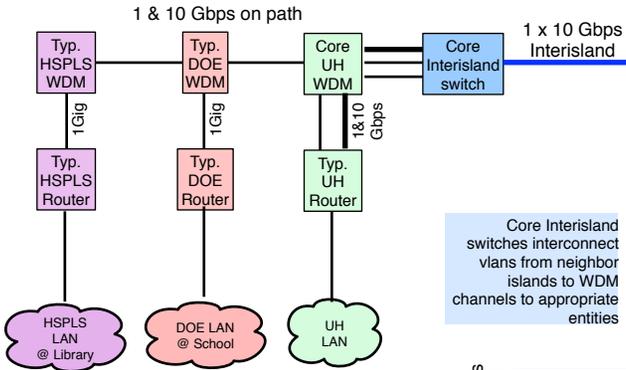


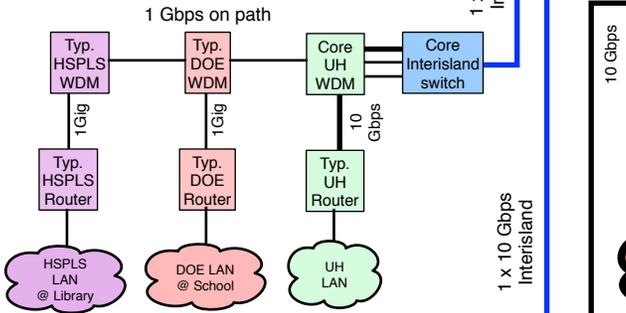
Ka Ala 'ike: Connecting Hawai'i's Public Schools, Community Colleges and Libraries

March 2010

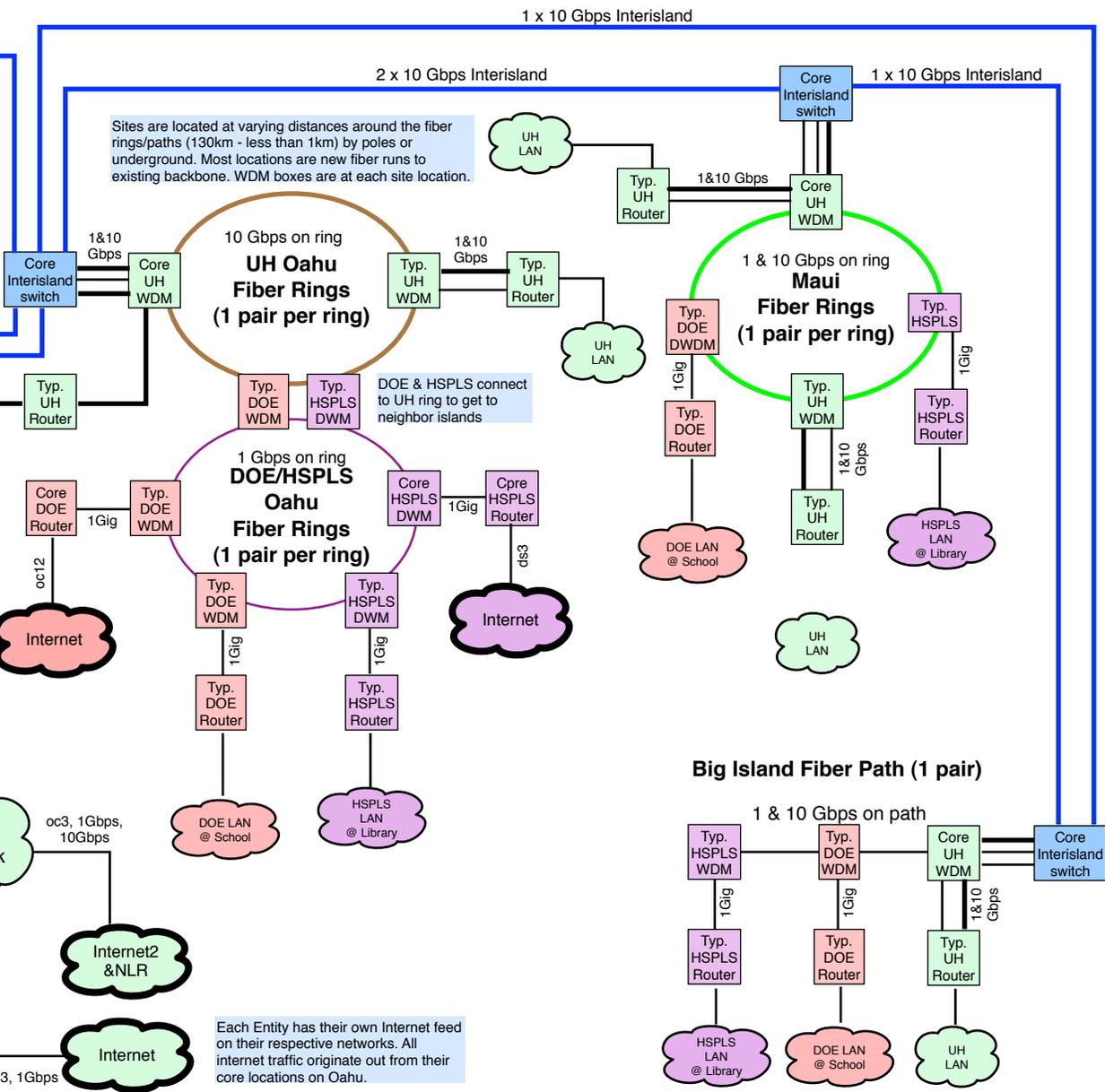
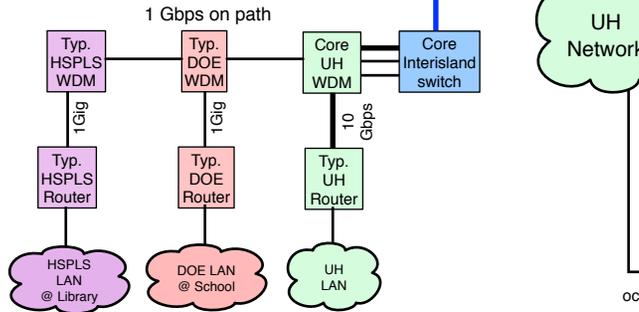
Kauai Fiber Path (1 pair)



Lanai Fiber Path (1 pair)



Molokai Fiber Path (1 pair)



11371

Howard S Todo
Vice President



UNIVERSITY
of HAWAI'I
SYSTEM

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February 26, 2010

UNIVERSITY OF HAWAII
PRESIDENT'S OFFICE

MEMORANDUM

TO: Howard Karr
Chairperson, Board of Regents

VIA: M.R.C. Greenwood
President

FROM: Howard S. Todo *Howard S. Todo*
Vice President for Budget & Finance
Chief Financial Officer

**SUBJECT: UNIVERSITY OF HAWAI'I CONSOLIDATED FINANCIAL
STATEMENTS**

Submitted for acceptance by the Board of Regents is the draft audited Consolidated Financial statements of the University of Hawai'i for the year ended June 30, 2009.

The financial statements were prepared by University staff in accordance with generally accepted accounting principles (GAAP). Accuity LLP, Certified Public Accountants have audited the financial statements.

Attachment

2444 Dole Street, Bachman Hall
Honolulu, Hawai'i 96822
Telephone: (808) 956-8903
Fax: (808) 956-5286

An Equal Opportunity/Affirmative Action Institution

University of Hawai'i
State of Hawai'i
Consolidated Statements of Net Assets
June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	\$ 53,033	\$ 105,545
Operating investments	178,621	75,469
Due From State of Hawaii	15,899	28,277
Accounts receivable, net	88,581	91,390
Current portion of notes and contributions receivable, net	13,019	14,523
Accrued interest receivable	1,492	2,069
Inventories	14,271	13,416
Prepaid expenses, deferred charges and other current assets	8,118	9,537
Total current assets	373,034	340,226
Noncurrent assets		
Due from State of Hawai'i	272,907	246,663
Endowment and other investments	502,426	465,285
Notes and contributions receivable, net	31,979	32,831
Capital assets, net	1,275,918	1,188,635
Other noncurrent assets	25,727	28,407
Total noncurrent assets	2,108,957	1,961,821
Total assets	\$ 2,481,991	\$ 2,302,047
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 51,082	\$ 52,786
Accrued payroll and fringe benefits	29,560	29,654
Advances from sponsors	55,053	59,840
Deferred revenue	30,094	32,560
Due to State of Hawai'i	6,438	8,292
Current portion of long-term liabilities	36,936	33,271
Other current liabilities	6,376	4,930
Total current liabilities	215,539	221,333
Noncurrent liabilities		
Accrued vacation	42,339	37,832
Accrued workers' compensation liability	8,257	8,265
Postretirement healthcare/life insurance benefits	127,911	62,851
Due to State of Hawai'i	1,176	1,313
Capital lease obligation	-	13,360
Bonds payable	351,600	258,630
Premium on bonds payable	1,730	1,864
Other noncurrent liabilities	6,790	7,356
Total noncurrent liabilities	539,803	391,471
Total liabilities	755,342	612,804
Net assets		
Invested in capital assets, net of related debt	1,098,001	967,717
Restricted		
Nonexpendable	162,483	152,449
Expendable	378,407	417,229
Unrestricted	87,758	151,848
Total net assets	1,726,649	1,689,243
Total liabilities and net assets	\$ 2,481,991	\$ 2,302,047

The accompanying notes are an integral part of the consolidated financial statements.

University of Hawai'i
State of Hawai'i
Consolidated Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

	2009	2008
Operating revenues		
Student tuition and fees	\$ 242,418	\$ 203,243
Less: Scholarship allowances	61,340	52,274
Net student tuition and fees	181,078	150,969
Federal appropriations, grants and contracts	329,646	313,770
State and local grants and contracts	32,038	30,587
Nongovernmental sponsored programs	37,956	35,007
Sales and services of educational departments, other	36,699	36,018
Auxiliary enterprises		
Bookstores	31,090	31,521
Student housing (net of scholarship allowances of \$1,005 and \$856)	21,181	16,994
Other auxiliary enterprises revenues	31,929	38,118
Other operating revenues	2,921	3,266
Total operating revenues	704,538	656,250
Operating expenses		
Compensation and benefits	991,885	901,678
Supplies, services and cost of goods sold	201,618	185,216
Depreciation	79,228	71,226
Telephone and utilities	57,959	58,553
Scholarships and fellowships	36,297	30,162
Travel expenses	29,493	31,543
Repairs and maintenance	26,156	21,125
Other operating expenses	35,092	50,956
Total operating expenses	1,457,728	1,350,459
Operating loss	(753,190)	(694,209)
Nonoperating revenues (expenses)		
State appropriations	731,394	690,625
Private gifts	23,285	31,543
Net investment income (loss)	(31,928)	10,662
Interest expense	(11,175)	(10,629)
Transfers (to) from State of Hawai'i for		
Debt service	(87,675)	(83,869)
Fringe benefits	(38,208)	(34,491)
Interest on Tobacco settlement	(75)	(1,190)
Restrictions	(5,100)	-
Bridge to Hope	116	781
Hawaii Cancer Research	19,117	14,957
Loss on disposal of capital assets	(5,975)	(1,973)
Other, net	(3,564)	(286)
Net nonoperating revenues before capital and endowment additions	590,212	616,130
Capital state appropriations	142,716	116,910
Capital federal grants/subsidies	10,888	11,059
Capital gifts and grants	1,628	4,884
Net transfers from State of Hawai'i for capital assets	16,887	15,643
Transfers from State of Hawai'i, Tobacco settlement	14,787	21,272
Additions to permanent endowments	13,478	19,284
Total other revenues	200,384	189,052
Net nonoperating revenues	790,596	805,182
Increase (decrease) in net assets	37,406	110,973
Net assets		
Beginning of year	1,689,243	1,578,270
End of year	\$ 1,726,649	\$ 1,689,243

The accompanying notes are an integral part of the consolidated financial statements.

