements with GDB for an aggregate principal amount not to exceed $64,540,000, bearing interest daily from the drawings date until its repayment at a rate of interest per annum equal to the Prime Rate plus 150 basis points, no such rate of interest per annum shall be in excess of 12%. This loan was issued with the purpose of paying the interest component of certain outstanding revenue and revenue refunding bonds of the Authority. The loan and the accrued interest are due on June 30, 2010 and will be payable from the proceeds of the next bond issuance of the Authority. As of June 30, 2009 the full amount of $64,540,000 of the line of credit was used and has accrued interest amounting to $662,289.

On April 27, 2009, GDB provide to the Authority a non-revolving credit facility in the maximum principal amount of $98,500,000 bearing interest on the unpaid principal amount of each advance at a fluctuating annual rate equal to 1.50% percent over and above the Prime Rate or at such other rate determined by GDB. The proceeds of the Facility will be used exclusively for the payment of certain amounts due by the Authority to its suppliers and service providers. All such payments shall be subject to the prior approval of GDB and shall be disbursed directly to the suppliers and service providers. The loan and the accrued interest are due on June 30, 2011 and will be payable from all funds generated by the PBA and any other properties owned and pledged to GDB. As of June 30, 2009 there have been drawings on the line of credit amounting to $4,083,411 and has accrued interest amounting to $18,237.

Due to contractors, including retainage – This amount represents the remaining balance due to contractors for projects under construction. Normally, the contractors submit progress billings for projects in progress and the Authority pay these invoices, except for the retainage portion. This withholding is used as a guarantee that the contractor will complete the project in accordance with contract requirements.

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Normally the retainage will be paid upon completion and acceptable receipt of the projects, as determined by the Authority's engineers.

Advances from governmental entities – This amount represents the balance of the amounts advanced by other governmental entities, mainly for the construction of facilities that will be owned by these entities. These projects include appropriations from the Commonwealth to finance the construction of facilities, by these agencies, which in turn request from the Authority to carryout the construction project and the administration of the construction process. Upon acceptable completion, the project is completed and is taken over by the corresponding agency. The assets are not owned by the Authority.

Compensated absences – This amount represents the long term portion of the accrued compensated absences, as estimated by the Authority.

Contingencies – This amount represents the Authority's estimates of possible legal and contractual settlement arising from normal litigation procedures. The estimated amount was based on the corresponding number of legal cases currently underway, and based upon the advice and consent of the Authority's legal division and its external legal advisors. Actual amount to be settled may be materially different from the amount accrued.

14. EMPLOYEE RETIREMENT PLAN

The Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities (the System) is a cost sharing multiple-employer defined-benefit pension plan sponsored by, and reported as a component unit of, the Commonwealth. The System was created under Act No. 447 (the Act) approved on May 15, 1951, as amended, and became effective on January 1, 1952. All regular appointed and temporary employees of the Authority under age fifty five (55) at the date of employment become plan participants of the System.

The System provides retirement, death, and disability benefits. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits generally vest after (10) years of plan participation. Retirement benefits are determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation is computed based on the highest thirty-six (36) months of compensation recognized by the System. The annuity, for which a plan member is eligible, is limited to a minimum of $300 per month and a maximum of 75 percent of the average compensation.

Contribution requirements, which are established by law and not actuarially determined, are as follows:

Commonwealth	9.275% of applicable payroll
Employees:	
Hired on or before March 31, 1990	5.775% of monthly gross salary up to $550 and 8.275% of monthly gross salary over $550
Hired on or after April 1, 1990	8.275% of monthly gross salary

On September 24, 1999, an amendment to the Act, which created the System, was enacted with the purpose of establishing a defined contribution plan effective January 1, 2000. Employees participating in the defined-benefit plan (the traditional plan) at December 31, 1999, had the option to either stay in the traditional plan or transfer to System 2000. Persons employed on or after January 1, 2000 are only allowed to become members of System 2000.

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan there is a pool of pension assets, which are invested by the System, together with those of System 2000 benefit plan. The Commonwealth does not guarantee benefits at retirement age. The annuity is based on a formula which assumes that each year the participants' contribution (with a minimum of 8.275% of the participants' salary up to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Notes, (2) earn a rate equal to 75% of the return of the System's investment portfolio (net of management fees), or (3) earn a combination of alternatives. Participants receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions are not granted under System 2000. The employers' contributions (9.275% of the employee's salary) are used to fund the traditional plan. System 2000 reduces the retirement age from sixty-five (65) years to sixty (60) years for those employees who joined the current plan on or after January 1, 2000.

