CITY AND COUNTY OF HONOLULU
SEWER FUND

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

Fiscal Years Ended June 30, 2008 and 2007

N&K CPAs, Inc.
ACCOUNTANTS|CONSULTANTS

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SEWER FUND

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INDEPENDENT AUDITORS' REPORT

To the Chair and Members of the City Council
City and County of Honolulu
Honolulu, Hawaii

We have audited the accompanying statements of net assets of the Sewer Fund, City and County of Honolulu (Sewer Fund) as of June 30, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets, and cash flows for the fiscal years then ended. These financial statements are the responsibility of the management of the Sewer Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note A, the financial statements of the Sewer Fund, are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the City and County of Honolulu that is attributable to the transactions of the Sewer Fund. They do not purport to, and do not, present fairly the financial position of the City and County of Honolulu as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sewer Fund as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 5 through 9 and the Required Supplementary Information on page 29 are not a required part of 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 inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

N&K CPAs, Inc.

Honolulu, Hawaii
February 25, 2009

City and County of Honolulu
Sewer Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2008

The following summary discussion and analysis of the financial statements, for fiscal years ended June 30, 2008 and 2007, are provided by the City and County of Honolulu's Wastewater Enterprise. The summary is designed to provide an introduction to the financial statements and the financial condition of the Wastewater Enterprise. We encourage readers to also review the financial statements as a whole.

FINANCIAL HIGHLIGHTS

1. 107.4 million gallons per day of wastewater were collected and treated in fiscal year 2008, an increase of 2.2% from fiscal year 2007. There were 105.1 million gallons per day of wastewater collected and treated in fiscal year 2007, a decrease of 9.1% from fiscal year 2006 reflecting drier weather conditions. As of June 30, 2008, the Wastewater Enterprise had approximately 143,000 customer accounts and served approximately 640,000 residents.

2. Total assets were $2,159.6 million and exceeded total liabilities by $727.7 million as of June 30, 2008. As of June 30, 2007, total assets were $1,934.9 million and exceeded total liabilities by $690.7 million. As of June 30, 2008, net assets (difference between assets and liabilities) increased by $37.1 million, or 5.37%, from June 30, 2007, while net assets at June 30, 2007, increased by $24.3 million, or 3.6%, from June 30, 2006. The increase in net assets in 2008 and 2007 is primarily due to increased cash.

3. As of June 30, 2008, total assets increased by $224.7 million to $2,159.6 million, representing a 11.6 % increase from the prior fiscal year, while total assets increased by $280 million to $1,934.9 million at June 30, 2007, representing a 16.9% increase from June 30, 2006. The increase in fiscal year 2008 was primarily due to increased cash and additional capital assets. The increase in fiscal year 2007 was primarily due to increased cash and additional capital assets.

4. Total current assets increased by 44.4% or $139.1 million to $452.5 million at June 30, 2008, while current assets increased by 124.7% or $173.9 million to $313.3 million at June 30, 2007. The increase in 2008 and 2007 was primarily due to the addition of revenue bond proceeds.

5. Total current liabilities increased by 24.4% or $15.9 million to $81.3 million primarily due to an increase in interest and bonds payable. At June 30, 2008, total liabilities increased 15.1% or $187.6 million to $1,431.9 million due to the issuance of additional long-term debt. At June 30, 2007, total current liabilities increased by 14.5% or $8.3 million to $65.3 million primarily due to the issuance of additional long-term debt. Total liabilities also increased by 25.9% or $255.9 million to $1,244.3 million due to the issuance of additional long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Wastewater Enterprise's financial statements, which consist of the basic financial statements and notes to the financial statements.

Basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the Wastewater Enterprise's finances, in a manner similar to a private-sector business.

The statements of net assets presents information on the Wastewater Enterprise's assets and liabilities, with the difference 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 Wastewater Enterprise is improving or deteriorating. Net assets increase when revenues and subsidies exceed expenses. Increases to assets without a corresponding increase to liabilities, results in increased net assets, which indicate an improved financial position.

The statements of revenues, expenses, and changes in net assets present information showing how the Wastewater Enterprise's net assets changed during the past two fiscal years. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The statements of cash flows presents changes in cash and cash equivalents, resulting from operating, financing, and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

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

FINANCIAL ANALYSIS

The following are the highlights of the condensed statements of net assets (in thousands of dollars) for the Wastewater Enterprise:

Net Assets

	2008	2007	2006
Current assets	$ 452,477	$ 313,362	$ 139,444
Capital assets, net	1,699,153	1,616,817	1,513,603
Other noncurrent assets	8,009	4,753	1,717
Total assets	$ 2,159,639	$ 1,934,932	$ 1,654,764
Current liabilities	$ 81,278	$ 65,328	$ 57,039
Noncurrent liabilities	1,350,621	1,178,926	931,309
Total liabilities	1,431,899	1,244,254	988,348
Invested in capital assets, net of related debt	558,436	596,298	600,603
Restricted for debt service	84,981	59,409	35,425
Unrestricted	84,323	34,971	30,388
Total net assets	727,740	690,678	666,416
Total liabilities and net assets	$ 2,159,639	$ 1,934,932	$ 1,654,764

Net assets (the difference between assets and liabilities) may serve, over time, as a useful indicator of a government's financial position. In the case of the Wastewater Enterprise, assets exceeded liabilities by $727.7 million and $690.7 million at the end of fiscal year 2008 and 2007, respectively. Addition of capital assets and cash resulted in a 3.6% increase in net assets from fiscal year 2006 to 2007. The largest portion of the Wastewater Enterprise's net assets represented its investment in capital assets (e.g., land, buildings, transmission and distribution system, etc.). The Wastewater Enterprise uses these capital assets to provide wastewater services on the Island of Oahu and consequently, capital assets are not available to liquidate liabilities or other spending.