University of Hawai'i
State of Hawai'i
Consolidated Statements of Cash Flows
Years Ended June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

	2009	2008
Cash flows from operating activities		
Student tuition and fees	\$ 184,909	\$ 164,921
Grants and contracts	422,586	442,800
Sales and services of educational and other departmental activities	24,715	32,907
Auxiliary – Bookstore	30,864	31,623
Auxiliary – Student residence fees	20,604	17,331
Auxiliary – Other	31,605	36,955
Payments to employees	(704,448)	(653,619)
Payments for benefits	(189,868)	(179,363)
Payments to suppliers	(336,472)	(356,607)
Payments for scholarships and fellowships	(33,387)	(39,726)
Payments for program and support services	(33,114)	(31,332)
Payments for clean up efforts from Mānoa flood	(617)	(976)
Payments for clean up efforts from UH Lab School fire	(14)	(89)
Student loans issued	(5,419)	(4,792)
Student loans collected	2,803	2,998
Other receipts, net	(29,049)	4,409
Net cash provided by (used in) operating activities	<u>(614,302)</u>	<u>(532,560)</u>
Cash flows from noncapital financing activities		
State appropriations	743,686	661,474
Recoveries received from State for Mānoa flood	-	21,679
Insurance proceeds for UH Lab school fire	1,985	53
Gifts and grants for other than capital purposes	32,218	28,800
Private gifts for endowment purposes	11,644	12,317
Transfer from State of Hawai'i – Bridge to Hope	116	782
Transfer from State of Hawai'i – Hawaii Cancer Research	19,117	14,957
Transfers to State of Hawai'i for		
Fringe benefits	(43,308)	(34,491)
Interest on Tobacco settlement	(75)	(1,190)
Other receipts	(204)	624
Net cash provided by (used in) noncapital financing activities	<u>765,179</u>	<u>705,005</u>
Cash flows from capital and related financing activities		
Capital appropriations	116,473	91,580
Capital gifts and grants	11,024	12,378
Proceeds from issuance of capital debt	-	-
Purchases of capital assets	(158,869)	(175,830)
Principal paid on capital debt and leases	79,845	(3,498)
Interest paid on capital debt and leases (net of amounts capitalized)	(10,437)	(10,616)
Transfers to State of Hawai'i for debt service	(87,663)	(83,869)
Transfer from State of Hawai'i, Tobacco settlement	14,787	21,272
Net cash provided by (used in) capital and related financing activities	<u>(34,840)</u>	<u>(148,583)</u>
Cash flows from investing activities		
Interest and dividends on investments, net	14,176	22,703
Proceeds from sales and maturities of investments	505,122	618,985
Purchase of investments	(687,848)	(597,682)
Net cash provided by (used in) investing activities	<u>(168,550)</u>	<u>44,006</u>
Net increase (decrease) in cash and cash equivalents	(52,513)	67,868
Cash and cash equivalents		
Beginning of year	105,683	37,815
End of year	<u>\$ 53,170</u>	<u>\$ 105,683</u>

The accompanying notes are an integral part of the consolidated financial statements.

University of Hawai'i
State of Hawai'i
Consolidated Statements of Cash Flows
Years Ended June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

	2009	2008
Cash and cash equivalents presented in the accompanying consolidated statements of net assets		
Cash and cash equivalents	\$ 53,033	\$ 105,545
Restricted cash and cash equivalents	-	-
	<u>\$ 53,033</u>	<u>\$ 105,545</u>
	Reflects adjusted Op Loss	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (753,190)	\$ (694,209)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	79,228	71,226
Bad debt expense	3,150	8,056
Payments included in other nonoperating expenses for		
Clean-up efforts from Mānoa flood	(617)	(976)
Clean-up efforts from UH Lab School fire	(14)	(89)
Changes in operating assets and liabilities		
Accounts receivable	3,719	1,761
Notes and contributions receivable	(2,373)	(1,534)
Inventories	(856)	(3,678)
Prepaid expenses and other assets	(603)	656
Accounts payable	(4,139)	2,933
Accrued payroll and fringe benefits	1,285	1,080
Accrued vacation	4,832	5,569
Accrued workers' compensation liability	199	1,442
Advances from sponsors	(4,787)	8,398
Deferred revenue	(483)	1,234
Post retirement health care & life insurance benefits	65,060	62,851
Other payables	(1,034)	2,720
Net cash provided by (used in) operating activities	<u>\$ (610,623)</u>	<u>\$ (532,560)</u>
Supplemental information of noncash transactions		
Noncash contributions	\$ 2,101	\$ 8,769
Transfers from State of Hawai'i for capital assets	17,696	16,256
Accounts payable for capital assets	13,171	13,377

The accompanying notes are an integral part of the consolidated financial statements.

University of Hawai'i
State of Hawai'i
Notes to Consolidated Financial Statements
June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

1. Organization and Summary of Significant Accounting Policies

Financial Reporting Entity

The accompanying consolidated financial statements of the University of Hawai'i (the "University"), include the activities of the University of Hawai'i at Mānoa, University of Hawai'i at Hilo, University of Hawai'i at West O'ahu, University of Hawai'i Community Colleges and its component units. The University has defined its reporting entity in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The basic criterion for including a potential component unit within the reporting entity is financial accountability. Other criteria include fiscal dependency and the nature and significance of the relationship are such that exclusion would cause the financial statements of the University to be misleading. Accordingly, the financial information of the Research Corporation of the University of Hawai'i (the "Research Corporation") and the University of Hawai'i Foundation (the "Foundation"), have been blended with the University's financial activity in the accompanying consolidated financial statements.

Complete financial statements of the Research Corporation can be obtained at the Research Corporation of the University of Hawai'i, 2800 Woodlawn Drive, Honolulu, HI 96822. The Foundation's federal Form 990 is available for inspection as required by Internal Revenue Code ("IRC") Section 6104 at the University of Hawai'i Foundation, 2444 Dole Street, Bachman Hall, Room 101, Honolulu, HI 96822.

Similarly, the University is fiscally dependent upon the State of Hawai'i (the "State") and therefore, the State is financially accountable for the University as defined by GASB Statement No. 14. Accordingly, the University's financial information is discretely presented as a component unit within the State's comprehensive annual financial report.

The University is classified as a state instrumentality under IRC Section 115, and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under IRC Sections 511 and 514.

Basis of Presentation

The University follows the reporting model prescribed for special-purpose governments engaged only in business-type activities, as defined in GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended. The consolidated financial statements of the University are presented using the economic resources measurement focus and the accrual basis of accounting. The University has elected not to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989.

The Foundation's accounting policies conform to accounting principles generally accepted in the United States ("GAAP") applicable to not-for-profit organizations as promulgated by the FASB. The Foundation's financial information has been converted to conform to the University's presentation.

The Research Corporation's accounting policies conform to GAAP applicable to business type activities of governmental units as promulgated by the GASB. The Research Corporation's financial information was converted to conform to the University's presentation.

University of Hawai'i
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Notes to Consolidated Financial Statements
June 30, 2009 and 2008
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Cash Held By the University

All University cash is held either by the State of Hawaii Treasury or pooled with other University cash balances.

The University's cash pooled with other University units is invested by the University's Treasury Office in time certificates of deposit or other legally authorized investments that include obligations of or guaranteed by the U.S. government, obligations of the state, federally-insured savings and checking accounts, time certificates of deposit, auction rate securities, and repurchase agreements with federally-insured financial institutions. The University earns interest based on its average daily cash balance. Hawai'i Revised Statutes require that the depository banks pledge collateral based on the daily available bank balances. The University met insurance and collateral requirements at June 30, 2009 and 2008.

Cash and Cash Equivalents

The University considers all cash and investments with original maturities of three months or less to be cash equivalents. The carrying amounts reported in the consolidated Statements of Net Assets for cash equivalents approximate fair value due to the short maturity of these investments.

Restricted Cash and Cash Equivalents

The University considers unspent cash, cash equivalents and investments from the issuance of revenue bonds held with an escrow agent and invested until used for the cost of construction to be restricted.

Investments

Investments in money market funds, fixed income securities, equity securities, and mutual funds with readily determinable fair values are reported at fair value based on quoted market prices. Investments in auction rate securities are reported at par value, which approximates fair value based on failed auctions at or near fiscal year-end. Investments in investment agreements, absolute return funds and real assets are reported at fair value, which is generally based on information provided by the respective external investment manager at the most recent valuation date and from the valuation date to fiscal year-end, if applicable. Investments in limited partnerships and real estate are not readily marketable and involve assumptions and methods that are reviewed by management. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investment existed. Unrealized gains and losses on investments are included in the consolidated Statements of Revenues, Expenses and Changes in Net Assets. Realized gains and losses are computed as the difference between the proceeds of the sale and the cost basis of the investment sold. The calculation of realized gains and losses is independent of the calculation of net changes in the fair value of investments.

The title to investment securities is vested in the name of Securities and Exchange Commission ("SEC") registered brokerage firms representing the various investment managers of the University and the Foundation. The title to short-term investments, made from pooled cash, is vested in the name of the University or the Foundation.

Due from State

The State Director of Finance is responsible for the safekeeping of all cash in the State Treasury in accordance with State laws. Currently, separate accounts are not maintained in the State Treasury for the University's general operating and capital appropriations. Although these appropriations are available to the University to expend, custody and ownership of the funds remains with the State.

University of Hawai'i
State of Hawai'i
Notes to Consolidated Financial Statements
June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

Unspent general and capital appropriations that continue to be available to the University for expenditure at the end of the fiscal year are reported as Due from State of Hawai'i in the accompanying consolidated Statements of Net Assets.

Perpetual Trusts

The Foundation is the beneficiary of certain perpetual trusts held and administered by others. The fair value of the estimated future cash receipts from the trusts are recognized as assets and contribution revenues at the dates the trusts are established. Distribution revenues from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in fair value.

Split Interest Agreements

The Foundation's split interest agreements with donors consist of irrevocable pooled income funds, charitable remainder trusts and charitable gift annuities for which the Foundation serves as trustee. Assets held under the split interest agreements are included in investments. Contribution revenues are recognized at the date the split interest agreements are established after recording liabilities for the present value (utilizing discount rates ranging from 2% to 5%) of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the split interest agreements for changes in the fair value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

Accounts Receivable

Accounts receivable are initially recorded at the amount invoiced or otherwise due and normally do not bear interest. The University maintains an allowance for doubtful accounts to reduce receivables to their estimated collectible amount. Management estimates the allowance for doubtful accounts based on a specific review of customer balances, the overall aging of outstanding balances, historical collection experience and current business and economic conditions. Generally, accounts past due by more than 30 days are considered delinquent. Delinquent accounts are written off upon approval of University general counsel and when, in the judgment of management, they are deemed uncollectible based on an evaluation of the specific circumstances.

Contributions

The Foundation receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In absence of such a promise, revenue is recognized when the gift is received. Endowment pledges that do not meet eligibility requirements, as defined by GASB Statement No. 33, are not recorded as assets until the related gift is received.

Capital Assets

Capital assets are recorded at cost, or if donated, at an appraised value at the date of gift. Depreciation of capital assets is provided for on a straight-line basis over the estimated useful lives (3 to 100 years) of the respective assets. The University's policy is to capitalize tangible non-expendable personal property having an estimated useful life of more than one year. Interest incurred on construction financing net of investment income on any unspent financing proceeds is capitalized as a cost of construction. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered. Accordingly, such collections are not recognized or capitalized for financial statement purposes. Maintenance and repairs, as well as

University of Hawai'i
State of Hawai'i
Notes to Consolidated Financial Statements
June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

minor replacements, renewals and betterments, are charged to operations. Major renewals, replacements and betterments are capitalized in the year incurred. Capital assets retired or otherwise disposed of are removed from the appropriate asset and related accumulated depreciation accounts. Gains and losses on disposals and the net book value of transfers of capital assets are charged to operations.

The University evaluates the future service utility of capital assets when events or changes in circumstances have occurred. A diminished service utility of the University's capital assets is reported as an impairment loss and netted against any insurance or appropriated recoveries.

Advances from Sponsors

Amounts received from grant and contract sponsors which have not been earned under the terms of the agreement are deferred and reported as advances from sponsors in the consolidated Statements of Net Assets.

Deferred Revenue

Deferred revenue includes amounts received in advance of an event such as student tuition and advance sports ticket sales related to future years.

