PUERTO RICO LAND AUTHORITY
(A Component Unit of The Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

PUERTO RICO LAND AUTHORITY
(A Component Unit of The Commonwealth of Puerto Rico)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Puerto Rico Land Authority
San Juan, Puerto Rico

We have audited the accompanying balance sheet of the Puerto Rico Land Authority (the "Authority"), a component unit of the Commonwealth of Puerto Rico, as of June 30, 2009 and the related statements of revenue, expenses and changes in net assets, and cash flows for the year then ended. In addition, we have audited the statement of net assets in liquidation of the Sugar Corporation of Puerto Rico, a component unit of the Authority, as of December 31, 2008 and the related statements of changes in net assets in liquidation for the year then ended. 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 audits.

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

As described in Note 2, the Sugar Corporation of Puerto Rico's policy is to prepare its financial statements on the liquidation basis of accounting.

In our opinion, the financial statements referred to above present fairly, all material respects, the financial position of the Puerto Rico Land Authority as of June 30, 2009 and the results of its operations and its cash flows for the year then ended and the net assets in liquidation of the Sugar Corporation of Puerto Rico as of December 31, 2008, and the changes in net assets in liquidation for the year then ended, in conformity with accounting principles generally accepted in the United States of America,

The Management's Discussion and Analysis shown in pages 3 to 6 is not a required part or the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurements and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Torres, Hernandez & Punter, CPA PSC
Certified Public Accountants

September 29, 2009

Stamp #2411635 of the
college of CPA's of
Puerto Rico is affixed
to the original.

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

Management's Discussion and Analysis

June 30, 2009

This section of the Puerto Rico Land Authority ("the Authority") annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the Authority's basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The Authority's total assets increased by approximately $3.8 millions, from $183.2 millions as of June 30, 2008 to $187.0 millions as of June 30, 2009,
- Note payable and line of credit principal payments amounted to approximately $8.1 millions,
- Decrease in coffee and sugar taxes by approximately $1.1 millions,
- Decrease in Commonwealth of Puerto Rico appropriations by approximately $29.0 millions,
- Rental income increased by approximately $1.2 millions,
- Total operating expenses decreased by $13.3 millions, and
- During the fiscal year ended June 30, 2009 The Authority acquired through purchase four land lots for a total cost of approximately $4.8 millions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: the management's discussion and analysis (this section) and the basic financial statements. The Authority is a self-supporting entity and follows the enterprise fund reporting, accordingly, the basic financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and the operations of the Authority. These statements are presented in a manner similar to a private business, such as a real estate developer and commercial institutions. The Sugar Corporation of Puerto Rico (the "Corporation") follows the liquidation basis of accounting as the entity is under a liquidation process.

The Authority's reporting structure includes the financial information of the Authority and a blended component unit - "Fondo Integral para el Desarrollo de la Agricultura" ("FIDA"). Also another component unit presented on a liquidation basis of accounting is the Sugar Corporation of Puerto Rico.

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

Management's Discussion and Analysis (continued)

June 30, 2009

FINANCIAL ANALYSIS OF THE AUTHORITY

Balance Sheet: The following caption summarizes the changes in the net assets between June 30, 2009 and 2008:

	2009	2008	Changes	%
Assets				
Current assets	$ 69,335,034	$ 72,498,664	$ (3,163,630)	(0.05)%
Non- current assets	117,744,970	110,751,796	6,993,174	0.06 %
Total assets	$187,080,004	$183,250,460	$ 3,829,544	0.0205 %
Liabilities				
Current liabilities	$ 99,772,050	$102,817,922	$ (3,045,872)	(0.03)%
Non-current liabilities	25,054,602	27,171,853	(2,117,251)	(0.08)%
Total liabilities	124,826,652	129,989,775	(5,163,123)	(0.04)%
Net assets				
Invested in capital assets, net	93,735,389	89,174,537	4,560,852	0.05 %
Restricted	456,889	629,862	(172,973)	(0.38)%
Unrestricted (deficit)	(31,938,926)	(36,543,714)	4,604,788	(0.14)%
Total net assets	62,253,352	53,260,685	8,992,667	0.14 %
Total liabilities and net assets	$187,080,004	$183,250,460	$ 3,829,544	0.0205 %

Total assets increased by approximately $3.8 millions mainly due to the recognition of a deposit of $4,158,000 collected in July 2009 (see Note 15). As for the aggregate total, decreases in current assets were offset by increases in non-current assets.

Current liabilities decreased by approximately $3.0 millions mainly due to payments of line of credit and principal payments on notes payable.

Long - term liabilities decreased by approximately $2.1 millions mainly due to principal payments in notes payable.

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

Management's Discussion and Analysis (continued)

June 30, 2009

Operating Activities: The Authority enters into lease agreements on the land and properties it owns with government and private entities. The agreements vary in prices and terms dependent on the intended public use and benefits to the Commonwealth of Puerto Rico residents. The Authority also acquires and sells to other government agencies and instrumentalities or private entities, land and property that have been determined to be used or developed for public interest. Operating expenses consists principally of payroll and program for the production of farming products and infrastructure.

The following table summarizes the results of operations between fiscal years ended June 30, 2009 and 2008:

	2009	2008	Changes	%
Operating revenues	$ 18,354,691	$ 16,556,846	$ 1,797,845	0.10 %
Operating expenses	22,284,416	35,586,928	(13,302,512)	(0.60)%
Operating loss	(3,929,725)	(19,030,082)	15,100,357	(3.84)%
Non-operating revenues (expenses)				
Coffee and sugar taxes	11,965,417	13,073,687	(1,108,270)	(0.09)%
Commonwealth appropriations	1,251,039	30,271,998	(29,020,959)	(23.20)%
Interest income	2,435,311	2,920,012	(484,701)	(0.20)%
Other Income	10,000	-	10,000	1.00 %
Interest expense	(3,366,835)	(5,125,190)	1,758,355	(0.52)%
Non-operating revenues, net	12,294,932	41,140,507	(28,845,575)	(2.35)%
Change in net assets	8,365,207	22,110,425	(13,745,218)	(1.64)%
Net assets at beginning of year, as restated	53,888,145	31,150,260	22,737,885	0.42 %
Net assets at end of year	$ 62,253,352	$ 53,260,685	$ 8,992,667	0.14 %

Total operating revenues increased approximately by $1.7 millions mainly due to the increase in rental income of approximately $1.2 millions. Total operating expenses decreased by approximately $13.3 millions mainly due to the reduction in the appropriations from the Commonwealth of Puerto Rico by approximately $29.0 millions, which created a reduction in expenses related with the program for the production of farming products and a reduction in general and administrative expenses, of approximately $6.6 millions, for each expense item. Total non-operating revenues (net) decreased by approximately $28.8 millions related also to the decrease in the appropriations from the Commonwealth of Puerto Rico explained before, and the decrease of interest expense by approximately $1.7 millions.

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

Management's Discussion and Analysis (continued)

June 30, 2009

SUGAR CORPORATION OF PUERTO RICO - CURRENTLY IN LIQUIDATION BASIS

Statement of net assets in liquidation for the Corporation as of December 31, 2008 and 2007 is as follows:

	2008	2007	Changes	%
Assets	$ 350,566	$ 754,740	$ (404,174)	(1.15)%
Liabilities	83,310,932	141,128,246	(57,817,314)	(0.69)%
Excess of liabilities over assets under liquidation	$ (82,960,366)	$ (140,373,506)	$ 57,413,140	(0.69)%

As of December 31, 2008, the Corporation has approximately $28.1 million in accruals to cover the estimated costs related to its liquidation. The estimated cost includes $3.2 million in amount payable for Mercedita Refinery operations and other liabilities, $24.6 for Central Office Liquidation and $381,257 in other accruals to finish the liquidation process, which include the employee severance, pending legal cases, environmental clean up costs and other future losses to be incurred during the liquidation process.