The following are the highlights of the condensed statements of revenues, expenses and changes in net assets:

Changes in Net Assets

	2008	2007	2006
Operating revenues	$ 225,105	$ 165,914	$ 151,200
Operating expenses	(142,477)	(112,053)	(107,437)
Operating income	82,628	53,861	43,763
Nonoperating revenues (expenses):			
Interest income	17,884	13,736	4,166
Interest expense	(50,469)	(44,266)	(29,556)
Other	(1,115)	(1,405)	(3,249)
	(33,700)	(31,935)	(28,639)
Income (losses) before transfers and contributed capital	48,928	21,926	15,124
Transfer in	--	5,139	--
Transfers out	(11,944)	(7,031)	(6,963)
Contributed capital	78	4,228	2,673
Change in net assets	37,062	24,262	10,834
Net assets			
Beginning of Fiscal Year	690,678	666,416	655,582
End of Fiscal Year	$ 727,740	$ 690,678	$ 666,416

The changes in net assets were primarily due to:

1. Operating revenues, comprised mainly of sewer service charges, increased 35.7% to $225.1 million for the fiscal year 2008 compared to the prior fiscal year and increased 9.7% to $165.9 million for fiscal year 2007 compared to fiscal year 2006. Sewer service charge rates were raised 25% on July 1, 2007.

2. Operating expenses increased $30.4 million or 27.2% to $142.5 million for fiscal year 2008 compared to the prior fiscal year and increased $4.6 million or 4.3% to $112.1 million for fiscal year 2007 compared to fiscal year 2006. The primary increase in 2008 was in materials and supplies, fringe benefits, contractual services, and administration and general. The majority of the increase in 2007 was in administration and general.

3. Interest expense increased by $6.2 million or 14% to $50.5 million for fiscal 2008 compared to the prior fiscal year and increased by $14.7 million or 49.8% to $44.3 million for fiscal 2007 compared to fiscal year 2006. The increase in 2008 and 2007 was due to the increase in outstanding revenue bonds.

4. Contributed capital decreased to $0.08 million in fiscal year 2008 down from $4.2 million in fiscal year 2007 and $2.7 million in fiscal year 2006. Contributed capital represents assets (primarily capital assets) transferred from other city governmental funds and other entities. Approximately $11.9 million was transferred out during fiscal year 2008 for the Wastewater Enterprise's share of central administrative expenses incurred by the City and for the Wastewater Enterprise's share of the Other Post Employment Benefits (OPEB) contribution. Approximately $7.0 million was transferred out during fiscal year 2007 for the Wastewater Enterprise's share of central administrative expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Wastewater Enterprise's investment in capital assets amounted to $1.70 billion and $1.62 billion, net of accumulated depreciation, as of June 30, 2008 and 2007, respectively, an increase of $82.3 million or 5.1% in 2008 and $103.2 million or 6.8% in 2007. Capital assets include land, buildings, infrastructure, land improvements, equipment and machinery for the 8 treatment plants, 68 pumping stations, and over 2,100 miles of sewer line that makes up the Wastewater Enterprise. Capital assets are added, rehabilitated or replaced according to the infrastructure and facilities twenty-year capital plan.

Long-term debt. Wastewater revenue bonds and State revolving fund loans are the primary long-term financing instruments used to fund the acquisition of capital assets. Senior Series Wastewater System Revenue Bonds of $171.9 million were issued on August 14, 2007 and $112.4 million on May 14, 2008. Revenue bonds outstanding as of June 30, 2008 and 2007 totaled $1,222.7 million and $1,048.3 million, respectively. State revolving fund notes payable outstanding at June 30, 2008 and 2007 totaled $105.4 million and $103.9 million, respectively.

Debt service coverage was 360% on Senior Revenue Bonds, 219% on all revenue bonds, and 188% on all debt at June 30, 2008, compared to 456% on Senior Revenue Bonds, 240% on all revenue bonds, and 194% on all debt at June 30, 2007. Debt service coverage exceeded the requirements of bond covenants and policies of the City Council in 2008 and 2007.

Additional information on the Wastewater Enterprise's capital assets and long-term debt can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City and County of Honolulu, Department of Environmental Services, 1000 Uluohia Street, Suite 308, Kapolei, HI 96707.