Post Employment Benefits

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was adopted by the University during the year ended June 30, 2008. Statement No. 45 requires accrual-based measurement, recognition and disclosure of other postemployment benefits ("OPEB") expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability. Previously, the University recorded retiree medical and dental costs as they were paid and did not recognize the liability in its consolidated financial statements. The implementation of GASB Statement No. 45 resulted in the University recording OPEB expense of \$88,560 for the year ended June 30, 2008 and an OPEB obligation liability of \$62,851 as of June 30, 2008. The University remitted \$41,217 in State assessed OPEB contributions, which exceeded the University's actuarially determined minimum OPEB contribution of \$25,709. The \$15,508 excess remittance was reported with Transfers to State for Fringe Benefits.

Revenue Bonds Payable

Revenue bonds payable include outstanding amounts due from the issuance of revenue bonds by the University. The University defers recognition of bond refunding and issuance costs, and amortizes these costs as well as the premiums on bonds payable over the life of the bonds using the effective interest rate method.

Net Assets

The University's net assets are classified into the following four net asset categories:

- Invested in capital assets, net of related debt: This component of net assets represents the University's total investment in capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those capital assets.

University of Hawai'i
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Notes to Consolidated Financial Statements
June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

- Restricted:
 - Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.
 - Expendable – Net assets that are restricted for specific purposes by sponsors, donors, or law. Restrictions in these assets are released when the University complies with the stipulations required by the sponsor, donor, or legislative act.
- Unrestricted: Net assets not classified as restricted or invested in capital assets and are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Regents ("Board") or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted assets are designated for academic and research programs and initiatives, and capital asset programs.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available to pay the expenses, resources are generally applied proportionate to the benefit realized. For instances in which such a determination is not feasible or if there are cost compliance issues, unrestricted resources are applied first

Net Assets Restricted by Enabling Legislation

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*, requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 46 also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Restricted net assets at June 30, 2009 and 2008 amounted to \$540,890 and \$569,678, respectively, of which \$395,771 and \$237,263 was restricted by enabling legislation.

Operating and Nonoperating Activities

The University's policy for defining operating activities as reported on the consolidated Statements of Revenues, Expenses, and Changes in Net Assets are those that generally result from exchange transactions such as payments received for providing services and goods and payments made for services and goods received. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts and investment income.

Student tuition and fees revenues are recognized in the period earned. Revenues for programs that cross fiscal years are prorated between the two fiscal years.

The University recognizes revenue associated with the direct costs of research and training grants and contracts as the related expenditures are incurred.

Bookstore revenues are recognized at the point of sale. Sales returns (which are not significant) are recognized at the time returns are made.

University of Hawai'i
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Notes to Consolidated Financial Statements
June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

Room and other rental revenues are recognized over the period the room is occupied. Room and other rental revenues for the summer term are recognized in the fiscal year in which the term primarily falls. Had room and other rental revenues for the summer term been prorated between fiscal years, the difference would not be material.

Scholarships and Fellowships

Scholarships and fellowships, including tuition and fee waivers applied to student accounts, are shown as a reduction to student tuition and student housing revenues. Stipend and other payments made directly to students are reflected as scholarships and fellowships expense.

State Appropriations

The University recognizes general operating and capital appropriations as nonoperating revenue when allotments are made available to the University for expenditure. If restrictions are placed on such appropriations, the restrictions are given separate and discrete accounting recognition.

Management's Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. These estimates, among others, include workers' compensation liabilities, allowances for uncollectible accounts, the useful lives of capital assets, the valuation of investments and the current versus noncurrent classification of assets and liabilities.

The University uses a third party actuary to estimate its workers' compensation liability. Changes in the liability are the result of claims payments made during the fiscal year, new claims filed and changes in the estimates of existing claims. Anticipated payments by the third party for the next fiscal year are considered current and payments thereafter are considered noncurrent. The liability at June 30, 2009 and 2008 represents the University's best estimate of workers' compensation liabilities based on available information.

The University also uses a third party actuary to estimate its postretirement healthcare and life insurance benefit obligation. The assumptions used to determine the liability are described in Note 15.

The allowance for doubtful accounts is a valuation account used to estimate the portion of accounts, notes and contributions receivable that are considered uncollectible. Estimates for uncollectible accounts are based on the age of the receivable and likelihood of payment.

The University depreciates their capital assets using useful lives internally or externally determined to represent the expected service period of the asset.

The fair value of investments has been determined using values supplied by independent pricing services.

Reclassifications

Certain amounts in the 2008 consolidated financial statements have been reclassified to conform to the 2009 presentation. Such reclassifications have no impact on the 2008 change in net assets as previously reported.

University of Hawai'i
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Notes to Consolidated Financial Statements
June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

2. Cash Held by the University

The carrying amounts of cash and cash equivalents and time certificates of deposit held outside of the State Treasury as of June 30, 2009 and 2008 were \$139,878 and \$90,496, with corresponding bank balances of \$174,317 and \$124,234, respectively. The portion of such bank balances covered by federal deposit insurance or by collateral held by the State Director of Finance in the name of the University totaled \$174,004 as of June 30, 2009 and \$122,816 as of June 30, 2008. Additional cash equivalent balances of \$14,887 as of June 30, 2009 and \$11,132 as of June 30, 2008 represent deposits with investment brokers covered by the Securities Investor Protection Corporation and additional insurance provided by the investment brokers.

The University's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and fluctuations embodied in forward and futures, commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the consolidated Statements of Net Assets and are not represented by the contract or notional amounts of the instruments.

Endowment funds are combined in investment pools with each individual account subscribing to or disposing of shares on the basis of the market value per share.

Cost of securities sold is determined using the first-in first-out method.

As a result of market declines, the fair market value of certain donor-restricted endowments was less than the historical cost value of such funds by \$988 and \$500 at June 30, 2009 and 2008, respectively. These unrealized losses have been recorded as reductions in unrestricted net assets. Future market gains will be used to restore this deficiency in unrestricted net assets before any net appreciation above the historical cost value of such funds increases restricted expendable net assets.

Endowment funds are received from benefactors who, by the terms of their conveying instruments, have stipulated that the principal of their gifts may never be expended, and use of the income is generally restricted.

Quasi-endowment funds are funds that have been transferred to the endowment funds by the Board of Regents ("Board"). Use of the income is either restricted by the donor or unrestricted and designated by the Board.

State law allows spending of net appreciation, realized and unrealized in the fair value of the assets, of an endowment fund over the historic dollar value of the fund as is prudent under the standard established by Hawai'i Revised Statute §517D-4. The University distributes its endowment fund income in accordance with its Board approved spending rate policy, which is consistent with state law. In fiscal years 2009 and 2008, the University's spending rate policy provided for annual distributions ranging from 3% to 5% of the five-year moving average of the endowment fair value.

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Investment management fees paid by the University during fiscal years 2009 and 2008 approximated \$1,354 and \$1,640, respectively.

At June 30, 2009 and 2008, the University's investments were comprised of the following:

	2009		2008	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 26,684	\$ 26,684	\$ 19,842	\$ 19,842
Fixed income securities	285,047	281,168	147,297	145,093
Equity securities	24,143	26,687	30,660	29,690
Mutual funds	39,398	43,449	57,903	55,430
Time certificates of deposit	104,979	104,979	3,968	3,968
Student loan auction rate securities	108,500	108,500	117,050	117,050
Investment agreements	-	-	48,273	48,273
Limited partnerships	37,874	51,471	33,840	37,299
Absolute return	17,436	18,494	24,869	23,140
Real assets	9,182	10,241	28,637	16,357
Other investments	27,804	34,061	28,415	28,717
Total investments	681,047	705,734	540,754	524,859
Less: Current portion	178,621	177,855	75,469	75,047
Total noncurrent investments	<u>\$ 502,426</u>	<u>\$ 527,879</u>	<u>\$ 465,285</u>	<u>\$ 449,812</u>

Due to uncertainties surrounding the timing of liquidation of our auction rate securities, which are comprised of AAA-rated student-loan-backed taxable securities, all of the University's investments in such securities are classified as long-term investments in the consolidated Statements of Net Assets. Liquidity for these auction rate securities is typically provided by an auction process which allows holders to sell their notes and resets the applicable interest rate at pre-determined intervals, usually every 7 to 28 days. On an industry-wide basis, many auctions have failed, and there is, as yet, no meaningful secondary market for these instruments. The securities held by the University for which auctions have failed continue to earn interest at the contractual rate and are auctioned every 7 to 28 days until either the auction succeeds, the issuer calls the securities, or they mature. While the University's ability to liquidate the carrying value of its auction rate securities in the near term may be limited, management believes it is appropriate to report the University's auction rate securities at par value since the University continues to receive its contractual interest payments in a timely manner, recent successful auctions have been executed at par value, and the University has no intention of settling its auction rate securities at less than par value. Management also believes that the current lack of liquidity of auction rate securities will not have a material adverse effect upon the University's operational capabilities.

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Changes in University's investments for the year ended June 30, 2009 were as follows:

	Fair Value	Cost Basis	Net Unrealized Gain/(Loss)	Net Realized Gain/(Loss)
University Endowment Pool				
End of year	\$ 49,936	\$ 53,857	\$ (3,921)	
Beginning of year	<u>56,732</u>	<u>56,530</u>	<u>202</u>	
Net change	<u>(6,796)</u>	<u>(2,673)</u>	<u>(4,123)</u>	\$ (4,633)
Foundation Endowment Pool				
End of year	146,214	166,861	(20,647)	
Beginning of year	<u>182,338</u>	<u>167,308</u>	<u>15,030</u>	
Net change	<u>(36,124)</u>	<u>(447)</u>	<u>(35,677)</u>	1,883
Associated Students of the University of Hawai'i				
End of year	5,583	5,816	(233)	
Beginning of year	<u>6,718</u>	<u>6,856</u>	<u>(138)</u>	
Net change	<u>(1,135)</u>	<u>(1,040)</u>	<u>(95)</u>	(1,073)
School of Medicine				
End of year	11,936	11,920	16	
Beginning of year	<u>11,788</u>	<u>11,769</u>	<u>19</u>	
Net change	<u>148</u>	<u>151</u>	<u>(3)</u>	-
University Bond System				
End of year	124,619	124,489	130	
Beginning of year	<u>48,273</u>	<u>48,273</u>	<u>-</u>	
Net change	<u>76,346</u>	<u>76,216</u>	<u>130</u>	-
Operating investments				
End of year	178,621	177,855	766	
Beginning of year	<u>75,469</u>	<u>75,047</u>	<u>422</u>	
Net change	<u>103,152</u>	<u>102,808</u>	<u>344</u>	269
Auction rate securities				
End of year	108,500	108,500	-	
Beginning of year	<u>117,050</u>	<u>117,050</u>	<u>-</u>	
Net change	<u>(8,550)</u>	<u>(8,550)</u>	<u>-</u>	-
Other				
End of year	55,638	56,436	(798)	
Beginning of year	<u>42,386</u>	<u>42,026</u>	<u>360</u>	
Net change	<u>13,252</u>	<u>14,410</u>	<u>(1,158)</u>	414
Total investments				
End of year	681,047	705,734	(24,687)	
Beginning of year	<u>540,754</u>	<u>524,859</u>	<u>15,895</u>	
Net increase (decrease)	<u>\$ 140,293</u>	<u>\$ 180,875</u>	<u>\$ (40,582)</u>	<u>\$ (3,140)</u>

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Changes in University's investments for the year ended June 30, 2008 were as follows:

	Fair Value	Cost Basis	Net Unrealized Gain/(Loss)	Net Realized Gain/(Loss)
University Endowment Pool				
End of year	\$ 56,732	\$ 56,530	\$ 202	
Beginning of year	<u>60,882</u>	<u>55,251</u>	<u>5,631</u>	
Net change	<u>(4,150)</u>	<u>1,279</u>	<u>(5,429)</u>	\$ 1,050
Foundation Endowment Pool				
End of year	182,338	167,308	15,030	
Beginning of year	<u>176,388</u>	<u>144,123</u>	<u>32,265</u>	
Net change	<u>5,950</u>	<u>23,185</u>	<u>(17,235)</u>	11,733
Associated Students of the University of Hawai'i				
End of year	6,718	6,856	(138)	
Beginning of year	<u>7,284</u>	<u>6,475</u>	<u>809</u>	
Net change	<u>(566)</u>	<u>381</u>	<u>(947)</u>	325
School of Medicine				
End of year	11,788	11,769	19	
Beginning of year	<u>14,548</u>	<u>14,532</u>	<u>16</u>	
Net change	<u>(2,760)</u>	<u>(2,763)</u>	<u>3</u>	-
University Bond System				
End of year	48,273	48,273	-	
Beginning of year	<u>89,871</u>	<u>89,871</u>	<u>-</u>	
Net change	<u>(41,598)</u>	<u>(41,598)</u>	<u>-</u>	-
Operating investments				
End of year	75,469	75,047	422	
Beginning of year	<u>127,931</u>	<u>128,063</u>	<u>(132)</u>	
Net change	<u>(52,462)</u>	<u>(53,016)</u>	<u>554</u>	257
Auction rate securities				
End of year	117,050	117,050	-	
Beginning of year	<u>64,000</u>	<u>64,000</u>	<u>-</u>	
Net change	<u>53,050</u>	<u>53,050</u>	<u>-</u>	-
Other				
End of year	42,386	42,026	360	
Beginning of year	<u>33,192</u>	<u>32,885</u>	<u>307</u>	
Net change	<u>9,194</u>	<u>9,141</u>	<u>53</u>	134
Total investments				
End of year	540,754	524,859	15,895	
Beginning of year	<u>574,096</u>	<u>535,200</u>	<u>38,896</u>	
Net increase (decrease)	<u>\$ (33,342)</u>	<u>\$ (10,341)</u>	<u>\$ (23,001)</u>	<u>\$ 13,499</u>

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	2009	2008
Summary of net investment income		
Change in unrealized net gain (loss)	\$ (40,582)	\$ (23,001)
Net realized gain	<u>(3,396)</u>	<u>13,499</u>
	(43,978)	(9,502)
Interest in perpetual trusts	(1,916)	(1,003)
Split interest agreements	(1,736)	262
Amounts held for others	419	40
Investment income used to finance construction costs	(140)	(518)
Interest and dividend income	<u>16,777</u>	<u>23,023</u>
Investment income before management fees	(30,574)	12,302
Less: Management Fees	<u>(1,354)</u>	<u>(1,640)</u>
Net investment income	<u>\$ (31,928)</u>	<u>\$ 10,662</u>

The Board is responsible for the establishment of policies over and monitoring of operating investments and endowments held by the University. Investments authorized by the Board include equity investments, bond investments, certificates of deposit, money market funds, U.S. Government, its Agencies, or its Instrumentalities securities, securities guaranteed by or collateralized by securities guaranteed by the U.S. Government, its Agencies or its Instrumentalities and other types of investments.

The Board of Directors of the Foundation is responsible for the establishment of policies over and monitoring of investments and endowments held by the Foundation.

Investment Risk Factors

There are many factors that affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk

Credit risk for fixed income securities is the risk that the issuer will not fulfill its obligations. Nationally recognized statistical rating organizations, such as Moody's and Standard and Poor's, assign credit ratings to security issuers and issues that indicate a measure of potential credit risk to investors. To manage credit risk, the University specifies that all nonconvertible bonds should have at least a "BBB" rating or higher and be readily marketable. In addition, no more than 15% of the fixed income investments may be graded with an S&P quality rating below "A".

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The composition of fixed income securities at June 30, 2009 and 2008, along with credit quality ratings is summarized below:

2009	Fair Value	Credit Quality Rating				
		U.S. Govt-Exempt	AAA	AA	A	BBB
U.S. Treasury	\$ 6,492	\$ 6,492	\$ -	\$ -	\$ -	\$ -
U.S. government agencies	254,495	357	254,138	-	-	-
Corporate bonds	24,059	258	3,367	11,581	6,099	2,754
Total fixed income securities	\$ 285,046	\$ 7,107	\$ 257,505	\$ 11,581	\$ 6,099	\$ 2,754

2008	Fair Value	Credit Quality Rating				
		U.S. Govt-Exempt	AAA	AA	A	BBB
U.S. Treasury	\$ 3,994	\$ 3,994	\$ -	\$ -	\$ -	\$ -
U.S. government agencies	126,423	1,993	124,430	-	-	-
Corporate bonds	16,880	314	8,332	2,074	4,468	1,692
Total fixed income securities	\$ 147,297	\$ 6,301	\$ 132,762	\$ 2,074	\$ 4,468	\$ 1,692

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a longer time to maturity tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter maturities.

At June 30, 2009, the composition of the University's fixed income investments and maturities are summarized below:

2009	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury	\$ 6,492	\$ 790	\$ 4,714	\$ 944	\$ 44
U.S. government agencies	254,495	107,226	143,217	2,032	2,020
Corporate bonds	24,059	523	11,268	12,163	105
Total fixed income securities	\$ 285,046	\$ 108,539	\$ 159,199	\$ 15,139	\$ 2,169

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit development. The University limits its risk of concentration of assets by limiting individual bond positions other than obligations of the U.S. government to not more than 5% of the total fixed income portion of the portfolio. Individual equities are limited to not more than 5% of the total market value of the stock portfolio. In addition, investment in any one stock is not to exceed 5% of a corporation's outstanding common stock.

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Foreign Currency Risk

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policy permits investment in publicly traded foreign securities.

At June 30, 2009 and 2008, the University's exposure to foreign currency risk expressed in U.S. dollars was as follows:

	2009	2008
Equity securities		
Australian Dollar	\$ 867	\$ 265
Bermudian dollar	424	571
Brazilian real	1,231	1,357
British pound	6,616	9,398
Canadian dollar	205	301
Chinese Yuan	135	86
Danish Krone	53	68
Euro	13,692	16,503
Hong Kong dollar	1,237	1,373
Indian Rupee	409	351
Indonesian Ruphia	59	40
Israeli Shekel	38	41
Japanese yen	12,189	16,382
Korean won	1,405	1,614
Malaysian Ringgit	138	171
Mexican peso	969	1,133
North Korean Won	-	246
New Zealand dollar	172	229
Norwegian Krone	17	14
Philippine Peso	55	52
Polish Zloty	567	-
Russian Ruble	37	37
Singapore dollar	1,247	1,405
South African Rand	52	65
Sri Lankan Rupee	21	22
Swedish Krona	715	839
Swiss franc	1,493	1,731
Taiwanese dollar	512	880
Thai Baht	338	350
Turkish Lira	14	-
Other	48	-
Total exposure to foreign currency risk	<u>\$ 44,955</u>	<u>\$ 55,524</u>

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3. Accounts Receivable

The composition of accounts receivable at June 30, 2009 and 2008 are summarized as follows:

	2009	2008
U.S. government	\$ 55,878	\$ 51,273
State and local government	7,869	12,211
Private agencies	10,310	17,532
Other	28,497	28,041
	<u>102,554</u>	<u>109,057</u>
Less: Allowance for doubtful accounts	(13,973)	(17,667)
	<u>\$ 88,581</u>	<u>\$ 91,390</u>

4. U.S. Government Funding

The federal government reimburses the University for certain overhead costs (e.g., facilities and administrative costs) incurred in support of federally sponsored programs based on cost reimbursement rates negotiated with the University's cognizant agency, the U.S. Department of Health and Human Services. These reimbursements amounted to approximately \$39,589 in 2009 and \$38,369 in fiscal year 2008. During fiscal year 2009, the University expended 98.11% and 1.89% of this cost recovery on research and training programs and discovery and inventions, respectively. During fiscal year 2008, the University expended 98.92% and 1.08% of this cost recovery on research and training programs and discovery and inventions, respectively.

The University's federal grants and contracts are subject to periodic audit by federal examiners. In the opinion of the University, any adjustments which may be required as a result of these audits would not be material to the overall financial position of the University.

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5. Notes and Contributions Receivable

The composition of notes and contributions receivable at June 30, 2009 and 2008 are summarized as follows:

	2009	2008
Student notes		
Federal loan programs	\$ 20,614	\$ 19,658
State loan programs	7,536	6,098
University loan funds	61	58
Other notes receivable	125	149
Total student and other notes outstanding	<u>28,336</u>	<u>25,963</u>
Less: Allowance for doubtful notes receivable	<u>(5,912)</u>	<u>(5,955)</u>
Total student and other notes receivable, net	<u>22,424</u>	<u>20,008</u>
Contributions receivable	23,983	28,698
Less: Allowance for uncollectible pledges	(1,062)	(1,001)
Less: Discount to present value	<u>(347)</u>	<u>(351)</u>
Total contributions receivable, net	<u>22,574</u>	<u>27,346</u>
Total notes and contributions receivable, net	44,998	47,354
Less: Current portion, net	<u>(13,019)</u>	<u>(14,523)</u>
	<u>\$ 31,979</u>	<u>\$ 32,831</u>

The allowance for doubtful notes receivable at June 30, 2009 and 2008 are comprised of:

	2009	2008
Federal Perkins loan program	\$ 3,352	\$ 3,564
State of Hawai'i Higher Education loans	2,471	2,268
Nursing/Health Profession loans	30	66
Short-term loans	59	57
	<u>\$ 5,912</u>	<u>\$ 5,955</u>

Payments on contributions receivable at June 30, 2009 are expected to be collected in:

Less than one year	\$ 10,000
One year to five years	<u>13,983</u>
	<u>\$ 23,983</u>

The principal repayment and interest rate terms of federal and University loans vary considerably. The allowance for doubtful notes receivable only applies to University funded notes and the University's portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. Federal loan programs are funded principally with federal advances to the University under the Perkins and various health professions loan programs.

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The Federal Perkins loan program provides for the assignment of uncollectible loans to the U.S. Department of Education for collection. Uncollectible Nursing and Health Profession loans may be written off with the approval of the U.S. Department of Health and Human Services, Division of Financing Services. Uncollectible State of Hawai'i Higher Education loans and University short-term loans may be written off with the approval of the University's General Counsel.

As discussed in Note 1 to the consolidated financial statements, pledges for permanent endowments do not meet eligibility requirements, as defined by GASB Statement No. 33, until the related gift is received. Accordingly, permanent endowment pledges totaling approximately \$5,337 and \$5,072 at June 30, 2009 and 2008, respectively, were not recognized as assets in the accompanying consolidated financial statements because of uncertainties with regard to their realizability, valuation, bequest intentions and other conditional promises until the specified conditions are met.

Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in private gift revenues.

6. Inventories

The inventories and the methods of valuation at June 30, 2009 and 2008 are comprised of:

		2009	2008
University of Hawai'i Bookstore merchandise inventory	Lower of cost or market using the first-in, first-out retail inventory method	\$ 11,700	\$ 10,722
University of Hawai'i Chemistry Stockroom	Cost applied on the first-in, first-out basis.	1,202	1,222
University of Hawai'i Press merchandise inventory	Job order or specific identification method. Books remaining in the inventory after the first year of publication are written off on the straight-line basis over a five-year period.	905	922
University of Hawai'i other cost of goods sold	Cost applied on the first-in, first-out basis.	464	550
		<u>\$ 14,271</u>	<u>\$ 13,416</u>

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7. Capital Assets

A summary of capital assets at June 30, 2009 and 2008 is as follows:

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
2009					
Nondepreciable capital assets					
Land	\$ 12,486	\$ -	\$ -	\$ -	\$ 12,486
Construction in progress	211,866	136,798	4,478	(172,485)	171,701
Total capital assets not being depreciated	224,352	136,798	4,478	(172,485)	184,187
Depreciable capital assets					
Land improvements	79,703	191	1,672	5,131	83,353
Infrastructure	74,888	368	-	7,634	82,890
Buildings	1,188,899	19,918	8,839	152,551	1,352,529
Equipment	269,778	16,588	15,581	7,169	277,954
Library materials	160,337	4,036	1,969	-	162,404
Total capital assets being depreciated	1,773,605	41,101	28,061	172,485	1,959,130
Less: Accumulated depreciation	(809,322)	(79,228)	(21,151)	-	(867,399)
Capital assets, net	\$ 1,188,635	\$ 98,671	\$ 11,388	\$ -	\$ 1,275,918
2008					
Nondepreciable capital assets					
Land	\$ 11,827	\$ 659	\$ -	\$ -	\$ 12,486
Construction in progress	146,623	151,988	1,490	(85,255)	211,866
Total capital assets not being depreciated	158,450	152,647	1,490	(85,255)	224,352
Depreciable capital assets					
Land improvements	75,816	49	676	4,514	79,703
Infrastructure	55,327	139	-	19,422	74,888
Buildings	1,130,857	16,889	16,186	57,339	1,188,899
Equipment	255,785	18,573	8,560	3,980	269,778
Library materials	153,664	6,942	269	-	160,337
Total capital assets being depreciated	1,671,449	42,592	25,691	85,255	1,773,605
Less: Accumulated depreciation	(755,869)	(71,226)	(17,773)	-	(809,322)
Capital assets, net	\$ 1,074,030	\$ 124,013	\$ 9,408	\$ -	\$ 1,188,635

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Capital assets consist of land, land improvements, infrastructure, buildings, equipment, library materials, and construction in progress. Assets acquired are recorded at cost, or if donated, at appraised value at the date of the gift. Land parcels comprising 1,581 acres or 93% of the University's property is recorded at the State's value of \$1 per parcel. Assets owned by the federal government, although in the custody of the University, are not included in the capital asset total.