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Total employee and employer contributions for the years ended June 30, 2009 and 2008 are as follows:

Traditional Plan	2009	2008
Employer	$3,094,608	$2,999,946
Employee	$2,760,957	$2,654,540
System 2000		
Employer	$1,613,231	$1,272,267
Employee	$1,439,297	$1,138,235

The System issued financial reports that include their basic financial statements and required supplementary information. Those reports may be obtained by writing to the System's administrator at 437 Ponce de León Avenue, Hato Rey, Puerto Rico 00918. Activity of accrued pension costs, included within accrued expenses, during the years ended June 30, 2009 and 2008 is as follows.

Description	2009	2008
Beginning balance	$ 1,961,951	$1,974,836
Increase	9,610,787	5,376,291
Decrease	(10,577,080)	(5,389,176)
Ending balance	$ 995,658	$1,961,951

15. OTHER POST-EMPLOYMENT BENEFITS

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions requires the calculation and recording of the net other post-employment benefit (OPEB) obligations. The net OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions at the valuation date.

Description of the other post-employment benefits provided – In addition to providing the pension benefits described in Note 14 above, the Authority provides a defined dollar contribution to partially cover medical insurance cost to eligible retired employees. The Authority contribution is limited to $200 monthly per eligible retired employees, up to a period of twenty-four months (twelve months for managerial employees) or until the age of 65, when Medicare becomes available, whichever is shorter. Under this level of benefits provided, the risk of medical cost increases resides with the retiree, and therefore results in a lower OPEB liability for the Authority.

Membership – As of June 30, 2009 and 2008 the number of active employees and retirees amounted to 1,532 and 1,528, respectively.

Funding Policy and Contributions – The Authority contribution level is negotiated through the union contracts or personnel policy and it is payable directly to the retiree selected medical insurance plan or as a reimbursement to the retiree through a self-insured plan (pay-as-you-go). For the fiscal year ended June 30, 2009, the Authority contributed $160,702 toward the cost of their healthcare.

- Annual OPEB Cost and Net OPEB Obligation

  Due to the nature of the benefits provided and the immaterial dollar amounts involved, management decided to make the actuarial calculations for the fiscal year ended June 30, 2009 by its own financial management. The first actuarial valuation for the plan was scheduled for June 30, 2010 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the year ended. Actuarial valuations will be performed every two years, thereafter. The Authority's June 30, 2009 OPEB cost of $560,000 was greater than the ARC of $160,702 for the year.

- Funded Status and Funding Progress

  Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

16. COMMITMENTS

The Authority has entered into various contracts with outside contractors for the construction of buildings and other facilities. The Authority records the liability for these contracts as progress billings are received, based on completed work. The uncompleted portion of these contracts is approximately $125 million and $52 million as of June 30, 2009 and 2008, respectively.

17. CONTINGENT LIABILITIES

The Authority is a defendant and/or co-defendant in various lawsuits for alleged breach of contracts and other actions arising in the ordinary course of business. Management, based on the advice of the legal counsel, has recorded reserves to cover for possible liabilities related to these claims. These reserves are recorded as part of the contingencies in the accompanying statements of net assets.

18. SUBSEQUENT EVENTS

On July 1, 2009 the Authority issued its $330,935,000 aggregate principal amount of Government Facilities Revenue Refunding Bonds, Series P Guaranteed by the Commonwealth of Puerto Rico. The bonds are being issued to refund Series K Swaps and related fees and pay costs of issuance of the bonds under the 1995 Bond Resolution.

On July 1, 2009 the Authority has elected to realize a conversion of the interest rate from a LIBOR- Based Variable Interest Rate to a Fixed Rate to maturity of its $50,000,000 aggregate principal amount of Government Facilities Revenue Refunding Bonds, Series K. This bond was originally issued on May 27, 2004 in the original principal amount of $347,065,000. Bonds Series K and P aggregates to $380,935,000 with an interest rate arising from 5.25% to 7.00% with maturity on July 1, 2036.

On July 29, 2009 the Board of Directors approves an amendment to the $64,540,000 loan with GDB dated as of February 27, 2009. In this amendment the Authority accept the terms and conditions of a loan in a principal amount not to exceed $91,192,000 to pay the interest component of certain of its outstanding Revenue and Revenue Refunding Bonds becoming due during the twelve months after the date of the first drawing under the loan agreement. The loan shall mature on such date as GDB may determine but is no event later than June 30, 2010.

On September 17, 2009 GDB authorized the Treasury Department to transfer $51 millions to the Authority for the payment of debts of the Commonwealth of Puerto Rico agencies related to rent due as of June 30, 2009. Partial payments will be realized annually through 2015.