The Corporation has a note payable of approximately $53.2 millions to the Puerto Rico Public Finance Corporation (PFC). During this year, the Commonwealth appropriations payments were made by the Office of Management and Budget ("OGP") to PFC. Changes in net assets in liquidation for the Corporation are as follows:

	2008	2007	Changes	%
Excess of liabilities over assets under under liquidation at beginning of the year, as Restated (2008 only)	$ (82,810,959)	$ (140,676,601)	$ 57,865,642	(0.70)%
Net changes in estimated Liabilities for liquidation of the Corporation	-	426,334	(426,334)	-
Other changes in net assets in liquidation:				
Interest, rental and other items of income	4,729,947	217,804	4,512,143	0.95 %
Other charges and costs	(4,879,354)	(341,043)	(4,538,311)	0.93 %
	(149,407)	(123,239)	(26,168)	0.18 %
Excess of liabilities over assets in liquidation	$ (82,960,366)	$ (140,373,506)	$ 57,413,140	(0.69)%

PUERTO RICO LAND AUTHORITY
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Management's Discussion and Analysis (continued)

June 30, 2009

During the year ended December 31, 2008, the Corporation had no operations except from the continuance of its liquidation activities. The Corporation accumulated various liquidation accruals based on a number of different sources including: engineering, legal and environmental estimates. The amounts are updated annually to reflect recent developments and new estimates.

During the fiscal year ended June 30, 2008, the Puerto Rico Sales Tax Financing Corporation (COFINA) made four bond issues: Series 2007 A, Series 2007 B, Series 2007 C and Series 2008 A. These four bond issues made by COFINA refinance portions of extra constitutional debt of Agencies and Public Corporations of the Commonwealth of Puerto Rico outstanding with the Government Development Bank of Puerto Rico (GDB) and portions of debt with PFC. As a result of these transactions, entities with outstanding debt with PFC now have new repayment schedules. The outstanding debt of the Sugar Corporation with PFC was reduced by approximately $57.5 millions.

CAPITAL ASSETS

The Authority acquires and or develops land and structures with agricultural potential for future development by farmers. Also, the Authority is authorized by law to sell surplus land and properties to other governmental entities and individuals. The following table summarizes the capital assets of the Authority as of June 30, 2009 and 2008:

	2009	2008	Changes	%
Capital assets not being depreciated				
Land	$ 82,631,851	$ 77,926,426	$ 4,705,425	0.06
Construction in progress	1,183,203	1,177,007	6,196	0.01
Total capital assets not being depreciated	83,815,054	79,103,433	4,711,621	0.06
Capital assets being depreciated	33,569,828	33,427,932	141,896	-
Less: Accumulated depreciation	(23,649,493)	(23,356,828)	(292,665)	0.01
Total capital assets, net	$ 93,735,389	$ 89,174,537	$ 4,560,852	0.05

Increase in land during the fiscal year ended June 30, 2009 was due to the acquisition through purchase of four land lots for a total cost of $4,857,699. Other capital assets remained basically constant. Also, during the fiscal year ended June 30, 2009, The Authority sold land for $9,639,655 with a cost of $152,274, which accounts also for the reduction in operating expenses explained above.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report has the purpose of informing the Commonwealth of Puerto Rico residents and taxpayers, and our clients with a general financial overview of the Authority's finances and to comply with the Authority's accountability of the assets, funds and appropriations it holds and receives. If you have any questions about this report or need additional information, contact, Finance Director, at Puerto Rico Land Authority, 1311 Fernandez Juncos Avenue, 19 1/2, San Juan, Puerto Rico.

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

Statement of Net Assets

June 30, 2009

	Puerto Rico Land Authority	FIDA	Eliminations	Totals
Assets				
Current assets:				
Cash and cash equivalents (Notes 1(C) and 3)	$ 11,789,165	$ 21,217,983	$ -	$ 33,007,148
Notes receivable, current portion (Note 7)	545,650	13,895,633	-	14,441,283
Accounts receivable (Note 1(F)):				
Rent receivable (Note 6)	27,432,989	-	-	27,432,989
Coffee and sugar tax income from Commonwealth of PR	-	3,730,027	-	3,730,027
Due from other funds (Notes 1(E) and 11)	2,512,051	-	(296,981)	2,215,070
Interest receivable	57,718	-	-	57,718
Other accounts receivable	35,910	162,896	-	198,806
Allowance for doubtful accounts (Note 1(F))	(15,913,067)	-	-	(15,913,067)
Accounts receivable, net	14,125,601	3,892,923	(296,981)	17,721,543
Other current assets (Note 15)	4,165,060	-	-	4,165,060
Total current assets	30,625,476	39,006,539	-	69,335,034
Non-current assets:				
Restricted cash and cash equivalents (Notes 1(C) and 4)	456,889	-	-	456,889
Notes receivable, non-current portion (Note 7)	146,632	15,029,138	-	15,175,770
Investment in privately-held entities (Notes 1(D) and 5)	340,525	8,036,397	-	8,376,922
Capital assets, net (Notes 1(G), (H), (J) and 8)	93,706,161	29,228	-	93,735,389
Total non-current assets	94,650,207	23,094,763	-	117,744,970
Total assets	$ 125,275,683	$ 62,101,302	$ (296,981)	$ 187,080,004

See accompanying notes and auditor's reports, which are an integral part of the Basic Financial Statements.

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

Statement of Net Assets - (Continued)

June 30, 2009

	Puerto Rico Land Authority	FIDA	Eliminations	Totals
Liabilities				
Current liabilities:				
Notes payable, current portion (Note 10)	$ 2,120,785	$ 49,327,821	$ -	$ 51,448,606
Due to other funds (Notes 1(E) and 11)	-	296,981	(296,981)	-
Accounts payable and accrued liabilities (Note 1(M))	24,488,335	341,944	-	24,830,279
Accrued legal claims (Note 14)	6,305,989	-	-	6,305,989
Accrued compensated absences, current portion (Note 1(K))	494,723	-	-	494,723
Interest payable	2,772,897	423,321	-	3,196,218
Rent collected in advance (Note 1(L))	947,710	-	-	947,710
Deposits on sales of land (Note 1(I))	9,870,263	-	-	9,870,263
Advances for farming development	2,678,262	-	-	2,678,262
Total current liabilities	49,678,964	50,390,067	(296,981)	99,772,050
Non-current liabilities:				
Notes payable, non-current portion (Note 10)	24,135,832	-	-	24,135,832
Accrued comprerised absences, net of current portion (Note 1 (K))	918,770	-	-	918,770
Total Non-Current liabilities	25,054,602	-	-	25,054,602
Total liabilities	74,733,566	50,390,067	(296,981)	124,826,652
Committments and contingencies (Notes 10, 13, and 14)	-	-	-	-
Net assets (deficit) (Note 1(A)):				
Invested in capital assets	93,706,161	29,228	-	93,735,389
Restricted	456,889	-	-	456,889
Unrestricted (Deficit)	(43,620,933)	11,682,007	-	(31,938,926)
Total net assets	50,542,117	11,711,235	-	62,253,352
Total liabilities and net assets	$ 125,275,683	$ 62,101,302	$ (296,981)	$ 187,080,004

See accompanying notes and auditor's reports, which are an integral part of the Basic Financial Statements.