City and County of Honolulu
Sewer Fund
STATEMENTS OF NET ASSETS
June 30, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 35,983,791	$ 35,361,254
Investments	369,081,247	240,484,016
Receivables		
Accounts (net of allowance for uncollectible accounts of $1,658,879 in 2008 and $1,210,793 in 2007)	31,817,588	23,530,505
Interest	2,877,881	733,147
Due from other City funds	2,875,337	3,927,743
Inventories of materials and supplies	8,016,042	6,350,254
Prepaid expenses	1,825,000	2,975,000
Total current assets	452,476,886	313,361,919
NONCURRENT ASSETS		
Capital assets, net	1,699,153,714	1,616,817,356
Deferred charges	8,008,662	4,753,177
Total noncurrent assets	1,707,162,376	1,621,570,533
Total assets	$ 2,159,639,262	$ 1,934,932,452
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 28,087,381	$ 16,792,382
Due to other City funds	54,909	26,170
Interest payable	27,489,987	23,751,459
Bonds payable	15,584,425	15,374,587
Notes payable	9,451,092	8,851,729
Other current liabilities	610,127	532,088
Total current liabilities	81,277,921	65,328,415
LONG-TERM OBLIGATIONS		
Notes payable	105,396,037	103,893,954
General obligation bonds payable	13,398,465	21,417,889
Revenue bonds payable, net	1,222,683,891	1,048,322,974
Other liabilities	9,143,247	5,290,876
Total long-term obligations	1,350,621,640	1,178,925,693
Total liabilities	1,431,899,561	1,244,254,108
NET ASSETS		
Invested in capital assets, net of related debt	558,436,160	596,298,147
Restricted for debt service	84,981,319	59,409,019
Unrestricted	84,322,222	34,971,178
Total net assets	727,739,701	690,678,344
	$ 2,159,639,262	$ 1,934,932,452

See accompanying notes to financial statements.

City and County of Honolulu
Sewer Fund
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
OPERATING REVENUES		
Sewer service charges	$ 219,906,956	$ 160,963,313
Other revenue	5,197,457	4,951,193
Total operating revenues	225,104,413	165,914,506
OPERATING EXPENSES		
Administrative and general	40,790,356	36,749,484
Depreciation	39,362,453	35,310,846
Fringe benefits	17,696,204	11,762,185
Utilities	17,088,106	11,867,529
Contractual services	13,718,443	8,686,893
Materials and supplies	10,701,579	5,078,906
Fuel and lubricants	2,632,670	2,161,560
Maintenance	487,003	436,012
Total operating expenses	142,476,814	112,053,415
Operating income	82,627,599	53,861,091
NONOPERATING REVENUES (EXPENSES)		
Interest income	17,884,447	13,736,148
Interest expense	(50,469,377)	(44,265,860)
Other	(1,115,361)	(1,404,987)
Total nonoperating expenses	(33,700,291)	(31,934,699)
Income before transfers and contributed capital	48,927,308	21,926,392
TRANSFERS IN	--	5,139,061
TRANSFERS OUT	(11,943,900)	(7,031,300)
CAPITAL CONTRIBUTIONS	77,949	4,228,234
CHANGE IN NET ASSETS	37,061,357	24,262,387
NET ASSETS AT BEGINNING OF FISCAL YEAR	690,678,344	666,415,957
NET ASSETS AT END OF FISCAL YEAR	$ 727,739,701	$ 690,678,344

See accompanying notes to financial statements.

City and County of Honolulu
Sewer Fund
STATEMENTS OF CASH FLOWS
Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Cash received from customers	$ 221,422,874	$ 162,932,875
Cash payments to suppliers	(45,016,528)	(47,535,031)
Cash payments to employees	(47,407,439)	(28,871,512)
Receipts from other funds for internal activity	--	322,401
Other receipts (payments)	2,023	(176,300)
Net cash provided by operating activities	129,000,930	86,672,433
Cash flows from noncapital financing activities		
Transfers out	(11,943,900)	(7,031,300)
Net cash used in noncapital financing activities	(11,943,900)	(7,031,300)
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(115,243,181)	(124,084,730)
Proceeds from issuance of notes	10,989,929	51,718,608
Repayments on notes	(8,888,483)	(7,311,222)
Interest paid on notes	(2,572,568)	(2,506,552)
Proceeds from issuance of bonds, net of discount	169,338,936	202,736,123
Repayments on bonds	(6,151,461)	(7,355,592)
Interest paid on bonds	(51,054,150)	(39,987,049)
Interest paid to vendors	(57)	(589)
Net cash provided by (used in) capital and related financing activities	(3,581,035)	73,208,997
Cash flows from investing activities		
Purchase of investments	(705,258,858)	(561,840,321)
Proceeds from maturity of investments	576,661,627	396,699,050
Interest on investments	15,743,773	13,302,276
Net cash used in investing activities	(112,853,458)	(151,838,995)
NET INCREASE IN CASH AND CASH EQUIVALENTS	622,537	1,011,135
Cash and cash equivalents at beginning of fiscal year	35,361,254	34,350,119
Cash and cash equivalents at end of fiscal year	$ 35,983,791	$ 35,361,254

City and County of Honolulu
Sewer Fund
STATEMENTS OF CASH FLOWS (Continued)
Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 82,627,599	$ 53,861,091
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	39,362,453	35,310,846
Other revenue	--	4,732,760
Write-off of capital assets	--	246,696
(Increase) decrease in		
Accounts receivable	(4,041,427)	(2,655,318)
Due from other City funds	1,052,406	38,949
Prepaid expenses	1,150,000	--
Materials and supplies	(1,665,788)	(2,435,729)
Increase (decrease) in		
Accounts payable	6,793,338	(2,428,745)
Due to other City funds	28,739	(198)
Other liabilities	3,693,610	2,081
Net cash provided by operating activities	$ 129,000,930	$ 86,672,433

SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

The Sewer Fund received $77,949 and $4,228,234 in contributions of capital assets from government agencies and developers, which are recorded as contributed capital at their cost or estimated cost at June 30, 2008 and 2007, respectively.