The State Department of Accounting and General Services ("DAGS") administer a few of the University's construction projects. Upon completion, the University records the total project cost, including amounts funded from state and federal sources. Capital assets transferred to the University from DAGS amounted to \$17,696 and \$16,256 in 2009 and 2008, respectively.

8. Other Noncurrent Assets

Other noncurrent assets at June 30, 2009 and 2008 were comprised of:

	2009	2008
Interest in beneficial trusts held by others	17,108	\$ 19,201
Deferred bond refunding and issuance costs (Note 11)	8,619	9,206
	<u>\$ 25,727</u>	<u>\$ 28,407</u>

9. Due From and Due To the State of Hawai'i

Amounts due from and due to the State of Hawai'i at June 30, 2009 and 2008 were as follows:

	2009		2008	
	Due from	Due to	Due from	Due to
State appropriations for current operations	\$ 15,899		\$ 28,192	
Employer fringe adjustments	-		85	
Due from State of Hawai'i – current	15,899		28,277	
State capital appropriations-noncurrent	272,907		246,663	
Total due from State of Hawai'i	<u>\$ 288,806</u>		<u>\$ 274,940</u>	
Imprest/petty cash advances		\$ 264		\$ 278
Advance		6,000		6,000
General obligation bonds – current		137		1,603
Employee fringe adjustments		37		
Other		-		411
Due to State of Hawai'i – current		6,438		8,292
General obligation bonds – noncurrent		1,176		1,313
Total due to State of Hawai'i		<u>\$ 7,614</u>		<u>\$ 9,605</u>

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10. Due to the State of Hawai'i for General Obligation Bonds

Activity related to amounts due to the State of Hawai'i for general obligation bonds for the year ended June 30, 2009 was as follows:

	Original Amount	Beginning Balance	Principal Repayment	Ending Balance
Series CS (interest rate, 5.00% to 5.25%):				
Student Housing				
Mānoa	5,019	829	829	-
Hilo	979	162	162	-
Parking Structure Phase I	2,915	481	481	-
	<u>8,913</u>	<u>1,472</u>	<u>1,472</u>	<u>-</u>
Series DB (interest rate 2.80% to 5.25%)				
Student Housing				
Mānoa	731	731	67	664
Hilo	143	143	13	130
Parking Structure Phase I	425	425	39	386
	<u>1,299</u>	<u>1,299</u>	<u>119</u>	<u>1,180</u>
Series DG (interest rate 5.00%):				
Student Housing				
Mānoa	82	82	7	75
Hilo	16	16	1	15
Parking Structure Phase I	47	47	4	43
	<u>145</u>	<u>145</u>	<u>12</u>	<u>133</u>
	<u>\$ 10,357</u>	<u>\$ 2,916</u>	<u>\$ 1,603</u>	<u>\$ 1,313</u>

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Activity related to amounts due to the State of Hawai'i for general obligation bonds for the year ended June 30, 2008 was as follows:

	Original Amount	Beginning Balance	Principal Repayment	Ending Balance
Series X (interest rate, 4.00% to 5.00%):				
Mānoa Student Housing Phase II	\$ 3,000	\$ 185	\$ 185	\$ -
Mānoa Campus Center	2,125	130	130	-
	<u>5,125</u>	<u>315</u>	<u>315</u>	<u>-</u>
Series CS (interest rate, 5.00% to 5.25%):				
Student Housing				
Mānoa	5,019	1,618	789	829
Hilo	979	316	154	162
Parking Structure Phase I	2,915	939	458	481
	<u>8,913</u>	<u>2,873</u>	<u>1,401</u>	<u>1,472</u>
Series DB (interest rate 2.80% to 5.25%)				
Student Housing				
Mānoa	731	731	-	731
Hilo	143	143	-	143
Parking Structure Phase I	425	425	-	425
	<u>1,299</u>	<u>1,299</u>	<u>-</u>	<u>1,299</u>
Series DG (interest rate 5.00%):				
Student Housing				
Mānoa	82	82		82
Hilo	16	16		16
Parking Structure Phase I	47	47		47
	<u>145</u>	<u>145</u>	<u>-</u>	<u>145</u>
	<u>\$ 15,482</u>	<u>\$ 4,632</u>	<u>\$ 1,716</u>	<u>\$ 2,916</u>

General obligation bonds are payable in annual installments, including semi-annual interest payments, ranging from \$129 to \$3,393 with payment due in July 2017. The bonds mature in designated numerical sequence and are payable from the operations of the University. The first principal payment on Series DB and DG were due on September 1, 2008 and July 1, 2009, respectively. The interest and principal payments are due as follows:

	Principal	Interest
Series CS	April 1	April 1 and October 1
Series DB	Sept 1	March 1 and September 1
Series DG	July 1	January 1 and July 1

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At June 30, 2009, principal and interest maturities on general obligation bonds for each of the next five years, the next subsequent five-year payments and thereafter are as follows:

Year ending June 30	Principal	Interest
2010	\$ 137	\$ 7
2011	144	6
2012	151	6
2013	159	5
2014	167	4
2015–2019	555	5
	<u>\$ 1,313</u>	<u>\$ 33</u>

The general obligation bonds have provisions for early redemption. The premiums on bond redemption, as a percentage of bond principal redeemed, range from 0.5% to 2%.

In June 2005, the State issued \$772,600 and \$18,700 in general obligation Series DG and DH bonds (refunding bonds), respectively, of which the University's portion was approximately \$145 and \$4, with a 5% interest rate to advance refund approximately \$152 (University's portion) of outstanding general obligation Series CG bonds (refunded bonds) which have been partially defeased. The net proceeds from the issuance of the refunding bonds were placed in an irrevocable trust and were used to purchase securities of the United States government at various interest rates and maturities sufficient to meet the debt service requirements of the refunded bonds.

In September 2003, the State issued \$188,700 in general obligation Series DB bonds (refunding bonds) of which the University's portion was approximately \$1,300, with interest rates ranging from 2.80% to 5.25% to advance refund approximately \$1,300 (University's portion) of outstanding general obligation Series CG bonds (refunded bonds) which have been partially defeased. The net proceeds from the issuance of the refunding bonds were placed in an irrevocable trust and were used to purchase securities of the United States government at various interest rates and maturities sufficient to meet the debt service requirements of the refunding bonds.

Act 158-SLH 2008, Section 4, provided general fund appropriation to pay for debt service on general obligation bonds issued for the University and transferred to the financial administration program of the Department of Budget and Finance. Appropriation for debt service amounted to \$87,675 and \$83,869 for the years ended June 30, 2009 and 2008, respectively.

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11. Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2009 and 2008 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2009					
Leases and bonds payable					
Revenue bonds payable	\$ 263,045	\$ 100,000	\$ 4,415	\$ 358,630	\$ 7,030
Capital lease payable (Note 11)	13,820	-	13,820	-	-
Total leases and bonds payable	276,865	100,000	18,235	358,630	7,030
Other liabilities					
Workers' compensation	12,579	5,106	4,908	12,777	4,520
Accrued vacation	61,598	26,379	20,299	67,678	25,339
Postretirement healthcare / life insurance benefits (Note 15)	62,851	94,770	29,710	127,911	-
Installment contract payable (Note 16)	364	-	317	47	47
Total other liabilities	137,392	126,255	55,234	208,413	29,906
Total long-term liabilities	<u>\$ 414,257</u>	<u>\$ 226,255</u>	<u>\$ 73,469</u>	<u>\$ 567,043</u>	<u>\$ 36,936</u>
2008					
Leases and bonds payable					
Revenue bonds payable	\$ 264,065	\$ -	\$ 1,020	\$ 263,045	\$ 4,415
Capital lease payable (Note 11)	14,255	-	435	13,820	460
Total leases and bonds payable	278,320	-	1,455	276,865	4,875
Other liabilities					
Workers' compensation	11,137	3,567	2,125	12,579	4,314
Accrued vacation	56,030	23,699	18,131	61,598	23,766
Notes payable – RCUH	89	-	89	-	-
Postretirement healthcare / life insurance benefits (Note 15)	-	88,560	25,709	62,851	-
Installment contract payable (Note 16)	249	352	237	364	316
Total other liabilities	67,505	116,178	46,291	137,392	28,396
Total long-term liabilities	<u>\$ 345,825</u>	<u>\$ 116,178</u>	<u>\$ 47,746</u>	<u>\$ 414,257</u>	<u>\$ 33,271</u>

Revenue Bonds Payable

The University's revenue bonds payable at June 30, 2009 and 2008 are as follows:

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	Series	Date Issued	Authorized	2009	2008
Student Housing System at Mānoa and Telecommunications System (interest rate, 3.0% to 5.25%)	2001B	December 19, 2001	\$ 18,665	\$ 12,425	\$ 13,500
University Health & Wellness Center (interest rate 2.70% to 5.59%)	2002A	June 27, 2002	150,000	12,820	15,735
Frear Hall Construction, Student Housing System at Mānoa, Food Service System and Student Housing System at Hilo (interest rate, 3.25% to 5.0%)	2006A	December 13, 2006	100,000	100,000	100,000
University Health & Wellness Center (interest rate. 3.5% to 5.0%)	Ref 2006A	October 25, 2006	133,810	133,385	133,810
Various acquisition and construction projects (interest rate. 2.5% to 6.0%)	2009A	April 15, 2009	100,000	100,000	-
			<u>\$ 502,475</u>	<u>\$ 358,630</u>	<u>\$ 263,045</u>

In April 2009, the University issued \$100,000 Series 2009A Bonds for the purpose of financing the costs of certain University projects. These University projects include the identification and acquisition of an existing apartment complex on Oahu for conversion to faculty housing, the development of new faculty housing units on Oahu, the acquisition and conversion of apartments on the Hilo Campus for student housing, renovations to student housing at Hale Aloha, the development of the University of Hawaii West Oahu Kapolei Campus, the acquisition of Waianae Education Center, the repayment of indebtedness issued on behalf of the University by the Housing Finance and Development Corporation in November 1995 to finance the Kau'iokahaloa Nui Faculty Housing, additions to the University Biomedical Science Building on the Manoa Campus, and additions to the Campus Center on the Hilo Campus.

The University receives funds from the State of Hawai'i Tobacco Settlement Special Fund, which are solely applied to the payment of principal and interest on the Series 2002A and Refunding Series 2006A bonds. The funds received from the State of Hawai'i Tobacco Settlement Special Fund amounted to \$14,787 in 2009 and \$21,272 in 2008.

The revenue bonds are paid from certain unrestricted revenues in annual installments, including semi-annual interest payments ranging from \$174 to \$5,002 with the final payment due in October 2038. Series 2001B, 2006A and 2009A interest is payable semi-annually on April 1 and October 1, and the principal is payable on October 1 of each year. The Series 2002A and Refunding Series 2006A interest is payable semi-annually on January 15 and July 15, and the principal is payable on July 15 of each year. The Bond Resolution adopted on May 17, 2002 stipulates that all available moneys on deposit in any special fund or revolving fund of the University, excluding moneys on deposit in the University Revenue – Undertakings Fund ("University Bond System") are pledged to the payment of the Series 2002A bonds, interest and premiums (if any). All available moneys on deposit in any special fund or revolving fund of the University, including moneys on deposit in the University Bond System are pledged to the payment of the Series 2001B, 2006A and 2009A bonds, interest and premiums (if any).