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

Statement of Net Assets in Liquidation for the Sugar Corporation of Puerto Rico

December 31, 2008

Assets (Note 2)	
Cash and cash equivalents	$ -
Accounts receivable, net allowance for doubtful accounts of $4,921,512	299,111
Capital Assets	50,095
Others	1,360
Total Assets	$ 350,566
Liabilities (Note 2)	
Note Payable (Note 10)	$ 53,279,297
Due to related agencies	1,853,936
Accounts payable, accrued liabilities and liquidation costs	28,177,699
Total liabilities	83,310,932
Commitments and contingencies (Notes 10 and 14)	-
Excess of liabilities over assets in liquidation	$ (82,960,366)

See accompanying notes and auditor's reports, which are an integral part of the Basic Financial Statements.

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

Statement of Revenues, Expenses and Changes in Net Assets

June 30, 2009

	Puerto Rico Land Authority	FIDA	Totals
Operating revenues			
Sale of land (Notes 1(I), (J) and (L))	$ 9,639,655	$ -	$ 9,639,655
Rental income (Note 1(L))	5,987,275	-	5,987,275
Services to farmers (Note 1(L))	2,101,348	626,413	2,727,761
Total operating revenues	17,728,278	626,413	18,354,691
Operating expenses			
Cost of land sold	152,274	-	152,274
Program for the production of farming products	-	3,387,219	3,387,219
Payroll and personnel costs	9,519,065	933,238	10,452,303
Repairs and maintenance	273,003	-	273,003
Mitigation project	812,532	-	812,532
Utilities	1,284,311	-	1,284,311
Supplies and materials	215,847	6,927	222,774
Contracted services	786,074	176,742	962,816
Insurance	286,945	19,489	306,434
Travel, representation and meals	220,219	-	220,219
Rent	2,983	29,663	32,646
Promotion and merchandise	-	732,368	732,368
Depreciation	1,058,627	12,725	1,071,352
Bad debt expense	673,098	-	673,098
Other - general and administrative	323,353	1,359,153	1,682,506
Bank charges	18,561	-	18,561
Total operating expenses	15,626,892	6,657,524	22,284,416
Operating Income (loss) before non-operating revenues (expenses)	2,101,386	(6,031,111)	(3,929,725)
Non - operating revenues (expenses)			
Coffee and sugar taxes (Note 1(L))	-	11,965,417	11,965,417
Commonwealth appropriations	1,251,039	-	1,251,039
Interest income	244,217	2,191,094	2,435,311
Other Income	-	10,000	10,000
Interest expense	(1,459,261)	(1,907,574)	(3,366,835)
Total non - operating revenues, net	$ 35,995	$ 12,258,937	$ 12,294,932

See accompanying notes and auditor's reports, which are an integral part of the Basic Financial Statements.

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

Statement of Revenues, Expenses and Changes in Net Assets - (Continued)

June 30, 2009

	Puerto Rico Land Authority	FIDA	Totals
Change in net assets	$ 2,137,381	$ 6,227,826	$ 8,365,207
Beginning net assets, as previously reported	47,777,276	5,483,409	53,260,685
Prior period adjustments (Note 17)	627,460	-	627,460
Net assets, beginning of year, as restated	48,404,736	5,483,409	53,888,145
Net assets at end of year	$ 50,542,117	$ 11,711,235	$ 62,253,352

See accompanying notes and auditor's reports, which are an integral part of the Basic Financial Statements.

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

Statement of Net Assets in Liquidation for the Sugar Corporation of Puerto Rico

For the Year Ended December 31, 2008

Excess of liabilities over assets in liquidation at beginning of year, as previously reported	$ (140,373,506)
Prior Period Adjustment (Note 17)	57,562,547
Excess of liabilities over assets in liquidation at beginning of the year, (as restated)	(82,810,959)
Other changes in net assets in liquidation interest, rental and other items of income	4,729,947
Other charges and costs	(4,879,354)
	(149,407)
Excess of liabilities over assets in liquidation at end of the year	$ (82,960,366)

See accompanying notes and auditor's reports, which are an integral part of the Basic Financial Statements.

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

Statement of Cash Flows

June 30, 2009

	Puerto Rico Land Authority	FIDA	Totals
Cash flows from operating activities:			
Proceeds from sales of land	$ 9,682,523	$ -	$ 9,682,523
Collection of rent	3,516,293	-	3,516,293
Collection of services to farmers	2,778,615	626,413	3,405,028
Payments to employees and related payroll costs	(9,515,753)	(933,238)	(10,448,991)
Payment for goods and operating activities	(5,086,443)	(5,545,537)	(10,631,980)
Net cash provided by (used in) operating activities	1,375,235	(5,852,362)	(4,477,127)
Cash flows for capital and related financing activities:			
Capital expenditures acquisition	(9,215,999)	-	(9,215,999)
Capital assets disposal	22,932	(4,119)	18,813
Net cash used in capital and related financing activities	(9,193,067)	(4,119)	(9,197,186)
Cash flows for non-capital financing activities:			
Contributions from the Commonwealth	1,251,039	14,788,403	16,039,442
Issuance of long-term debt	-	2,325,112	2,325,112
Interest paid in notes payables	(1,459,261)	(2,225,257)	(3,684,518)
Payments on notes payables	(2,120,784)	(6,046,838)	(8,167,622)
Net cash provided by (used in) non-capital financing	(2,329,006)	8,841,420	6,512,414
Cash flows from investing activities:			
Purchase of investments	-	(96,940)	(96,940)
Decrease in notes receivable	-	(3,423,013)	(3,423,013)
Interest income on investments and other receivables	314,037	6,271,905	6,585,942
Collections from other funds	-	262,536	262,536
Advances to other funds	(1,573,459)	-	(1,573,459)
Net cash provided by (used in) investing activities	(1,259,422)	3,014,488	1,755,066
Net change in cash and cash and equivalents	(11,406,260)	5,999,427	(5,406,833)
Cash and cash and equivalent beginning of year	23,652,314	15,218,556	38,870,870
Cash and cash and equivalent at end of year	$ 12,246,054	$ 21,217,983	$ 33,464,037
Reconciliation with cash and cash equivalents on the statement of net assets:			
Unrestricted cash and cash equivalents	$ 11,789,165	$ 21,217,983	$ 33,007,148
Restricted cash and cash equivalents	456,889	-	456,889
Total cash and cash equivalents	$ 12,246,054	$ 21,217,983	$ 33,464,037

See accompanying notes and auditor's reports, which are an integral part of the Basic Financial Statements.

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

Statement of Cash Flows (Continued)

June 30, 2009

	Puerto Rico Land Authority	FIDA	Totals
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ 2,101,386	$ (6,031,111)	$ (3,929,725)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,058,627	12,725	1,071,352
Bad debt expense	673,098	-	673,098
Cost of land sold	152,274	-	152,274
(Increase) in rent receivable	(3,321,098)	-	(3,321,098)
Increase in accounts payable and accrued liabilities	50,994	166,024	217,018
Increase in rent collected in advance	177,018	-	177,018
Increase in deposits for sales of land	42,868	-	42,868
Increase in advances to farmers	677,267	-	677,267
Increase in accrued compensated absences	3,312	-	3,312
(Decrease) in accrued legal claims	(240,511)	-	(240,511)
Net cash Provided by (used) in operating activities	$ 1,504,035	$ (5,852,362)	$ (4,477,127)

See accompanying notes and auditor's reports, which are an integral part of the Basic Financial Statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND ACTIVITY

The Puerto Rico Land Authority (the Authority), is a public corporation and a component unit of the Commonwealth of Puerto Rico. The Authority was created by Act No. 26 approved on April 12, 1941, as amended, to carry out the provisions of the Land Law of Puerto Rico. By provision of Reorganization Plan No. 1 of May 4, 1994, the Land Authority became a programmatic and operational component of the Department of Agriculture.