Amortization of net bond discounts and premiums amounted to $110,051 and $395,440 in fiscal 2008 and 2007, respectively. Amortization of bond issue costs amounted to $465,263 and $313,576 in fiscal 2008 and 2007, respectively.

Revenue bonds were issued during the fiscal year as a current refunding of general obligation bond principal and interest amounting to $8,073,125 and $688,496 respectively.

See accompanying notes to financial statements.

NOTE A - FINANCIAL REPORTING ENTITY

The Sewer Fund was established as an enterprise fund effective July 1, 1999 in conjunction with the November 1998 City Resolution 98-193, CD1, authorizing the issuance of the Wastewater System Revenue Bonds for the Wastewater System. The fund accounts for the operations of the City and County of Honolulu's (City) wastewater system.

The Sewer Fund is one of various enterprise funds of the City. The Sewer Fund's financial statements reflect only its portion of the proprietary fund type. The City's Director of Budget and Fiscal Services maintains the central accounts for all City funds and publishes financial statements for the City annually, which includes the Sewer Fund's financial activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City for the Sewer Fund conform to generally accepted accounting principles as applicable to enterprise activities of governmental units as promulgated by the Governmental Accounting Standards Board (GASB). In accordance with GASB standards, the City has elected not to apply the Financial Accounting Standards Board pronouncements on accounting and financial reporting that were issued after November 30, 1989.

(1) ***Basis of Accounting*** - The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred.

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

(3) ***Cash and Cash Equivalents*** - Cash includes amounts in demand and time deposits primarily with various financial institutions in the State of Hawaii (State). Cash on deposit with financial institutions is collateralized in accordance with State statutes. Investments with original maturity of three months or less when purchased are considered cash equivalents.

(4) ***Investments*** - Investments consist of U.S. government securities and are stated at cost, which approximates fair value.

(5) ***Inventories of Materials and Supplies*** - Inventories of materials and supplies are stated at weighted average cost. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) ***Receivables*** - Sewer service charge revenues are accrued by the City based on estimated billings for services provided through the end of the fiscal year. Receivables included estimated unbilled sewer charges amounting to approximately $19.8 million and $15 million at June 30, 2008 and 2007, respectively.

(7) ***Capital Assets*** - Capital assets include property, plant and equipment, including infrastructure (sewer system, network of pipes and sewer mains). Assets with an initial, individual cost of $5,000 or more for equipment and $100,000 for buildings, structures and infrastructure, and an estimated useful life of more than one year are capitalized. All infrastructure assets acquired prior to fiscal year ended June 30, 1980 are also capitalized. Such assets are recorded at cost or estimated cost. Interest cost is capitalized as part of the cost of acquiring certain assets.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings and land improvements	10 - 50
Transmission and distribution system	60
Equipment and machinery	5 - 20

Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in results of operations.

Normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Betterments are capitalized and depreciated over the remaining useful lives of the related assets, as applicable.

(8) ***Bond Issue Costs*** - Bond issue costs are deferred and are amortized over the life of the respective issue on a straight-line basis.

(9) ***Original Issue Discounts or Premiums*** - Original issue discounts or premiums on bonds are amortized ratably over the terms of the respective issues and are offset against the bonds payable in the statements of net assets.

(10) ***Refunding of Debt*** - The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred amount is reported as a deduction from or an addition to the new debt liability.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) ***Accrued Vacation*** - Employees are credited with vacation at the rate of one and three-quarters working days per month. Accumulation of such vacation credits is limited to 90 days at calendar year-end and is convertible to pay upon termination of employment. Such accumulated vacation has been accrued and reflected in the statements of net assets.

(12) ***Net Assets*** - Net assets comprise income (losses) from operating and nonoperating revenues, expenses, operating transfers and contributed capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted for debt service; and unrestricted net assets. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and is reduced by outstanding debt that is attributable to the acquisition, construction or improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments at fiscal year-end are not included in the calculation of the amount invested in capital assets, net of related debt. Restricted for debt service consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consists of all other net assets not included in the above categories.

(13) ***Operating Revenues and Expenses*** - The City distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Sewer Fund's principal wastewater operations. The principal operating revenues are from charges for wastewater system usage, while operating expenses include cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(14) ***Capital Contributions*** - Capital contributions represent assets transferred from or constructed utilizing contributions from governmental agencies and developers and recorded at cost on the date placed in service.

(15) ***Transfers*** - Transfers include authorized transfers of resources from the fund legally required to receive them to the fund through which such resources are to be expended. Transfers also include reimbursement of funds to the general fund for expenditures paid by the general fund on behalf of the Sewer Fund in prior fiscal years.

(16) ***Risk Management*** - The City is exposed to various risks for losses related to torts; theft of, damage to, or destruction of assets; errors or omissions; natural disasters; and injuries to employees. A liability for a claim for a risk of loss is established if the information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

NOTE C - CASH AND INVESTMENTS

The cash and investment balances reported in the accompanying statements of net assets are included in the City's cash and investment pool that is used by substantially all of the City's funds. Information pertaining to credit risk and interest rate risk is available for only the total cash and investment pool.

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of other states, cities, and counties, mutual funds and bank repurchase agreements. Investments in repurchase agreements are primarily U.S. government or federal agency securities. The City does not have a policy relative to interest rate risk.