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At June 30, 2009, future maturities of revenue bonds are as follows:

	Principal	Interest
Years ending June 30		
2010	\$ 7,030	\$ 16,336
2011	7,285	16,257
2012	9,140	15,930
2013	9,485	15,568
2014	9,880	15,180
2015–2019	55,035	68,713
2020–2024	61,715	55,055
2025–2029	75,155	38,389
2030–2034	80,280	21,027
2035–2039	43,625	5,401
	<u>\$ 358,630</u>	<u>\$ 267,856</u>

Bond Premiums

Activity related to the premiums on general obligation and revenue bonds for the years ended June 30, 2009 and 2008 are as follows:

	Series	Beginning Balance	Additions	Reductions	Ending Balance
2009					
Student Housing System at Mānoa and Telecommunications System	2001B	\$ 141	\$ -	\$ 33	\$ 108
John A. Burns School of Medicine	Ref 2006A	1,667	-	90	1,577
General obligation	DB	47	-	9	38
General obligation	DG	9	-	2	7
		<u>\$ 1,864</u>	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ 1,730</u>
Total bond premiums					
2008					
Student Housing System at Mānoa and Telecommunications System	2001B	\$ 122	\$ 19	\$ -	\$ 141
John A. Burns School of Medicine	Ref 2006A	1,724	-	57	1,667
General obligation	DB	57	-	10	47
General obligation	DG	10	-	1	9
		<u>\$ 1,913</u>	<u>\$ 19</u>	<u>\$ 68</u>	<u>\$ 1,864</u>
Total bond premiums					

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Deferred Bond Refunding and Issuance Costs

Activity related to issuance costs for general obligation and revenue bonds for the years ended June 30, 2009 and 2008 are as follows:

	Series	Beginning Balance	Additions	Reductions	Ending Balance
2009					
Student Housing System at Mānoa and Telecommunications System					
	2001B	\$ 457	\$ -	\$ 108	\$ 349
John A. Burns School of Medicine					
	Ref 2006A	8,706	-	471	8,235
General obligation					
	DB	36	-	7	29
General obligation					
	DG	7	-	1	6
Total bond issuance costs		<u>\$ 9,206</u>	<u>\$ -</u>	<u>\$ 587</u>	<u>\$ 8,619</u>
2008					
Student Housing System at Mānoa and Telecommunications System					
	2001B	\$ 395	\$ 62	\$ -	\$ 457
John A. Burns School of Medicine					
	Ref 2006A	9,004	-	298	8,706
General obligation					
	DB	44	-	8	36
General obligation					
	DG	8	-	1	7
Total bond issuance costs		<u>\$ 9,451</u>	<u>\$ 62</u>	<u>\$ 307</u>	<u>\$ 9,206</u>

Capital Lease Obligation

On November 1, 1995, the Housing Finance and Development Corporation ("HFDC") issued \$17,680 in revenue bonds to provide permanent financing for the University of Hawai'i Kau'iokahaloa Nui Faculty Housing Project. At the time of issuance, HFDC entered into a Lease and Sublease Agreement ("Agreement") with the University.

Pursuant to the Agreement, the University Bond System operates the Kau'iokahaloa Nui Faculty Housing Project and made lease rental payments to HFDC sufficient to pay the HFDC debt service. Upon retirement of the HFDC revenue bonds, HFDC's rights, title and interest in the Kau'iokahaloa Nui Faculty Housing Project would transfer to the University Bond System. The lease agreement was accounted for as a capital lease by the University Bond System. The amount capitalized was \$20,130.

In connection with the issuance of the Series 2009A revenue bonds, approximately \$13,360 of the bond proceeds was used to repay the HFDC obligation in April 2009. Accordingly, ownership of the Kau'iokahaloa Nui Faculty Project was transferred to the University Bond System. The net book value of the Kau'iokahaloa Nui Faculty Project is included in Capital Assets and was \$13,033 and \$13,549 at transfer date and June 30, 2008, respectively. At transfer date, the original basis of the capital lease asset of \$20,130 and accumulated amortization of \$7,097 was reversed and a new cost basis of \$13,032 was established for the Kau'iokahaloa Nui Faculty Project

12. Line of Credit (Research Corporation)

The Research Corporation has a revolving line of credit with First Hawaiian Bank in the amount of \$2,000 for short-term working capital, expiring on February 1, 2011. The terms of the revolving line of credit require repayment as specified in the credit agreement. All borrowings are

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collateralized by a security agreement over accounts receivable. The rate of interest on borrowings was 3.28% and 3.75% at June 30, 2009 and 2008, respectively. At June 30, 2009 and 2008, there were no borrowings under this line.

13. Property Leases

The University has entered into real property operating lease agreements with future minimum payments as follows:

Years ending June 30	Lease Amount
2010	\$ 1,437
2011	1,201
2012	990
2013	961
2014	1,040
2015–2019	584
2020–2027	534
	<u>\$ 6,747</u>

Rent expense for outside space for the years ended June 30, 2009 and 2008 approximated \$5,306 and \$4,598, respectively.

14. Employee Benefits

Employees' Retirement System

Substantially all eligible employees of the University are members of the Employees' Retirement System of the State of Hawai'i ("ERS"), a cost-sharing multiple-employer public employee retirement plan. The ERS provides retirement benefits as well as death and disability benefits.

Prior to July 1, 1984, the ERS consisted of only a contributory option. In 1984, legislation was enacted to add 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 option 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"). If the employee became a member prior to January 1, 1971, the AFC is the average salary earned during the five highest paid years of service, including the vacation payment, or three highest paid years of service, excluding the vacation payment. The AFC for members hired on or after that date is based on the three highest paid years of service, excluding the vacation payment. Contributions are based upon negotiated collective bargaining agreements, and the majority is funded by the State general fund as accrued. Subsequently, if an employee is paid from another funding source, contributions will be made from that same source. Effective

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July 1, 2005, employer contribution rates are a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liability.

On July 1, 2006, a new hybrid contributory plan became effective pursuant to Act 179, SLH of 2004. Members in the hybrid plan will be eligible for retirement at age 62 with 5 years of credited service or age 55 with 30 years of credited service. Members will receive a benefit multiplier of 2% for each year of credited service in the hybrid plan. The benefit payment options are similar to the current contributory plan. Almost 58,000 current members, all members of the noncontributory plan and certain members of the contributory plan were eligible to join the new hybrid plan. Most of the new employees hired from July 1, 2006 will be required to join the hybrid plan.

Contribution requirements are not actuarially determined, but are established by the Hawaii Revised Statutes (HRS) Chapter 88 and amended by the Hawaii state legislature. The funding method used to calculate the total employer contribution requirement is the Entry Age Normal Actuarial Cost Method. The employee contribution rate is 7.8% of salary for the Contributory Plan and 6.0% of salary for the Hybrid Plan. There is no employee contribution for the Noncontributory Plan. Employer contributions are calculated as part of the State's total contribution requirements and are reimbursed to the State's General Fund as part of the fringe benefit rate on the University employees' actual salaries. The required employer contributions for the years ended June 30, 2009, 2008, and 2007 were \$79,724, \$65,570 and \$58,141, respectively, which represented 13.75% of payroll for each year. Effective July 1, 2008, the employer contribution rate will increase to 15.00% of salary.

Actuarial valuation is prepared for the entire ERS and not separately computed for the University. Information on vested and nonvested benefits and other aspects of the ERS is also not available at the University level.

ERS issues a Comprehensive Annual Financial Report ("CAFR") that includes financial statements and required supplementary information which may be obtained from the following address:

Employees' Retirement System of the State of Hawai'i
210 Merchant Street, Suite 1400
Honolulu, Hawai'i 96813

The following data was obtained from the disclosures contained in the CAFR for the year ended June 30, 2008 is as follows:

Number of employers as of March 31, 2008 was:

State	1
Counties	<u>4</u>
Total employers	<u>5</u>

Basis of Accounting – The financial statements of the ERS are prepared using the accrual basis of accounting. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments – Plan investments are reported at fair value. Where appropriate, the fair value includes disposition costs. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are

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valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments and real estate owned are based on independent appraisals and estimated values.

Other Benefits

The State absorbs the fringe benefit cost for employees paid from State and Federal appropriations. The University receives a State appropriation for these fringe benefit costs. Fringe benefit costs included in total revenue and total expenditures amounted to \$156,203 and \$135,059 for fiscal years 2009 and 2008, respectively.

All regular employees, with certain exceptions, earn vacation leave at the rate of 14 hours for each month of service. Employees who are entitled to annual vacation may accumulate for the succeeding year or years up to 15 working days annual vacation allowance, provided that the total accumulation shall not exceed 90 working days at the end of the calendar year. Accumulated vacation leave, earned but not taken, is reflected as an accrual in the accompanying consolidated financial statements. When termination of services takes place, the employees are paid for their vacation allowance in a lump sum.

Sick leave accumulates at the rate of 14 hours for each full month of service without limit, but can be taken only in the event of an illness and is not convertible to pay upon termination of employment. Accordingly, accumulated sick leave, earned but not taken, is not reflected as an accrual in the accompanying consolidated financial statements. Employees who retire with 60 days of unused sick leave are entitled to three months of service credit in the ERS. For each additional 20 days or major fraction thereof of unused sick leave they have in excess of 60 days, their service period is increased by one month. As of June 30, 2009 and 2008, accumulated sick leave approximated \$421,568 and \$ 378,309, respectively.

The University's regular employees may enter into deferred compensation arrangements directly with authorized insurance companies or agencies through a payroll deduction plan. Accordingly, the University has no deferred compensation or withholding payable.

The University manages its workers' compensation program. Medical related payments for fiscal years 2009 and 2008 were \$1,949 and \$1,627, respectively. Temporary wage loss payments for fiscal years 2009 and 2008 amounted to \$452 and \$278, respectively.

15. Postemployment Benefits Other than Pensions

In addition to providing pension benefits, the State of Hawai'i, pursuant to HRS Chapter 87, provides other postemployment benefits ("OPEB") such as health care and life insurance benefits to all retired University employees. Effective July 1, 2007, the University implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, prospectively which establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities, note disclosure and required supplementary information in the financial reports.

Plan Description

The State contributes to the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF"), an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003, pursuant to Act 88, SLH of 2001. The EUTF was established to provide

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a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

Hawaii Employer-Union Health Benefits Trust Fund
City Financial Tower
210 Merchant Street, Suite 1520
Honolulu, Hawai'i 96813

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with 10 years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect family plan to cover dependents.

For employees hired after June 30, 1996, but before July 1, 2001, and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years, but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years, but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect family plan to cover dependents.

For employees hired on or after July 1, 2001 and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years, but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years, but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is paid for retirees in this category. Retirees can elect family coverage, but must pay the difference.

Funding Policy and Annual OPEB Cost

Employer contributions are financed on a pay-as-you-go basis. The University's contributions are calculated as part of the State's total contribution requirements and are reimbursed to the State's General Fund as part of the fringe benefit rate on the University employees' actual salaries. The University's annual OPEB cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table presents the annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for the fiscal year ended June 30, 2009 (amounts in thousands):

Projected June 30, 2009 Net OPEB Obligation ("NOO")

July 1, 2008 net OPEB obligation	\$ 62,851
Plus: Annual OPEB cost	94,770
Less: Employer contributions (estimated "pay as you go" method)	<u>29,710</u>
Equals: Expected June 30, 2009 net OPEB obligation	<u>\$ 127,911</u>

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OPEB Summary

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$94,770	31.3%	\$127,911
June 30, 2008	\$88,560	29.0%	\$62,851

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Funded Status

Actuarial valuations represent a long-term perspective and 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, investment return and health care cost trends. The projection of benefits does not explicitly incorporate the potential effects of the results of collective bargaining discussions on the contribution rate. Actuarially determined amounts are subject to periodic revisions as actual rates are compared with past expectations and new estimates are made about the future.