The basic financial statements of the Authority are included as a component unit of the Commonwealth of Puerto Rico and substantially conform to the standards and practices established by the Governmental Accounting Standards Board.

The Authority was created for the following purposes:

- Acquiring land with agricultural potential through purchase, transfer, exchange, bequest and donation or by the exercise of power of forceful expropriation,
- Selling land that has no agricultural use,
- Maintaining land with agricultural potential under lease,
- Leasing heavy agricultural machinery and equipment,
- Conducting all types of transactions related to land purchase, sale and leasing applications,
- Making appraisals of land to be sold,
- Preparing plans and control of land for sale and rent, and
- Negotiate the collection of rent from farmers through Legal and Finance Offices.

The Authority operates one program, the Real Estate Program, which leases land owned by the Authority, principally to farmers, including farming services when requested by the farmers. Moreover, the Authority is authorized by law to sell surplus land and properties to other governmental entities and individuals.

Also, the Authority manages infrastructure projects on behalf of the Department of Agriculture. Legislative funds were appropriated to create and improve drainage systems, water and sewer systems, bridges, roads, lakes, lighting systems and others. The basic financial statements do not reflect effects of transactions related to managing such funds.

The basic financial statements of the Authority include the balances of one of its component units, the Integral Fund for the Agriculture Development of Puerto Rico or “Fondo Integral para el Desarrollo Agrícola” (“FIDA”). All significant interfund transactions were eliminated. The Authority has another component unit, the Sugar Corporation of Puerto Rico, which financial statements are presented in a liquidation basis, a comprehensive basis of accounting other than the accrual basis.

NOTE 1 - FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTEGRAL FUND FOR THE AGRICULTURE DEVELOPMENT OF PUERTO RICO (FIDA)

The Authority created during fiscal year 2001-2002 a new component unit, the Integral Fund for the Agriculture Development of Puerto Rico (FIDA). The primary purpose is to promote the economic private investment in the farm industry in general, with the approval of loans, warranties, direct and indirect investments, and other credit financing facilities, with favorable repayment conditions and interest rates to the agricultural industries.

SUGAR CORPORATION OF PUERTO RICO

The Sugar Corporation of Puerto Rico (the Corporation), currently under liquidation proceedings, is a component unit of the Authority. The Corporation was organized on January 29, 1973 to consolidate the Commonwealth's activities in the sugar industry which were previously carried on by the Authority and the Land Administration of Puerto Rico.

BASIS OF BASIC FINANCIAL STATEMENTS PRESENTATION

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America applicable to governmental entities. A summary of the Authority's significant accounting policies applied in the preparation of the accompanying basic financial statements is summarized as follows:

(A) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Authority reports its financial position and results of operations as an enterprise fund. Financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds are used to account for business-type activities, which are financed mainly by fees and charges to users of the services provided by the funds operations. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non - operating revenues and expenses.

As permitted by Governmental Accounting Standards Board (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 (FASB) Statements and Interpretations, issued after November 30, 1989 that do not conflict with those issued by GASB.

The Authority classifies net assets into three components: invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

NOTE 1 - FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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”.

(B) USE OF ESTIMATES

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

(C) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on bank, on hand and short-term investments with maturities of three months or less.

(D) INVESTMENTS

Investments in private entities are reported at cost, since these are not intended to obtain profit, but rather to promote agricultural and related businesses.

(E) INTERFUND BALANCES

Interfund receivables and payables balances have been eliminated from the statement of net assets, except for the amount due from (to) Sugar Corporation of Puerto Rico because its closing period is December 31, 2008.

NOTE 1 - FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for uncollectible notes and other receivables is an amount that management believes will be adequate to absorb possible losses on existing receivables that are identified as to be remote collectibles and others that may become collectible based on collection analysis and prior credit loss experience. Because of uncertainties inherent in the estimation process, the related allowance may change in the future.

(G) CAPITAL ASSETS AND DEPRECIATION POLICY

The Authority defines capital assets as assets with an individual cost of more than $100 and a useful life of three (3) years or more. Assets to be depreciated were assigned a residual value of 10% of original cost. Capital assets are stated at cost. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend the asset's useful life are not capitalized.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Description	Estimated Useful Lives
Land	-
Construction in Progress	-
Building and Improvements	20-40
Infrastructure	10-20
Industrial Equipment, Machinery and Equipment and Others	5-20
Furniture and Fixtures, Vehicles	3-7

At the time capital assets are sold or otherwise disposed, the cost and related accumulated depreciation is removed from books and the resulting gain or loss, if any is credited or changed to operations.

(H) ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS

The Authority follows GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries". This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. During the year ended June 30, 2009, the Authority evaluated its capital assets for impairment under the guidance of this Statement and determined that the possible impairment amount, if any, would not have a material impact in the Authority's basic financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 1 - FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) DEPOSITS ON SALE OF LAND

The Authority is authorized by the Land Law of Puerto Rico to sell surplus land and properties that have no agricultural use to other governmental entities and individuals. The liability for deposits reflected in the accompanying statement of net assets represents amounts received in connection with land transactions in process. It also includes legal foreclosures and expropriations cases not finally executed by court, even though property is in the possession or not by the counterparty, with whom legal procedure is in place.

(J) LAND AND PROPERTIES COST

When portions of land parcels are sold, the cost of land is determined by computing an average area unit cost at the date in which land was acquired, which is then applied to the total area sold. Sale of air and surface rights to land is recognized as sale of land.

(K) COMPENSATED ABSENCES

The employees of the Authority are granted 30 days of vacation and 18 days of sick leave annually. Vacation and sick leave may be accumulated up to a maximum of 60 and 90 days, respectively. In the event of employee resignation, an employee is reimbursed at the current rate for accumulated vacation days up to the maximum of 60 days. In case for sick leave if the employee has at least 10 years of service, the employee is reimbursed up to a maximum of 90 days. Any excess over eighteen days is paid to employees vested during January of each year. Prior to the labor agreement, employees could accrue sick leave up to ninety (90) days. For such employees, any excess over 90 days is also paid in January of each year.

As of June 30, 2009, the Authority accrued compensated absences amounts to $1,413,493 which represents the Authority’s commitment to fund such compensated absences for future operations. Of this amount, The Authority estimates that approximately $494,723 are due during the next fiscal year.

PUERTO RICO LAND AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 1 - FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) REVENUE RECOGNITION

- For land leases, the Authority requires an advance lease payment of six (6) months. The amount is

  deferred and revenue is recognized when earned. Based on lease agreement, farmers were billed on a monthly, quarterly, semester or annual basis.

- Rental income is composed of the lease canon and property tax estimated using The Municipal Revenues Collection Center (CRIM) tax rate multiplied by the number of lots leased.

- For services provided to farmers, revenue is recognized at the time the service was rendered.

In case of land and property sales, revenues are recognized when title is conveyed to the buyer. Funds received from infrastructure program and federal assistance are recognized when disbursement of the funds are made.

- Income from coffee and sugar taxes is recognized when the Commonwealth notifies to FIDA. Coffee taxes imposed and collected by Federal U.S. Agency are deposited at the Commonwealth commingled with sugar taxes collections. Pending billed and undeclared taxes were not recorded in FIDA books.