NOTE D - CREDIT RISK

Financial instruments, which potentially expose the City to concentrations of credit risk, consist primarily of cash, investments in debt securities, and accounts receivable from customers. Cash and cash equivalents are maintained in various financial institutions in the State. Credit risk related to investments in debt securities has been mitigated by limiting such investments to debt obligations of the U.S. government.

The customer base is concentrated among commercial, industrial, residential and governmental customers located within the City. Although the City is directly affected by the City's economy, management does not believe significant credit risk exists at June 30, 2008, except as provided in the allowance for uncollectible accounts. The City manages its credit exposure through procedures designed to identify and monitor credit risk.

NOTE E - DUE FROM OTHER CITY FUNDS

Due from other City funds consists primarily of bond proceeds relating to bond issuances for the Sewer Fund held by the City's General Improvement Bond Fund of approximately $2.9 million and $3.9 million at June 30, 2008 and 2007, respectively.

NOTE F - CAPITAL ASSETS

The capital assets activity for the fiscal years ended June 30, 2008 and 2007, were as follows:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Depreciable assets				
Buildings and improvements	$ 709,054,080	$ 9,114,334	$ --	$ 718,168,414
Transmission and distribution system	969,641,274	50,984,219	(157)	1,020,625,336
Equipment and machinery	30,097,705	2,908,718	(839,258)	32,167,165
Land improvements	3,510,423	--	--	3,510,423
Total depreciable assets	1,712,303,482	63,007,271	(839,415)	1,774,471,338
Less accumulated depreciation:				
Buildings and improvements	(80,214,479)	(15,890,436)	11,411	(96,093,504)
Transmission and distribution system	(142,012,029)	(21,289,996)	--	(163,302,025)
Equipment and machinery	(16,456,061)	(2,062,677)	762,524	(17,756,214)
Land improvements	(922,257)	(119,344)	--	(1,041,601)
Total accumulated depreciation	(239,604,826)	(39,362,453)	773,935	(278,193,344)
	1,472,698,656	23,644,818	(65,480)	1,496,277,994
Land	6,064,758	--	--	6,064,758
Construction in progress	138,053,942	118,192,347	(59,435,327)	196,810,962
	$ 1,616,817,356	$ 141,837,165	$ (59,500,807)	$ 1,699,153,714

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Depreciable assets				
Buildings and improvements	$ 449,269,016	$ 259,785,064	$ --	$ 709,054,080
Transmission and distribution system	872,543,130	97,623,642	(525,498)	969,641,274
Equipment and machinery	28,408,700	3,327,744	(1,638,739)	30,097,705
Land improvements	3,674,661	--	(164,238)	3,510,423
Total depreciable assets	1,353,895,507	360,736,450	(2,328,475)	1,712,303,482
Less accumulated depreciation:				
Buildings and improvements	(67,201,497)	(13,012,982)	--	(80,214,479)
Transmission and distribution system	(122,251,945)	(19,906,254)	146,170	(142,012,029)
Equipment and machinery	(15,218,825)	(2,272,430)	1,035,194	(16,456,061)
Land improvements	(827,712)	(119,180)	24,635	(922,257)
Total accumulated depreciation	(205,499,979)	(35,310,846)	1,205,999	(239,604,826)
	1,148,395,528	325,425,604	(1,122,476)	1,472,698,656
Land	6,003,338	110,418	(48,998)	6,064,758
Construction in progress	359,204,171	131,369,260	(352,519,489)	138,053,942
	$ 1,513,603,037	$ 456,905,282	$ (353,690,963)	$ 1,616,817,356

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was $39,362,453 and $35,310,846 for the fiscal years ended June 30, 2008 and 2007, respectively.

NOTE G - LONG-TERM OBLIGATIONS

The City issues general obligation bonds for the construction of major capital facilities. The Sewer Fund's general obligation bonds are collateralized by or expected to be paid from sewer user charges. These instruments are a direct obligation of the City for which its full faith and credit is pledged. The general obligation bonds for the Sewer Fund were issued during 1992 through 2005 in the original amount totaling $364.5 million, and maturing serially through fiscal year 2020. The general obligation bonds bear interest at rates ranging from 3.5% to 5.9% at June 30, 2008.

Wastewater system revenue bonds in the City's business-type activities were issued during fiscal years 1999 through 2008, in the original amount totaling $1.5 billion, less discounts of $35.4 million and adjusted for premiums of $34.8 million, which are being amortized over the related term of the bonds. The bonds bear interest at 2.6% to 5.5% at June 30, 2008 and mature at various dates through fiscal year 2038. The wastewater system revenues collateralize the revenue bonds.

In August 2007, the City issued wastewater system revenue bonds in the aggregate amount of $171.9 million, Series 2007A for $162.6 million and Series 2007B for $9.3 million. The bonds bear interest rates of 4.0% to 5.0% and mature annually on July 1, 2012 through 2037. The bonds maturing after July 1, 2018 are subject to redemption at the option of the City on or after July 1, 2017, in whole or in part at any time, from any maturity, plus accrued interest to the date of redemption. The proceeds of the bonds were used to fund additions and improvements to the wastewater system of the City, to fund a common reserve account for wastewater system bonds, and to refund a portion of outstanding general obligation bonds Series 1993B and 1997C. The premium and discount generated by each issue will be amortized over the life of the related bonds.