Funding Status as of July 1, 2008

Actuarial value of assets	\$ -
Actuarial accrued liability	1,206,264
Unfunded actuarial accrued liability ("UAAL")	<u>\$ 1,206,264</u>
Funded ratio	0%
Covered payroll (active plan members)	495,570
UAAL as a percentage of covered payroll	243.4%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear 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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions used were as follows:

Actuarial valuation date	July 1, 2007
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Amortization period	30 years
Asset valuation method	N/A
Actuarial assumptions	
Investment rate of return	5%
Projected salary increases	3.5%
Healthcare inflation rate	
Medical and Rx Pre-65	9.5% initial, 5% ultimate
Medical and Rx Post-65	10.0% initial, 5% ultimate

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16. Other Noncurrent Liabilities

Other noncurrent liabilities at June 30, 2009 and 2008 are comprised of:

	2009	2008
Liabilities under split interest agreements	\$ 4,204	\$ 4,599
Amounts held for others	1,838	2,359
Other	748	398
	<u>\$ 6,790</u>	<u>\$ 7,356</u>

17. State Appropriations

By statutory provision, the University prepares a biennium budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act of 2007, and from other specific appropriations acts in various Session Laws of Hawai'i ("SLH").

An allotment system and encumbrance accounting are utilized by the University for statutory budgetary control purposes. Obligations in the form of purchase orders or contracts are recorded as encumbrances at the time purchase orders or contracts are awarded and executed. To the extent not expended or encumbered, general fund appropriations generally lapse at the end of the fiscal year. The State Legislature specifies the lapse date and any other particular conditions relating to terminating the authorizations for other appropriations.

The net amount of the University's State general and capital appropriations for the years ended June 30, 2009 and 2008 were \$731,394 and \$142,716, and \$690,625 and \$116,910, respectively.

University of Hawai'i
State of Hawai'i
Notes to Consolidated Financial Statements
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Net general and capital appropriations for the year ended June 30, 2009 were as follows:

	FY2009
General appropriations	
Act 158, SLH 2008, Appropriation Warrant No. 38	\$ 728,300
Act 111, SLH 2007, Appropriation Warrant No. 24 (G 302)	1,402
Act 111, SLH 2007, Appropriation Warrant No. 24 (G 303)	175
Act 11, SLH 2007, Appropriation Warrant No. 84 (G 322)	150
	<u>730,027</u>
Others	
Allotments for salary increases and other adjustment	
Act 136, 137, & 138, SLH 2007	9,909
	<u>9,909</u>
	739,936
Total funds lapsed	(258)
G 09 302 Lapse adjustment	(376)
Executive restrictions	(7,908)
	<u>(8,284)</u>
Total general appropriations	<u>\$ 731,394</u>
Capital appropriations	
Act 158, SLH 2008	\$ 62,717
Act 213, SLH 2007 as amended by Act 158, SLH 2008	80,779
Section 125 & 160, Act 213, SLH 2007 as amended by Act 158, SLH2008	(682)
Total funds lapsed	(98)
Total capital appropriations	<u>\$ 142,716</u>

University of Hawai'i
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Notes to Consolidated Financial Statements
June 30, 2009 and 2008
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Net general and capital appropriations for the year ended June 30, 2008 were as follows:

Act 213, SLH 2007, Appropriation Warrant No. 18	\$ 670,485
Act 111, SLH 2007, Appropriation Warrant No. 59 (G 301)	261
Act 111, SLH 2007, Appropriation Warrant No. 59 (G 302)	1,402
Act 111, SLH 2007, Appropriation Warrant No. 59 (G 303)	175
Act 111, SLH 2007, Appropriation Warrant No. 59 (G 304)	175
Act 254, SLH 2007, Appropriation Warrant No. 94 (G 308)	50
Act 11, SLH2007, Appropriation Warrant No. 127 (G 322)	150
	<u>672,698</u>
Others	
Allotments for salary increases and other adjustment	
Act 94, 97, & 98, SLH 2005	4,496
	<u>677,194</u>
Total funds lapsed	(916)
G-08-020 reinstated in FY2009	(160)
G 319 (Flood) net encumbrance remaining that carries forward to FY 2009	14,507
Total general appropriations	<u>\$ 690,625</u>
Capital appropriations	
Section 125, Act 213, SLH 2007	\$ 106,910
Section 85 & 114, Act 178, SLH 2005	250
Section 85 & 114, Act 178, SLH 2005 as amended by Act 160, SLH 2006	11,296
Section 85 & 122, Act 178 SLH 2005 as amended by Act 160, SLH 2006	(1,033)
Total funds lapsed	<u>(513)</u>
Total capital appropriations	<u>\$ 116,910</u>

18. Unrestricted Net Assets

Unrestricted net assets, as defined by GASB Statement No. 35, are not subject to externally imposed stipulations; however, they are subject to internal restrictions. Accordingly, unrestricted net assets may be designated for specific purposes by action of management or the Board or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are internally designated for academic and research programs and initiatives, and capital programs. Some designated unrestricted net assets may be used to fund certain unfunded liabilities included in the undesignated unrestricted net assets.

University of Hawai'i
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Notes to Consolidated Financial Statements
June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

The unrestricted net assets at June 30, 2009 and 2008 were as follows:

	2009	2008
Unrestricted net assets		
Designated		
Research and training	\$ 44,755	\$ 55,428
Contract commitments	49,010	43,007
Quasi-endowment	19,264	42,184
Capital projects	30,717	29,751
Bond System	17,833	14,346
Other designated net assets	8,403	8,413
Total designated	<u>169,982</u>	<u>193,129</u>
Undesignated (unfunded obligations for vacation, worker's compensation liabilities, payroll, etc.)	<u>(82,224)</u>	<u>(41,281)</u>
Total unrestricted net assets	<u>\$ 87,758</u>	<u>\$ 151,848</u>

19. Segment Information

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The University has one segment that meets the reporting requirement of GASB Statement No. 35.

The University Bond System consists of several University projects funded by bond proceeds. The University projects, operated and maintained jointly as a system include: (1) all existing University housing units located on the Mānoa campus and connecting food service facilities; (2) the University's student center known as the Campus Center and food services activities on the Mānoa campus; (3) all existing University housing units located on the Hilo campus and connecting food service facilities; (4) the telecommunication system located on the Mānoa campus; (5) all existing bookstores located on any campus of the University; (6) all University parking units located on any campus of the University which were financed in whole or in part from certain revenue or general obligation bonds; and (7) certain other University projects.

The University Bond System's outstanding debt was issued pursuant to bond resolutions adopted in November 2001 and February 2009. The bond resolutions established a network of the University consisting of the University Bond System and any University purpose, which, at the election of the Board is included in the network pursuant to a supplemental resolution. The bond resolutions provide that all revenues collected or received from the Network should be used to support the Network (which includes the University projects of the University Bond System) and bond related expenses.

University of Hawai'i
State of Hawai'i
Notes to Consolidated Financial Statements
June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

The following summary financial information as of June 30, 2009 and 2008 is presented before elimination of certain intra-University transactions.

	2009	2008
Condensed statements of net assets		
Assets		
Current assets	\$ 57,537	\$ 58,206
Capital assets, net	165,717	135,004
Other assets	125,003	48,773
Total assets	<u>\$ 348,257</u>	<u>\$ 241,983</u>
Liabilities		
Current liabilities	\$ 19,229	\$ 21,054
Noncurrent liabilities	211,308	128,327
Total liabilities	<u>230,537</u>	<u>149,381</u>
Net assets		
Invested in capital assets, net of related debt	74,678	52,206
Restricted expendable	1,037	4,081
Unrestricted	42,005	36,315
Total net assets	<u>117,720</u>	<u>92,602</u>
Total liabilities and net assets	<u>\$ 348,257</u>	<u>\$ 241,983</u>

University of Hawai'i
State of Hawai'i
Notes to Consolidated Financial Statements
June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

	2009	2008
Condensed statements of revenues, expenses and changes in net assets		
Operating revenues		
Bookstores	\$ 31,105	\$ 31,510
Room and other rentals	21,111	18,385
Parking	5,188	4,785
Telecommunications	3,783	3,433
Other operating revenues	6,094	4,785
Total operating revenues	<u>67,281</u>	<u>62,898</u>
Operating expenses (including \$7,724 and \$5,479 in depreciation expense in 2009 and 2008, respectively)	<u>(68,192)</u>	<u>(69,008)</u>
Operating loss	(911)	(6,110)
Nonoperating revenues	31,182	6,680
Nonoperating expenses	<u>(5,152)</u>	<u>(3,782)</u>
Increase (decrease) in net assets	25,119	(3,212)
Net assets		
Beginning of year	<u>92,602</u>	<u>95,814</u>
End of year	<u>\$ 117,721</u>	<u>\$ 92,602</u>
	2009	2008
Condensed statements of cash flows		
Net cash flows provided by (used in) operating activities	\$ 2,403	\$ (3,104)
Net cash flows provided by non-capital financing activities	1,322	2,411
Net cash flows provided by (used in) capital and related financing activities	68,207	(48,038)
Net cash flows provided by investing activities	<u>5,873</u>	<u>7,741</u>
Net increase (decrease) in cash and cash equivalents	77,805	(40,990)
Cash and cash equivalents		
Beginning of year	<u>89,347</u>	<u>130,337</u>
End of year	<u>\$ 167,152</u>	<u>\$ 89,347</u>

20. Litigation, Other Contingent Liabilities and Commitments

Hawai'i Revised Statutes §304A-108 stipulates that any liability arising from a claim, action, or suit brought against the University shall be payable solely from the moneys and property of the University and shall not constitute a general obligation of the State. The Board of Regents is not precluded from requesting and securing legislative appropriations to fund the settlement of any such claim or judgment against the University.

The University is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent

University of Hawai'i
State of Hawai'i
Notes to Consolidated Financial Statements
June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

uncertainties in any litigation, the University's management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's financial position.

Substantial amounts are received and expended by the University under federal and state programs which are subject to audit by cognizant governmental agencies, and independent auditors under OMB Circular A-133. This funding relates to research, student aid and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's financial position.

In January 2008, the Office of Hawaiian Affairs ("OHA") and the State announced a settlement resolving the ceded land revenues dispute, which is subject to legislative approval. No further action was taken on House Bill 266 (State OHA settlement) during the 2008 legislative session. In March 2008, the Senate voted to hold the settlement bill (Senate Bill 2733) and requested a management and financial audit of OHA. The auditor's findings will be submitted for the 2009 Regular Legislative Session.

The financial statements include the University's estimated pro rata portion of its obligation due to OHA related to revenues generated from ceded lands.

Risk Management

In general, the University obtains third party insurance coverage directly from third party insurers or is covered under the umbrella of the State's insurance program. However, the University is partially or entirely self-insured for certain risks, such as unemployment and workers' compensation claims. The University assumes the risk of loss and administers unpaid claims on behalf of the entire University

With respect to workers' compensation insurance, the University is self-insured for the first \$500,000 per occurrence and annual aggregate and obtains excess insurance of \$50,000,000 from a commercial insurance company. The University records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The University's estimated liability for workers' compensation claims is included in "Other Liabilities" in the accompanying Statements of Net Assets (see Note 11).

Construction and Other Contracts

The University is committed under contracts awarded for construction and other services. These commitments amounted to approximately \$114,955 and \$181,875 as of June 30, 2009 and 2008.

21. New Accounting Pronouncements

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the University's fiscal year beginning July 1, 2009. Statement No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as

University of Hawai'i
State of Hawai'i
Notes to Consolidated Financial Statements
June 30, 2009 and 2008
(All dollars reported in thousands) DRAFT

applicable. The University believes that Statement No. 51 will not have a material effect on its financial statements.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the University's fiscal year beginning July 1, 2009. Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The University believes that Statement No. 53 will not have a material effect on its financial statements.

**Required Supplementary Information
Other Than Management's
Discussion and Analysis**

University of Hawai'i
State of Hawai'i
Schedule of Funding Progress (Unaudited)
Year Ended June 30, 2008
(All dollars reported in thousands)

Post Employment Benefits Other than Pensions

REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b) - (a) / (c)
July 1, 2008	\$0	\$1,206,264	\$1,206,264	0%	\$495,570	243.4%
July 1, 2007	\$0	\$1,135,855	\$1,135,855	0%	\$478,812	237.2%

Other Supplementary Information

Report of Independent Auditors on Supplemental Information

To the Board of Regents of the
University of Hawai'i

The report on our audits of the consolidated financial statements of the University of Hawai'i as of June 30, 2009 and 2008, and for the years then ended, appears on page 1. Those audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information (Schedules I, II, III, and IV) included hereinafter is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects in relation to the consolidated financial statements taken as a whole.