(M) PROPERTY TAXES

On May 6, 2006, the Circuit Court of Appeals resolved to revoke decision taken by the Superior Court in San Juan, dated October 11, 2004, in which the Authority was exempt of the payment of property taxes to the CRIM of all personal and real property since 1979, when the operations in the proportional benefits farms finalized. This case was appealed by the Authority and still in process as of financial statements date. Total outstanding debt as of June 30, 2009 is $14,343,237, net of credits, and is applied to “bonafide farmers” (Law number 225) against their accounts receivable. This amount is reported as part of accounts payable and accrued liabilities as of June 30, 2009.

(N) RISK FINANCING

To minimize its risk of loss, the Authority purchases insurance coverage for public liability, automobile, crime, inland marine, commercial property and garage, as well as medical and workmen’s insurance for employees. The selection of the insurer has to be approved by the Public Insurance Office of the Puerto Rico Treasury Department. Insurance coverage is updated annually to account for changes in operating risk. For the last three years, insurance settlements have not exceeded the amount of coverage.

PUERTO RICO LAND AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 1 - FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) NON-EXCHANGE TRANSACTIONS

GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions", establishes accounting and financial reporting standards for non-exchange transactions involving financial or capital resources (for example, most taxes, grants, and private donations). In non-exchange transactions, a government gives (or receives) value without directly receiving (or giving) equal value in return. This is different from an exchange transaction, in which each party receives and gives up essentially equal values. Under the provisions of this statement, the provider and the recipient should recognize the non-exchange transaction as an expense and revenue, respectively, when all eligibility requirements are satisfied.

NOTE 2 - SUGAR CORPORATION OF PUERTO RICO

(A) ORGANIZATION AND ACTIVITY

Effective July 1, 1973, the Authority and the Land Administration of Puerto Rico transferred to the Corporation all properties, both owned and leased, devoted to sugar activities (except title to the land set aside for certain farming activities) and all related liabilities. At that date, the liabilities assumed were $43,671,000 in excess of the assets transferred. This amount was charged to contribute capital immediately after formation.

During the year ended December 31, 2008 the Corporation had no operations except for the continuance of its liquidation activities.

(B) LIQUIDATION PLAN

On September 5, 1996, the Governor of the Commonwealth of Puerto Rico signed Law No. 189 of the Commonwealth of Puerto Rico, authorizing the transfer, for the nominal value of one dollar ($1.00), of most of assets and the operations of the Sugar Corporation to a group of private entities created and owned by the sugar cane growers (known as "colonos"). These operations consisted of two sugar mills and a sugar refinery. In addition, the Corporation transferred to the Land Authority fully depreciated buildings, machinery and equipment with an original cost approximately $52 millions as well as $14.2 millions in fully reserved accounts receivable resulting from advances to the growers.

The Corporation's financial statements as of December 31, 2008 reflects that the Corporation has a deficiency in net assets of $82,960,366, and it does not have neither the resources to complete its liquidation process, nor the ability to cover outstanding debts, obligations, claims and the cost associated with its liquidation.

NOTE 2 - SUGAR CORPORATION OF PUERTO RICO (CONTINUED)

As of December 31, 2008 the Corporation had approximately $28.1 million recorded in payables, accruals and accumulations to cover the estimated costs related to its liquidation. Management believes these accruals to be sufficient, however given the many uncertainties involved, the ultimate outcome cannot be determined at this time and the actual liquidation costs could differ from the amounts recorded. The financial statements as of December 31, 2008 did not include any adjustments or the effects of transactions that may have occurred subsequent to that date.

The law provides that the Corporation should, from time to time, request the Legislature of Puerto Rico to approve the funds necessary for the orderly liquidation of the Corporation.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the accounting policies judged by management to be the most appropriate in the circumstances to present the Corporation's financial position and changes in assets in liquidation.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to an entity under liquidation, which is to establish assets and liabilities at net realizable value. The following is a summary of the most significant accounting policies:

(C) PROPRIETARY FUND AND LIQUIDATION BASIS

Given the particular legal status of the Corporation, its financial statements are presented on a liquidation basis. As such, the financial statements are purported to present asset at fair value and liabilities at their estimated liquidation amount with the purpose of reflecting net assets available for liquidation or the excess of liabilities over assets in liquidation. Any asset that has no liquidation value has been written-off.

(D) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (as applicable to entities under liquidation) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in assets in liquidation during the reporting period. Actual results could differ from those estimates.

NOTE 2 - SUGAR CORPORATION OF PUERTO RICO (CONTINUED)

(E) LIQUIDATION ACCRUALS

The Corporation accumulated various liquidation accruals based on a number of different sources including engineering, legal and environmental estimates. The amounts are updated annually to reflect recent developments, new estimates or the general cost of living in the absence of more recent estimates. Management believes these accruals to be sufficient, however, given the many uncertainties involved, the ultimate outcome cannot be determined with certainty at this time and actual liquidation costs could differ from the amounts recorded.

NOTE 3 - CASH AND CASH EQUIVALENTS

The information presented below discloses the level of custodial credit risk assumed by the Authority as of June 30, 2009. Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to it.

The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico 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. Funds deposited with GDB or the Economic Development Bank for Puerto Rico ("EDB"), a component unit of the Commonwealth, are not covered by this Commonwealth requirement.

The Authority follow GDB's policies for deposits placed with banks, which establish maximum exposure limits for each institution based on the institution's capital, financial condition and credit rating assigned by nationally recognized rating agencies.

As of June 30, 2009, the Authority had cash deposits with GDB with a bank balance of approximately $10.6 millions, which are unsecured and uncollateralized. The depository commercial bank balances as June 30, 2009 amounted to approximately $2.3 millions. The deposits in GDB are exempt from the collateral requirements established by the Commonwealth. In addition, deposits placed with government banks include certificates of deposits issued by GDB and EDB amounting to approximately $20.5 millions.

PUERTO RICO LAND AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 4 - RESTRICTED CASH - PUERTO RICO LAND AUTHORITY

The Authority received federal assistance for the amount of approximately $1 million to be used for the construction of a Pineapple Packing Facility in the Municipality of Florida and federal funds from Federal Emergency Management Agency ("FEMA") to help farmers in their infrastructure and recovery of crops for damages suffered in hurricanes and flooding during past years. As of June 30, 2009, the Authority maintains unused funds amounted to $456,889 as restricted cash.

NOTE 5 - INVESTMENTS HELD IN PRIVATE ENTITIES

Puerto Rico Land Authority

On December 5, 2002, the Authority invested $340,525 in a project called "Inversión en Agroempresas Borinquen: in Santa Isabel. The purposes of this project is to develop the farming and preservation of garden areas in a space of 400 acres of land. Also, the project was developed in response to the closing of the Siembras de Borinquen Company, in order to maintain the employment of farmers that worked in this company. These investments are carried at cost, since its main purpose is to provide incentives to such companies and not to generate profit or gain on the investments.

FIDA

The Governing Board authorized the acquisition of 7,998,735 shares of preferred stock and 37,662 shares of common stock at par value of $1.00, on private entities which are dedicated to agricultural activities of Puerto Rico. These investments are carried at cost, since its main purpose is to provide incentives to such companies and not to generate profit or gain on the investments.

Investments held in private entities as of June 30, 2009 consists of the following:

Private entity		Investment	Business Activities
• Hacienda el Jibarito	$	700,000	Production of honey
• Agrocítricos del Norte		370,000	Production of pineapples
• Productos de Hortalizas de Sur		620,000	Production of vegetables, cattle raising and production of plantains and bananas
• Las Piñitas Farm		100,000	Meats
• Los Muchachos Farm		183,500	Cattle - raising and production of plantains and bananas.
• Apiarios de Borinquen, Inc.		450,000	Apiculture
• Productores Comerciales Hidropónicos, Inc.		180,000	Distribution of vegetables
• Nestor Reyes Farms		200,000	Production of eggs
• Empresas La Ceba, Inc.		565,000	Pigs Farm
• Productores Cítricos de la Montana	$	1,530,927	Production of oranges, lemons and other fruits.