In May 2008, the City issued wastewater system revenue bonds, Series 2008A in the amount of $112.4 million. The bonds bear interest rates of 2.6% to 5.0% and mature annually on July 1, 2009 through 2032. Bonds maturing on or after July 1, 2019 are subject to redemption at the option of the City on or after July 1, 2018, in whole or in part at any time, from any maturity, plus accrued interest to the date of redemption. Proceeds of the bonds were used to fund the common reserve account and to refund a portion of wastewater system revenue bonds Series 2003 A-2 & B-2. The premium and discount generated by each issue will be amortized over the life of the related bonds.

NOTE G - LONG-TERM OBLIGATIONS (Continued)

The notes payable to the State are for the construction of necessary treatment works and for other projects intended for wastewater reclamation or waste management. The notes amounted to $114.8 million and $112.7 million at June 30, 2008 and 2007, respectively, bearing interest ranging from .50% to 3.02%, and require annual principal and interest payments through fiscal year 2028.

Total interest costs incurred in 2008 and 2007 was $58.1 million and $54.1 million, respectively, of which $7.5 million and $10.2 million was capitalized in 2008 and 2007, respectively.

Long-term obligations activity for the fiscal years ended June 30, 2008 and 2007 were as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Amount Due Within One Year
General obligation bonds	$ 29,502,476	$ --	$ (8,084,586)	$ 21,417,890	$ 8,019,425
Revenue bonds	1,048,775,000	284,330,000	(114,040,000)	1,219,065,000	7,565,000
Notes payable	112,745,683	10,989,929	(8,888,483)	114,847,129	9,451,092
	1,191,023,159	295,319,929	(131,013,069)	1,355,330,019	25,035,517
Add:					
Unamortized net premium (discount) and deferred amount on refunding	6,836,643	4,231,939	110,051	11,178,633	--
Total long-term debt	1,197,859,802	299,551,868	(130,903,018)	1,366,508,652	25,035,517
Compensated absences	5,517,626	2,452,800	(2,193,769)	5,776,657	248,981
Other postemployment benefits	--	8,399,539	(4,783,968)	3,615,571	--
Total long-term obligations	$ 1,203,377,428	$ 310,404,207	$ (137,880,755)	$ 1,375,900,880	$ 25,284,498

NOTE G - LONG-TERM OBLIGATIONS (Continued)

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amount Due Within One Year
General obligation bonds	$ 38,864,409	$ --	$ (9,361,933)	$ 29,502,476	$ 8,084,587
Revenue bonds	851,050,000	340,760,000	(143,035,000)	1,048,775,000	7,290,000
Notes payable	68,338,297	51,718,608	(7,311,222)	112,745,683	8,851,729
	958,252,706	392,478,608	(159,708,155)	1,191,023,159	24,226,316
Add:					
Unamortized premium (discount) and deferred amount on refunding	(12,881,377)	19,323,142	394,878	6,836,643	--
Total long-term debt	945,371,329	411,801,750	(159,313,277)	1,197,859,802	24,226,316
Compensated absences	5,344,411	1,951,299	(1,778,084)	5,517,626	225,419
Total long-term obligations	$ 950,715,740	$ 413,753,049	$ (161,091,361)	$ 1,203,377,428	$ 24,451,735

Scheduled maturities of long-term debt are as follows:

	General Obligation Bonds	Revenue Bonds	Notes Payable	Total Principal	Total Interest
Fiscal year ending June 30					
2009	8,019,425	7,565,000	9,451,092	25,035,517	50,914,183
2010	6,955,678	12,490,000	9,842,618	29,288,296	49,791,949
2011	5,171,402	19,065,000	9,900,445	34,136,847	48,423,628
2012	1,213,482	28,125,000	10,076,357	39,414,839	47,068,511
2013	10,482	34,185,000	10,258,097	44,453,579	45,778,098
2014 - 2018	43,588	191,210,000	36,057,236	227,310,824	206,406,188
2019 - 2023	3,833	236,040,000	19,952,251	255,996,084	163,526,870
2024 - 2028	--	300,235,000	9,309,033	309,544,033	105,603,509
2029 - 2033	--	255,520,000	--	255,520,000	44,504,687
2034 - 2038	--	134,630,000	--	134,630,000	7,838,375
	21,417,890	1,219,065,000	114,847,129	1,355,330,019	$ 769,855,998
Less: current portion	(8,019,425)	(7,565,000)	(9,451,092)	(25,035,517)	
	$ 13,398,465	$ 1,211,500,000	$ 105,396,037	$ 1,330,294,502	

NOTE H - NET ASSETS

At June 30, 2008 and 2007, net assets consisted of the following:

	2008	2007
Invested in capital assets, net of related debt		
Net property, plant and equipment	$ 1,699,153,714	$ 1,616,817,356
Less:		
Wastewater general obligation bonds payable	(21,417,890)	(29,502,476)
Wastewater system revenue bonds payable, net of unamortized premium, discount, and issue cost	(1,230,248,892)	(1,050,859,797)
Notes payable	(114,847,129)	(112,745,683)
Amount of debt related to unspent debt proceeds	225,796,357	172,588,747
	558,436,160	596,298,147
Restricted for debt service	84,981,319	59,409,019
Unrestricted	84,322,222	34,971,178
Total	$ 727,739,701	$ 690,678,344

NOTE I - EMPLOYEE BENEFIT PLANS

Defined benefit pension plan. Substantially all eligible employees of the City are members of the Employees' Retirement System of the State of Hawaii (ERS), a cost-sharing multiple-employer defined benefit pension plan. The ERS provides retirement benefits as well as death and disability benefits and is governed by a board of trustees. All contributions, benefits and eligibility requirements are established by Chapter 88 of the Hawaii Revised Statutes and can be amended by legislative action.