On October 16, 2009 the Authority issued its $152,540,000 aggregate principal amount of Government Facilities Revenue Refunding Bonds, Series Q, Guaranteed by the Commonwealth of Puerto Rico. The bonds are being issued to refund interest (but not principal) of certain bonds issued by the Authority under the 1995 Resolution.

The Authority entered in a voluntary resignation program as part of management plans to reduce administrative expenses. The program consisted of, for each interested employee applicant, an economic incentive composed of three month salary, one year 100% health plan coverage and liquidation of accrued vacation and sick leave. Voluntary resignation benefits are estimated at approximately $537,000.

The Authority has adopted an involuntary layoff plan for the termination of 160 employees including regular, transitory and non-permanent employees, among others. The Authority expects to achieve cost savings of approximately $4.5 million from this measure.

19. RECLASSIFICATIONS

Certain reclassifications have been made to the 2008 financial statements in order to conform to the 2009 financial statements presentation.

ORTIZ, RIVERA, RIVERA & CO.
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PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF BONDS SINKING FUNDS ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2009

	2009 Total	Bond Service Account	Reserve and Redemption Account
OFFICE BUILDING BONDS			
Balance at June 30, 2008	$ 2,725	$ 2,725	$ -
Receipts:			
Interest	24	24	-
Balance at June 30, 2009	$ 2,749	$ 2,749	$ -
PUBLIC EDUCATION AND HEALTH FACILITIES BONDS			
Balance at June 30, 2008	$ 3,849,364	$ -	$ 3,849,364
Receipts:			
Debt service rentals	35,990,140	35,990,140	-
Investments income	38,539	38,539	-
Transfers from Reserve		3,849,364	(3,849,364)
Disbursements:			
Payment of bonds interest	(4,665,068)	(4,665,068)	-
Payment of bonds principal	(31,640,000)	(31,640,000)	-
Other	-		-
Balance at June 30, 2009	$ 3,572,975	$ 3,572,975	$ -
GOVERNMENTAL FACILITIES BONDS			
Balance at June 30, 2008	$ 62,605,719	$ 62,605,719	$ -
Receipts:			
Debt service rentals	200,820,270	200,820,270	-
Investments income	108,453	108,453	-
Disbursements:			
Payment of bonds interest	(126,608,115)	(126,608,115)	-
Payment of bonds principal	(22,274,999)	(22,274,999)	-
Other disbursements	(5,730,000)	(5,730,000)	-
Balance at June 30, 2009	$108,921,328	$108,921,328	$ -

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PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF OPERATING CASH ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2009

Description	Banco Popular	Government Development Bank for PR
Balance at June 30, 2008	$ 992,496	$ 69,502,153
Deposits:		
Rent collected	69,121,502	191,222,667
Interest		70,427
Disbursements:		
For current expenses, transfers to bond service account and others	(69,973,521)	(198,254,404)
Balance at June 30, 2009	$ 140,477	$ 62,540,843
	(A)	(B)

(A) Balance included in cash and cash equivalents in the accompanying Statements of Net Assets.

(B) Balance included in cash and cash equivalents in the accompanying Statements of Net Assets, distributed between unrestricted ($20,019,687) and restricted cash ($42,521,156).

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PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF OPERATING RENTAL REVENUES AND RECEIVABLES
FOR THE YEAR ENDED JUNE 30, 2009

	Rental Revenues Year Ended June 30, 2009	Receivables as of June 30, 2009
OFFICE BUILDINGS		
Debt service rentals - bonds	$ 41,502,419	$ -
Operating, administrative, and equipment replacement reserve rentals	45,631,349	80,375,956
Debt service rentals - notes	16,639	-
Total Office Buildings	87,150,407	80,375,956
PUBLIC EDUCATION BUILDINGS		
Debt service rentals - bonds	129,544,234	-
Operating, administrative, and equipment replacement reserve rentals	77,455,015	112,575,673
Total Public Education Buildings	206,999,249	112,575,673
HEALTH FACILITIES		
Debt service rentals - bonds	21,452,591	-
Operating, administrative, and equipment replacement reserve rentals	9,273,552	57,310,408
Debt service rentals - notes	1,243,254	-
Total Health Facilities	31,969,397	57,310,408
Total	$ 326,119,053	$ 250,262,037

PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)
SCHEDULE OF CAPITAL IMPROVEMENTS PROGRAM COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2009

	Actual	Budget
Educational facilities	$ 84,804,338	$ 101,806,812
Police facilities	9,733,069	7,297,643
Offices buildings	6,923,935	19,391,552
Courthouses	18,214	2,057,630
Firehouses	382,190	1,428,737
Authority's equipment	247,589	-
Total	$ 102,109,335	$ 131,982,374

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