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

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 5 - INVESTMENTS HELD IN PRIVATE ENTITIES (CONTINUED)

Private entity	Investment	Business Activities
• Hidrovegetables de P.R., Inc.	$ 756,735	Processing, distributing and marketing vegetables.
• Caribbean Dairy Institute, Inc.	134,000	Agro veterinarian
• Empresas Agricolas del Centro, Inc.	158,757	Production of eggs
• Cultivos del Campo, Inc.	240,000	Hidrophonics
• Gramacampo, Inc.	300,000	Ornamentals
• Finca Cojobas, Inc.	531,473	Production of eggs
• Finca Dos Rios, Inc.	125,400	Hydrophonics
• Granja El Caracol, Inc.	368,505	Production of eggs
• Caribbean Hatchery, Inc.	202,100	“Guineas”
• Granja Don Manuel Tolito, Inc.	220,000	Production of eggs
• Finca Las Tulipas, Inc.	100,000	Ornamentals
Total	$ 8,036,397	

Said investments are granted with certain conditions like: one member of FIDA will be part of the Board Directors, audited financial statements submitted in annual basis, owner can repurchase stocks in the next 3 to 5 years, FIDA need to approve issuance of additional capital, and others.

NOTE 6 - RENT RECEIVABLE

Puerto Rico Land Authority

As of June 30, 2009, the Authority’s rent receivable was as follows:

Rent and other receivables from Commonwealth agencies and municipalities	$ 3,792,515
Rent and land leases from third parties	21,871,557
Receivable from special programs	1,768,917
Total	$ 27,432,989

PUERTO RICO LAND AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 7 - NOTES AND INTEREST RECEIVABLE

FIDA Agreement With Governmental and Business Entities

FIDA has entered in agreements ("Convenios de Línea de Crédito Rotativa y no Rotativa") with some governmental and business entities, where the interest rates fluctuates between 5% to 9% based on LIBOR of 3 months plus 2.25% for governmental entities and between 7% to 10% based on LIBOR of 3 months plus 2.25% for business entities.

The following table summarizes the outstanding balance as of June 30, 2009:

Entity	Outstanding Balance
Administración de Servicios y Desarrollo Agropecuario	$ 13,895,633
Note Receivable, current portion	13,895,633
Corporación Desarrollo Rural	103,202
Corporación Seguros Agricolas	5,931,319
Janzenith Chamorro	2,460
Servicios de Maquinaria Agricola del Pepino	314,590
Servicio Maquinaria Velez, Inc.	231,042
Productores de Cítricos de la Montaña	396,293
Hidropónicos de Puerto Rico	300,000
Francisco Torres	58,327
Ivan Martinez	215,703
Atenas Pineapple	2,100,000
Productores Avicolas del Sur	3,746,430
Emmanuel Gonzalez Nieves	141,946
Farinaceos del Centro de la Montaña	430,030
Hidrovegetales de Puerto Rico	33,435
Empresas Agricolas San Pablo	50,175
Asoc. Productores Farinaceos	690,361
Hector Gonzalez Nieves	128,800
Incubadora Agroalimentaria	155,025
Notes Receivable, non-current portion	15,029,138
Total	$ 28,924,771

On February 9, 2006 FIDA through the resolution No. 2005-07 modified the terms of the note receivable of Corporación de Seguros Agrícolas ("CSA"), due to the cash flow problems experienced by the CSA. FIDA has agreed to accept a cash payment of the principal balance at no interest and no penalties after ASDA paid CSA it debts.

PUERTO RICO LAND AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS

Puerto Rico Land Authority

Capital assets consisted of the following:

Description	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Capital assets not being depreciated				
Land	$ 77,926,426	$ 4,857,699	$ (152,274)	$ 82,631,851
Construction in progress	1,177,007	6,196	-	1,183,203
	79,103,433	4,863,895	(152,274)	83,815,054
Capital asset being depreciated:				
Building and Improvements	6,808,175	-	-	6,808,175
Infrastructure	14,768,824	4,953	-	14,773,777
Machinery and Equipment	6,223,174	49,827	(1,100)	6,271,901
Vehicles	717,181	44,517	-	761,698
Furniture and Fixtures	2,381,222	61,411	(21,831)	2,420,802
Industrial Equipment	2,413,817	-	-	2,413,817
	33,312,393	160,708	(22,931)	33,450,170
Less: accumulated depreciation (See Note 17)	(23,279,123)	(1,058,627)	778,687	(23,559,063)
	10,033,270	(897,919)	755,756	9,891,107
Total capital assets, net	$ 89,136,703	$ 3,965,976	$ 603,482	$ 93,706,161

Infrastructure Program

The infrastructure program is designed to improve water resource usage and fertilization of land dedicated to the production of fruits and vegetables through the maintenance of risk pumps and other utilities. Currently, the majority of improvements made through the infrastructure funds are provided by the Agriculture Department.

Infrastructure assets consisted of the following:

	Cost	Accumulated Depreciation	Book Value
Water Walls	$ 992,863	$ 613,037	$ 379,826
Lakes	539,864	221,693	318,171
Water and sewer systems	11,486,784	6,879,946	4,606,838
Drainage	5,896	5,693	203
Bridges	89,837	82,738	7,099
Roads	389,467	376,033	13,434
Lighting systems	1,170,176	752,973	417,203
Dams	98,890	95,479	3,411
Total	$ 14,773,777	$ 9,027,592	$ 5,746,185

PUERTO RICO LAND AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS (CONTINUED)

FIDA

Capital assets consisted of the following:

Description	Beginning Balance	Additions	Retirements	Ending Balance
Building and improvements	$ 29,900	$ -	$ -	$ 29,900
Machinery and equipment	65,432	4,119	-	69,551
Vehicles	20,207	-	-	20,207
	115,539	4,119	-	119,658
Less: accumulated depreciation	(77,705)	(12,725)	-	(90,430)
Total capital assets, net	$ 37,834	$ (8,606)	$ -	$ 29,228

NOTE 9 - REAL ESTATE AND EQUIPMENT FOR FUTURE USE

By virtue of Act No. 189, September 5, 1996, known as the "Negotiation for the transfer of Assets and Liabilities of the Sugar Corporation and/or the Land Authority Act", the Corporation and the Land Authority were authorized to transfer certain assets used in the production, marketing and selling of sugar to the sugarcane farmers (colonos). The Act imposed several restrictions upon the assets transferred to the sugar cane owners in order to maintain the benefits of the Act. Because of the restrictions imposed by the Act and because of the infringement by the sugarcane growers of said restrictions, the assets were returned to the Corporation and the Land Authority. On September 2, 2004, the "Agroindustria Azucarera del Oeste, Inc. ("AGRASO") and Land Authority/Sugar Corporation agreed to return all assets by virtue of Act. No. 189 in exchange of payments of certain obligations and release of debt owned to the Sugar Corporation.

The assets received have an estimated book value of $4,089,570, composed by the following:

Land	$ 1,534,897
Buildings	873,410
Machinery/Equipment	1,681,263
Total	$ 4,089,570

The Act established that in case of infringement, all assets transferred would be returned at cost or fair market value, whichever is lower. Due to significant adverse environmental damages, equipment becomes obsolete and unfit for industrial purposes and a projection of future costs associated to clean up premises and legal actions involved, the Corporation considers this property as fully impaired, therefore, no value had been assigned in the accompanying financial statements. The Authority is trying to consolidate all impaired equipment and obsolete structures in sugar mills to convert into disposal material to be sold. As of financial statements date, the Authority cannot determine future losses or gains related to these impaired assets.