The ERS is composed of a contributory retirement plan and a noncontributory retirement plan. Prior to June 30, 1984, the plan consisted of only a contributory option. In 1984, legislation was enacted to create a new noncontributory option for members of the ERS who are also covered under social security. Persons employed in positions not covered by social security are precluded from the noncontributory option. The noncontributory options provides for reduced benefits and covers most eligible employees hired after June 30, 1984. Employees hired before that date were allowed to continue under the contributory option or to elect the new noncontributory option and receive a refund of employee contributions. All benefits vest after five and ten years of credited service under the contributory and noncontributory options, respectively. Both options provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (AFC). The AFC is the average salary earned during the five highest paid years of service,

NOTE I - EMPLOYEE BENEFIT PLANS (Continued)

including vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after that date and prior to January 1, 2003 is based on the three highest paid years of service, excluding vacation payment. Effective January 1, 2003, the AFC is the highest three calendar years or highest five calendar years plus lump sum vacation payment, or last 36 credited months or last 60 credited months plus lump sum vacation payment.

Most covered employees of the contributing option are required to contribute 7.8% or 12.2% of their salary. The City is required to contribute the remaining amounts necessary to pay contributory plan benefits and all amounts necessary to pay noncontributory benefits when due. The funding method used to calculate the total employer contribution requirement is the Entry Age Normal Actuarial Cost Method. Under this method, employer contributions to the ERS are comprised of normal cost plus level annual payments required to amortize the unfunded actuarial accrued liability over the remaining period of 29 years from July 1, 2000. Effective July 1, 2005 a dollar contribution is not determined under the provisions of Act 181 of the 2004 Session Laws of Hawaii. Instead a fixed percentage of 13.75% of payroll is contributed. The Sewer Fund's contribution to the ERS was $4.9 million, $3.8 million and $4.7 million in 2008, 2007, and 2006 respectively, which was equal to the required contributions for the respective fiscal years.

The 2004 State of Hawaii legislative sessions approved a hybrid retirement plan, which took effect on July 1, 2006. Employees who chose to be under this plan are required to contribute 6.0% of their salary and will receive pensions based on a 2.0% benefit formula instead of a 1.25% benefit formula under the current noncontributory plan. The hybrid plan does not affect the City's contributions to the ERS.

The ERS issues a Comprehensive Annual Financial Report that may be obtained by writing to the Employees' Retirement System of the State of Hawaii, 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813.

Post-retirement health care and life insurance benefits. In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired City employees. Contributions are based on negotiated collective bargaining agreements and are limited by State statute to the actual cost of benefit coverage. Prior to July 1, 1996, the City paid 100% of these benefits for employees who have at least 10 years of service. According to Act 217, Session Laws of Hawaii 1995, employees hired after June 30, 1996, with 25 years or more of service receive 100% employer funding. The City's share of the cost of these benefits is prorated for employees with less than 25 years of service. The City also reimburses 100% of Medicare premium costs for retirees and qualified dependents (through the State) who are at least 65 years of age and have at least 10 years of service. Approximately 10,100 retirees and qualified dependents are currently receiving post retirement health care and benefits paid for by the City.

NOTE I - EMPLOYEE BENEFIT PLANS (Continued)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, prospectively for the fiscal year ended June 30, 2008. The City is required to contribute the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Sewer Fund's annual other postemployment benefits (OPEB) cost (expense) is allocated by the City based on the Sewer Fund's proportionate share of contributions for retiree health benefits and was calculated at 8.3% of the City's ARC for the fiscal year ended June 30, 2008. The following table show the components of the annual OPEB cost for the fiscal year, the amount contributed to the plan, and changes in the Sewer Fund's net OPEB obligation.

	2008
Annual required contribution	$ 8,399,539
Interest on net OPEB obligation	--
Adjustment to annual required contribution	--
Annual OPEB cost	8,399,539
Contributions made	(4,783,968)
Increase in net OPEB obligation	3,615,571
Net OPEB obligation at beginning of fiscal year	--
Net OPEB obligation at end of fiscal year	$ 3,615,571

The percentage of annual OPEB cost contributed was 57.0%.

The funded status of the plan (with amounts in thousands) for the City as of the most recent valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	$ --	$ 1,242,255	$ 1,242,255	0.0%	$ 524,258	237.0%

NOTE I - EMPLOYEE BENEFIT PLANS (Continued)

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As 2008 is the first year of implementation of GASB Statement No. 45, and only one actuarial valuation has been completed, there is no trend information available.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a discount rate of 8%, which was based on the City's anticipated funding level. Actuarial assumptions also included an annual health cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 5 years, projected salary increases of 3.5%, and an inflation assumption of 3%. The unfunded actuarial accrued liability is being amortized over a thirty year period as a level percentage of projected payrolls on an open basis.