PUERTO RICO LAND AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 10 - NOTES PAYABLE

The following is the summary of notes payable as of June 30, 2009:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion	Non-Current Portion
Note Payable with commercial bank of $14,845,493 at a 4.875% interest rate, due in June 2010 and guaranteed by the GDB.	$ 4,241,569	$ -	$ (2,120,784)	$ 2,120,785	$ 2,120,785	$ -
Note payable of $700,000 with "Desarrollos Agrícolas del Este" (DADE) for the acquisition of a parcel of land in the Valley of Yabucoa payable at the time when the Authority and DADE settle the limit of the property.	700,000	-	-	700,000	$ -	$ 700,000
Note payable with GDB resulting from a refunding through the Public Finance Corporation of the Commonwealth of Puerto Rico, due in June 2031 and guaranteed with appropriations of the Commonwealth of Puerto Rico.	23,435,832	-	-	23,435,832	-	23,435,832
Total	$ 28,377,401	$ -	$ (2,120,784)	$ 26,256,617	$ 2,120,785	$ 24,135,832

Puerto Rico Land Authority - Note Payable with Commercial Bank

The notes payable as of June 30, 2009 includes a promissory note with a commercial bank of $14,845,493 with an interest rate of 4.875%, due in June 2010 and guaranteed by the GDB. The note payable outstanding balance as of June 30, 2009 is as follows:

June 30,	Principal	Interests	Total
2010	$ 2,120,785	$ 103,101	$ 2,223,886

Puerto Rico Land Authority - Note Payable with DADE

On July 3, 2003, Desarrollos Agricolas del Este, S.E. ("DADE"), Banco Popular ("Escrow Agent") and Puerto Rico Land Authority ("Buyer") executed a "Deed of Purchase and Sale", where the Authority acquired a parcel of land in the Valley of Yabucoa. Under such transaction, DADE and the Authority established an escrow account of $700,000 to confirm limits of the Property. As of June 30, 2009, escrow cash account balance is $745,597 including accrued interest, which could be returned to the Authority when condition was met.

NOTE 10 - NOTES PAYABLE (CONTINUED)

Puerto Rico Land Authority - Debt Restructure with the GDB

The Legislature of Puerto Rico enacted the Law number 164 of December 17, 2001 (the “Law”) with the objective of restructuring various credit financing agreements granted by the GDB to various government agencies and public corporations through its subsidiary Public Finance Corporation. The Public Finance Corporation acquired and restructured such notes through the issuance of its Commonwealth appropriations bonds (“PFC Bonds”). The PFC Bonds were issued under a trust indenture whereby the Public Finance Corporation pledged and sold the Note, along with other notes under Act. No. 164, to certain trustees and created a first lien on the revenues of the notes sold. The notes payable to the Public Finance Corporation were originally composed of a loan granted by the GDB, which, pursuant to Act No. 164 of December 17, 2001, the Public Finance Corporation acquired and restructured through the issuance of Commonwealth appropriation bonds (consisting of annual Commonwealth appropriations earmarked to repay these notes) for the benefit of the bondholders.

During June 2004, the Public Finance Corporation (PFC) has determined to issue bonds for the purposes of refunding a portion of the existing bonds (underfunded bonds referred as “Parity bonds”) and paying certain costs incurred by PFC in connection with the issuance of the bonds. As of June 28, 2004, PFC, GDB and the Authority enter into two Supplemental Debt Restructuring and Assignment Agreements, one in behalf of successor of Sugar Corporation of Puerto Rico and the other for itself. The agreements provide for the amendment of the “Existing Note” and the creation of a “New Note” representing the portion of the existing bonds refunded with the proceeds. The Authority recognizes a mirror effect of this advance refunding by the Public Finance Corporation in its own notes payable in proportion to the portion of the Authority’s notes payable included in the Public Finance Corporation refunding. The aggregate debt service requirements of the refunding and unrefunded notes will be funded with annual appropriations from the Commonwealth. During July 2006, GDB received legislative appropriations, and make scheduled payments as established on Law number 164. Payments accordingly are applied to debt and presented as “Non-Operating Income” in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

As of June 30, 2008, the Authority refinanced its outstanding notes payable through a series of bonds issued by Puerto Rico Public Finance Corp. at an annual interest rate of 2.55% payable in annual installments of principal and interest, on June 30, of each fiscal year through the year 2031. The outstanding balance as of June 30, 2009 was $23,435,832 and matures on June 30, 2031.

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NOTE 10 - NOTES PAYABLE (CONTINUED)

The repayment schedule is as follows:

July 1,	Principal	Interests	Total
2010	$ -	$ 1,251,038	$ 1,251,038
2011	-	1,251,038	1,251,038
2012	-	1,274,046	1,274,046
2013	-	981,285	981,285
2014 - 2017	1,907,555	3,914,441	5,821,996
2018 - 2021	2,222,099	3,337,032	5,559,131
2022 - 2025	1,723,928	2,927,406	4,651,334
2026 - 2029	7,074,976	2,288,154	9,363,130
2030 - 2031	10,507,274	406,027	10,913,301
	$ 23,435,832	$ 17,630,467	$ 41,066,299

FIDA - Line of Credit

FIDA maintains a line of credit with the GDB of up to $85,000,000, which is used for FIDA's operating transactions such as investments, loans and contributions. Repayment of principal and interests are made by the collection of coffee and sugar taxes according to Law number 165 (Sugar Taxes) and Law number 166 (Coffee Taxes) by the Commonwealth of Puerto Rico. Interest on line of credit is 8.00%. As of June 30, 2009, the amount due by FIDA on the line of credit is $49,327,821, as follows:

Beginning Balance	Increase	Decrease	Ending Balance
$ 53,049,547	$ 2,325,112	$ (6,046,838)	$ 49,327,821

Sugar Corporation

During the fiscal year ended June 30, 2008, the Puerto Rico Sales Tax Financing Corporation (COFINA) made four bond issues: Series 2007 A, Series 2007 B, Series 2007 C and Series 2008 A. These four bond issues made by COFINA refinance portions of extra constitutional debt of Agencies and Public Corporations of the Commonwealth of Puerto Rico outstanding with the Government Development Bank of Puerto Rico (GDB) and portions of debt with PFC. As a result of these transactions, entities with outstanding debt with PFC now have new repayment schedules. The outstanding debt of the Sugar Corporation with PFC was reduced by approximately $57.5 millions (See also Note 17).

NOTE 10 - NOTES PAYABLE (CONTINUED)

Sugar Corporation (continued)

The Note's outstanding balance as of December 31, 2008 of the Sugar Corporation of Puerto Rico consists of four separate bonds in the amount of approximately $53.2 millions. Interest on the unpaid principal amount of the Note is equal to the applicable percentage of the aggregate interest payable on the Public Finance Corporation Bonds. Applicable percentage is the percentage representing the proportion of the amount paid by Public Finance Corporation on the PFC Bonds serviced by the Note to the aggregate amount paid by Public Finance Corporation on all the PFC Bonds issued by the Public Finance Corporation under Act. No 164. No legislative appropriation has been made to repay such note.

The repayment schedule is as follows:

July 1,	Principal	Interests	Total
2009	$ -	$ 2,844,125	$ 2,844,125
2010	-	2,844,125	2,844,125
2011	-	2,844,125	2,844,125
2012	-	2,896,432	2,896,432
2013	-	2,230,865	2,230,865
2014 - 2017	4,336,658	8,898,132	13,234,790
2018 - 2021	5,051,744	8,240,399	13,292,143
2022 - 2025	3,919,195	6,652,921	10,572,116
2026 - 2029	16,084,330	5,201,913	21,286,243
2030 - 2031	23,887,370	924,076	24,811,446
	$ 53,279,297	$ 43,577,113	$ 96,856,410

NOTE 11 - RELATED PARTY TRANSACTIONS

Intercompany transactions occurred during the fiscal year 2008-2009 between Puerto Rico Land Authority and FIDA, because by request of FIDA, the Authority makes payments on behalf of FIDA and records the corresponding receivable or payable transaction, as applicable.

NOTE 12 - RETIREMENT SYSTEM

Defined Benefit Pension Plan

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

The Retirement System provides retirement, death and disability benefits pursuant to legislation enacted by the Commonwealth's Legislature of Puerto Rico. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after 10 years of plan participant. Disability benefits are available to members for occupational and non-occupational disabilities. However, a member must have at least 10 years of service to receive non-occupational disability benefits.

Members who have attained 55 years of age and have completed at least 25 years of creditable service, or members who have attained 58 years of age and have completed 10 years of creditable service, are entitled to an annual benefit payment monthly for life. The amount of the annuity shall be 1.5% of the average compensation, as defined, multiplied by the number of years of creditable service in excess of 20 years. In no case will the annuity be less than $300 per month.

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

Commonwealth legislation requires employees to contribute 5.775% for the first $550 of their monthly gross salary and 8.275% for the excess over $550 of monthly gross salary. The Authority is required by the same statute to contribute 9.275% of the participant's gross salary.

Defined Contribution Plan

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

NOTE 12 - RETIREMENT SYSTEM (CONTINUED)

Defined Contribution Plan (Continued)

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

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

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

Total payroll covered for fiscal year 2009 was approximately $7,335,686. Total approximate employee and employer contributions for the years ended June 30, 2009 are as follows:

Description	Contribution
Employer	$ 484,257
Employee	$ 428,473

Additional information on the Retirement System is provided in its stand-alone financial statements for the year ended June 30, 2009, a copy of which can be obtained from the Employees Retirement System of the Commonwealth of Puerto Rico and its instrumentalities, PO Box 42004, San Juan, PR 00940-2004.

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NOTE 13 - LEASES

The Authority's land operating lease terms vary generally from one to five years. Minimum future rental revenues on non-cancelable operating lease with terms of one year or longer are as follows:

Years	Rental Income
2010	$ 5,134,918
2011	5,186,267
2012	5,238,130
2013	5,290,511
2014	5,343,416
	$ 26,193,242

Real estates taxes, insurance and maintenance expenses are usually obligations of the lessees. Contracts provide, in certain cases, for rent increases during renewal periods to be based on fixed percentages. Usually, rent is collected six (6) months in advance, and is billed taking into consideration the rent of the parcel and property taxes estimated using the CRIM invoices sent to the Authority related the specific parcel of land. The lessee is responsible to provide a certificate of "bonafide farmer", in order to be released of such payment. In most cases, farmers need to pay in advance the total amount of the rent, and when condition is satisfied, an adjustment of such amount is credited to their account balance.

NOTE 14 - CONTINGENCIES

Puerto Rico Land Authority

The Authority is a defendant in various claim most of them resulting form the closing of several sugar mills throughout the years and from events generally incidental to its operations. Also, it has various environmental claims and penalties imposed by The Environmental Protection Agency (EPA), mainly from the handling of pesticide warehouses. The Authority is in the process of litigating such claims. The accompanying statement of net assets include a reserve of approximately $6.3 millions in relation to this matter, but the ultimate outcome is uncertain at this time and accordingly, the ultimate liability, if any, cannot be presently determined.

In July 2004, the Land Authority deposited in the Superior Court in San Juan, the amount of $5 million for expropriation of land form "Comunidad Agricola Bianchi". The case is still in court because "Comunidad Agricola Bianchi" does not consider the amount given as fair value of the property. The Authority's management believes that the case will be settled for an additional of $4 millions, which was considered in the reserve for contingencies included in the accompanying, basic financial statements.

NOTE 14 - CONTINGENCIES (CONTINUED)

Sugar Corporation

The Corporation is a defendant in several actions for back wages and other claims, including environmental claims. Most of these claims resulted from the closing of several sugar mills through the years. As of December 31, 2008, such claims amounted to approximately $24.0 millions. The accompanying statement of net assets in liquidation includes a reserve of approximately $6.0 millions in relation to legal matters, but the ultimate outcome is uncertain as of financial statements date and accordingly, the ultimate liability, if any, cannot be presently determined.

During 2006, the “Compañía de la Central Roig, Inc.”, which is one of the two corporations organized by sugarcane farmers that received 50% of the transferred assets of the PR Sugar Corporation (the sugar mills known as Central Roig, Central Coloso, Central Plata and Central Mercedita, together with the “Refinería Mercedita”) in compliance with and according to the provisions of Public Law No. 189 of December 26, 1997, is suing, among other parties the Land Authority, alleging all sorts of action in damages against the different parties, based upon their inability to produce sugarcane as contemplated by the Public Law No. 189 at the time that aforementioned assets were transferred to them. The plaintiffs are basically alleging that because of the failure of the different governmental agencies and third parties involved, to comply with certain, undefined and allegedly multiple obligations and commitments to which they were bound, they suffered economical damages in excess of $100 millions. This case is related to two other cases considered in our contingency reserve. Management believes that no potential loss is forecasted as of this date, other that attorney’s fees and litigation expenses.

NOTE 15 - SUBSEQUENT EVENTS

On July 2009, The Authority collected $4,158,000 from a deposit given by the Authority on December 2008 to the San Juan Superior Court of First Instance. The deposit was given to acquire, through foreclosure, a land lot in the Municipality of Las Piedras. The foreclosure procedures were desisted. As of June 30, 2009, the $4,158,000 is included as part of other current assets in the Statement of Net Assets.

NOTE 16 - EFFECT OF NEW PRONOUNCEMENTS

In June 2007, GASB issued Statement No. 51, "Accounting and Reporting for Intangible Assets." This statement establishes criteria for an intangible asset, accounting and reporting treatment, internally generated intangible assets, and amortization of an asset. Examples of such assets include easements, water rights, timber rights, patents, trademarks, and computer software. The statement also requires that all intagible assets not specifically excluded by its scope provisions be classified as capital assets. The requirements of this statement are effective for the financial statements for periods beginning after June 15, 2009, which requires the Authority to implement this statement in FY 2009-10 when applicable.

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NOTE 17- RESTATEMENT OF NET ASSETS

Puerto Rico Land Authority

During the year ended June 30, 2009, the Authority identified certain accounting errors belonging to prior years. The effect of these prior period adjustments on the net assets of the Authority as of July 1, 2008 is as follows:

Net Assets, Beginning of Year	$ 47,777,276
Restatement Adjustment, Net:	
Accumulated Depreciation	778,687
Others	(151,227)
Net Restatement Adjustments	627,460
As, Restated	$ 48,404,736

Accumulated depreciation - adjustment made to correct accumulated depreciation for infraestructure, buildings and improvements, machinery and equipment, vehicles, and industrial equipment not properly recognized in years prior to June 30, 2009.

Sugar Corporation

Excess of liabilities over assets in liquidation, as as previously reported	$ (140,373,506)
Restatement Adjustment, Net:	
Notes Payable	57,562,547
Excess of liabilities over assets in liquidation, as restated	$ (82,810,959)

As explained in note 10 above, and as a result of the bond issues made by COFINA, the outstanding debt of the Sugar Corporation with PFC was reduced by approximately $57.5 millions.