The EUTF issues a stand-alone financial report that includes financial statements and required supplementary information, which may be obtained at the following address: State of Hawaii Employer-Union Health Benefits Trust Fund, 201 Merchant Street, Suite 1520, Honolulu, Hawaii 96813.

NOTE J - MANAGEMENT AGREEMENT

The Board of Water Supply (Board) has an agreement with the Department of Environmental Services, City and County of Honolulu to provide certain services through June 30, 2010, relating to the billing and collection of sewer service charges. The revenue related to these fees are included in other operating revenues of the Board and the

NOTE J - MANAGEMENT AGREEMENT (Continued)

corresponding expense in the Sewer Fund. Service fees amounted to $700,000 plus credit card fees incurred for the fiscal year ended June 30, 2008. As of June 30, 2008, negotiated future fees in addition to assessment of credit card fees incurred are as follows:

Fiscal Year Ending June 30,	Amount
2009	$ 1,830,000
2010	1,903,200
	$ 3,733,200

NOTE K - COMMITMENTS

Construction contracts. The City has contractual commitments for the Sewer Fund of approximately $556 million at June 30, 2008, primarily for construction contracts.

Accumulated sick leave pay. Sick leave accumulates at the rate of one and three-quarters working days for each month, without limit. Sick leave is taken only in the event of illness and is not convertible to pay; accordingly, sick leave is not accrued. Employees who retire or leave government service in good standing with sixty or more unused sick leave days are entitled to an additional service credit in the retirement system. At June 30, 2008 and 2007, accumulated sick leave, including vested and nonvested accumulated rights to receive sick leave benefits, amounted to approximately $16.4 million and $16 million, respectively.

Deferred compensation plan. All full-time employees of the Sewer Fund are eligible to participate in the City and County of Honolulu's Public Employees' Deferred Compensation Program (Plan), adopted pursuant to Internal Revenue Code Section 457. The Plan permits eligible employees to defer a portion of their salary until future years by contributing to a fund managed by a plan administrator. The deferred compensation amounts are not available to employees until termination, retirement, death or unforeseeable emergency.

A trust fund was established to protect plan assets from claims of general creditors and from diversion to any uses other than paying benefits to participants and beneficiaries. Deferred compensation plan assets are not reported in the financial statements.

NOTE L - LITIGATION

The City is a party to various legal proceedings arising in the normal course of business. Some of these matters relate to the Sewer Fund as follows:

A lawsuit filed by the U.S. Environmental Protection Agency (EPA) and the State against the City in 1994 resulted in a consent decree which requires the City, among other things, to comply with the Clean Water Act, to establish a schedule under which the City will implement preventive maintenance and sewer replacement and

NOTE L - LITIGATION (Continued)

rehabilitation necessary to reduce and prevent spills, to implement and enforce its pretreatment program to regulate industrial discharges, and to develop and implement an effluent and sludge reuse program. The court has retained continuing jurisdiction over implementation of the consent decree. Pursuant to the consent decree, the City has established and is currently implementing a $3.7 billion, 20-year capital improvement plan (Fiscal Year 1998 to Fiscal Year 2017) to upgrade its wastewater collection and treatment system.

In July 2004, the Sierra Club and other environmental groups filed a lawsuit against the City seeking injunctive relief and penalties for alleged Clean Water Act violations arising from the City's wastewater collection and treatment system. Of plaintiffs' original twelve claims, six have been dismissed. Partial summary judgment has been entered with respect to four of the six remaining claims in this litigation. The court has not addressed the amount of penalties, if any, that would be assessed against the City. The outcome of this litigation cannot be predicted at this stage of the proceedings, and any potential liability in this litigation beyond the costs of the 20-year wastewater system capital improvement plan is speculative.

As a result of a March 2006 sewer spill and after one year of negotiations, the EPA, the U.S. Department of Justice, the State and the City signed a stipulated order that requires the City to take certain actions to evaluate, repair, rehabilitate or replace certain force mains and one pump station in its wastewater collection system, and develop site-specific spill contingency plans. This stipulated order, which has been accepted by the court, resolves the entire civil enforcement action that was simultaneously filed with the stipulated order against the City with respect to the spill. The estimated cost of the work in the stipulated order is approximately $300 million.

Although the outcome of individual matters is not predictable, no provision for any liability that may result from these lawsuits has been made in the Sewer Fund's financial statements since any such liabilities are normally paid from the City's General Fund. In the opinion of management, the final outcome of these matters is unknown at this time but should not have a material adverse effect on the Sewer Fund's financial statements.

NOTE M - HONOULIULI AND SAND ISLAND WASTEWATER TREATMENT PLANT PERMITS

In January 2009, the EPA issued final decisions to deny applications for renewed variances from secondary treatment for the Sand Island and Honouliuli Wastewater treatment plants. The City is vigorously challenging these decisions. If the City's appeals are denied, the cost of secondary treatment at Honouliuli and Sand Island is estimated to be $400.0 million and $800.0 million, respectively, in project costs.

REQUIRED SUPPLEMENTARY INFORMATION

POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The following schedules present the actuarially determined funding progress and required contributions for the post-retirement health care and life insurance benefits for the City as a whole, of which the Sewer Fund is one of its various enterprise funds.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as of Percentage of Covered Payroll
July 1, 2007	$ --	$ 1,242,255,000	$ 1,242,255,000	0%	$ 524,258,000	237%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contribution
2008	$ 101,404,000	47.7%