Honolulu, Hawai'i
_____, 2010

University of Hawai'i
State of Hawai'i
Condensed Statements of Net Assets
Condensed Statements of Revenue, Expenses and Changes in Net Assets
Current Unrestricted Funds Excluding General Fund and
University Bond System
As of and for the Years Ended June 30, 2009 and 2008
(All dollars reported in thousands)

Schedule I

	2009	2008
Condensed statements of net assets		
Assets		
Current assets	\$ -	\$ 251,385
Total assets	<u>\$ -</u>	<u>\$ 251,385</u>
Liabilities		
Current liabilities	\$ -	\$ 76,600
Noncurrent liabilities	-	2,776
Total liabilities	<u>-</u>	<u>79,376</u>
Net assets		
Unrestricted	<u>172,009</u>	<u>172,009</u>
Total net assets	<u>172,009</u>	<u>172,009</u>
Total liabilities and net assets	<u>\$ 172,009</u>	<u>\$ 251,385</u>
Condensed statements of revenues, expenses and changes in net assets		
Operating revenues	\$ -	\$ 269,802
Operating expenses	-	(242,547)
Operating income	-	27,255
Nonoperating revenues	-	46,636
Nonoperating expenses and transfers	-	(2,044)
Increase in net assets	-	71,847
Net assets		
Beginning of year	<u>172,009</u>	<u>100,162</u>
End of year	<u>\$ 172,009</u>	<u>\$ 172,009</u>

1. Basis of Presentation

The accompanying condensed statements of net assets and related condensed statements of revenues, expenses and changes in net assets present the financial position and results of operations of certain of the University's Special and Revolving Funds, which are pledged as collateral on the University's Series 2002A revenue bonds and Refunding Series 2006A bonds, and are presented on the accrual basis of accounting.

University of Hawai'i
State of Hawai'i
Schedules of Series 2002A Revenue Bond Proceeds Activity
Years Ended June 30, 2009 and 2008
(All dollars reported in thousands)

Schedule II

	2009	2008
Beginning balance	\$ 11,788	\$ 13,277
Additions		
Interest and investment income	157	549
Total additions	<u>157</u>	<u>549</u>
Deductions		
Payments – building, construction in progress, other	-	2,027
Management fees	10	11
Total deductions	<u>10</u>	<u>2,038</u>
Ending balance	<u>\$ 11,935</u>	<u>\$ 11,788</u>

1. Basis of Presentation

The accompanying schedules of Series 2002A revenue bond proceeds activity presents the sources and uses of Series 2002A revenue bond proceeds associated with the construction of the John A. Burns School of Medicine facility at Kaka'ako.

2. Refinancing

In October 2006, the University refinanced a majority of the outstanding Series 2002A revenue bonds through the issuance of Refunding Series 2006A bonds. Proceeds from the State's settlement agreement with tobacco companies are expected be utilized to service the outstanding balance of the new debt.

University of Hawai'i
State of Hawai'i
Condensed Statements of Net Assets
Condensed Statements of Revenue, Expenses and Changes in Net Assets
Current Unrestricted Funds Excluding General Fund
As of and for the Year Ended June 30, 2009 and 2008
(All dollars reported in thousands)

Schedule III

	2009	2008
Condensed statements of net assets		
Assets		
Current assets	\$ -	\$ 282,044
Total assets	<u>\$ -</u>	<u>\$ 282,044</u>
Liabilities		
Current liabilities	\$ -	\$ 92,036
Noncurrent liabilities	-	3,610
Total liabilities	<u>-</u>	<u>95,646</u>
Net assets		
Unrestricted	-	186,398
Total net assets	<u>-</u>	<u>186,398</u>
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 282,044</u>
Condensed statements of revenues, expenses and changes in net assets		
Operating revenues	\$ -	\$ 332,140
Operating expenses	-	(300,599)
Operating income	-	31,541
Nonoperating revenues	-	48,440
Nonoperating expenses and transfers	-	(14,323)
Increase in net assets	-	65,658
Net assets		
Beginning of year	<u>186,398</u>	<u>120,740</u>
End of year	<u>\$ 186,398</u>	<u>\$ 186,398</u>

1. Basis of Presentation

The accompanying condensed statements of net assets and related condensed statements of revenues, expenses and changes in net assets present the financial position and results of operations of certain of the University's Special and Revolving Funds, which are pledged as collateral on the University's Series 2006A revenue bonds, and are presented on the accrual basis of accounting.

University of Hawai'i
State of Hawai'i
Schedules of Series 2006A Revenue Bond Proceeds Activity
Year Ended June 30, 2009 and 2008
(All dollars reported in thousands)

Schedule IV

	2008	2007
Beginning balance	\$ 48,273	\$ 89,871
Additions		
Bond proceeds	-	-
Investment income	1,721	3,511
Total additions	<u>1,721</u>	<u>3,511</u>
Deductions		
Payments – building, construction in progress, other	12,092	42,509
Transfers – retire indebtedness	1,300	2,600
Total deductions	<u>13,392</u>	<u>45,109</u>
Ending balance	<u>\$ 36,602</u>	<u>\$ 48,273</u>

3. Basis of Presentation

The accompanying schedules of Series 2006A revenue bond proceeds activity presents the sources and uses of Series 2006A revenue bond proceeds associated with the construction of the Frear Hall dormitory at the Mānoa campus and repair and maintenance of various housing projects.

University of Hawai'i
State of Hawai'i
Statements of Net Assets — Community College System
June 30, 2009 and 2008
(All dollars reported in thousands)

Schedule V

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	\$ -	\$ -
Accounts receivables, net	-	-
Current portion of notes and contributions receivable, net	-	-
Accrued interest receivable	-	-
Merchandise inventories	-	-
Prepaid expenses, deferred charges and other current assets	-	-
Total current assets	<u>-</u>	<u>-</u>
Noncurrent assets		
Restricted cash and cash equivalents	-	-
Notes and contributions receivable, net	-	-
Capital assets, net	-	-
Other noncurrent assets	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ -	\$ -
Accrued payroll and fringe benefits	-	-
Advances from sponsors	-	-
Due to RCUH	-	-
Deferred revenue	-	-
Due to State of Hawai'i	-	-
Current portion of long-term liabilities	-	-
Other current liabilities	-	-
Total current liabilities	<u>-</u>	<u>-</u>
Noncurrent liabilities		
Accrued vacation	-	-
Accrued workers' compensation liability	-	-
Due to campuses and funds	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>
Net assets		
Invested in capital assets, net of related debt	-	-
Restricted – expendable	-	-
Unrestricted	-	-
Total net assets	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ -</u>	<u>\$ -</u>

University of Hawai'i
State of Hawai'i
Statements of Revenues, Expenses and Changes in Net Assets –
Community College System
Years Ended June 30, 2009 and 2008
(All dollars reported in thousands)

Schedule VI

	2009	2008
Operating revenues		
Student tuition and fees	\$ -	\$ -
Less: Scholarship allowances	-	-
Net student tuition and fees	-	-
Federal appropriations, grants and contracts	-	-
State and local grants and contracts	-	-
Nongovernmental sponsored programs	-	-
Sales and services of educational departments, other	-	-
Auxiliary enterprises		
Bookstores	-	-
Student housing (net of scholarship allowances of \$21 and \$7)	-	-
Other auxiliary enterprises revenues	-	-
Other operating revenues	-	-
Total operating revenues	-	-
Operating expenses		
Compensation and benefits	-	-
Supplies, services and cost of goods sold	-	-
Scholarships and fellowships	-	-
Depreciation	-	-
Telephone and utilities	-	-
Repairs and maintenance	-	-
Travel expenses	-	-
Other operating expenses	-	-
Total operating expenses	-	-
Operating income (loss)	-	-
Nonoperating revenues (expenses)		
State appropriations	-	-
Private gifts	-	-
Net investment income	-	-
Interest expense	-	-
Transfers from State of Hawai'i for		
Fringe benefits	-	-
Bridge to Hope	-	-
Loss on disposal of capital assets	-	-
Other transfers	-	-
Other nonoperating expenses, net	-	-
Net nonoperating revenues before capital and endowment additions	-	-
Capital state appropriations	-	-
Capital federal grants/subsidies	-	-
Capital gifts and grants	-	-
Transfers to other funds	-	-
Total other revenues	-	-
Net nonoperating revenues	-	-
Increase (decrease) in net assets	-	-
Net assets		
Beginning of year	-	-
End of year	\$ -	\$ -

University of Hawai'i
State of Hawai'i
Schedules of Series 2009A Revenue Bond Proceeds Activity
Years Ended June 30, 2009
(All dollars reported in thousands)

Schedule VII

	2009
Beginning balance	\$ -
Additions	
Bond proceeds	101,556
Investment income	13
Total additions	<u>101,569</u>
Deductions	
Repayment of capital base	13,392
Payments - building, construction in progress, other	150
Management Fees	9
Total deductions	<u>13,551</u>
Ending balance	<u>\$ 88,018</u>

1. Basis of Presentation

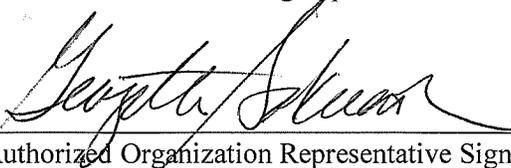
The accompanying schedule of Series 2009A revenue bond proceeds activity presents the sources and uses of Series 2009A revenue bond proceeds.

U.S. Department of Commerce
Broadband Technology Opportunities Program
Authentication and Certifications

1. I certify that I am the duly Authorized Organization Representative (AOR) of the applicant organization, and that I have been authorized to submit the attached application on its behalf.
2. I certify that I have examined this application, that all of the information and responses in this application, including certifications, and forms submitted, all of which are part of this grant application, are material representations of fact and true and correct to the best of my knowledge, that the entity(ies) that is requesting grant funding pursuant to this application and any subgrantees and subcontractors will comply with the terms, conditions, purposes, and federal requirements of the grant program; that no kickbacks were paid to anyone; and that a false, fictitious, or fraudulent statements or claims on this application are grounds for denial or termination of a grant award, and/or possible punishment by a fine or imprisonment as provided in 18 U.S.C. §1001 and civil violations of the False Claims Act.
3. I certify that the entity(ies) I represent has and will comply with all applicable federal, state, and local laws, rules, regulations, ordinances, codes, orders and programmatic rules and requirements relating to the project. I acknowledge that failure to do so may result in rejection or deobligation of the grant or loan award. I acknowledge that failure to comply with all federal and program rules could result in civil or criminal prosecution by the appropriate law enforcement authorities.
4. I certify that the entity(ies) I represent has and will comply with all applicable administrative and federal statutory, regulatory, and policy requirements set forth in the Department of Commerce Pre-Award Notification Requirements for Grants and Cooperative Agreements (“DOC Pre-Award Notification”), published in the Federal Register on February 11, 2008 (73 FR 7696), as amended; DOC Financial Assistance Standard Terms and Conditions (Mar. 8, 2009); the Department of Commerce American Recovery and Reinvestment Act Award Terms (Apr. 9, 2009); and any Special Award Terms and Conditions that are included by the Grants Officer in the award.
5. I certify that any funds awarded to the entity(ies) I represent as a result of this application will not result in any unjust enrichment of such entity(ies) or duplicate any funds such entity(ies) receives under federal universal service support programs administered by the Universal Service Administrative Corporation (USAC).
6. I certify that the entity(ies) I represent has secured access to pay the 20% of total project cost or has petitioned the Assistant Secretary of NTIA for a waiver of the matching requirement.

MAR 11 2010

Date



Authorized Organization Representative Signature

Georgette Sakumoto

Print Name

Administrative Officer

Title

BTOP Comprehensive Community Infrastructure Service Area Template

Please complete the complete the CCI Service Area worksheet. In each line you will provide name of a service area and one of the contiguous Census tracts or block groups that make up a service area. Please provide full 11-digit Census tract numbers, includes the 2-digit State FIPS the 3-digit county code, followed by a unique 6-digit tract number. For Census block groups provide the full tract number, plus the 1-digit block group number (12 digits total). If there is more than one Census tract or block group in a service area, there will be multiple lines in the table for that service area. It is critical that the service area names provided in this table match with the service area names provided in the Service Area Details page of the application. Please review the application document and Service Area Details page for consistency before submitting your application.

Important Note: Excel truncates leading zeros from numbers. Consequently, the tract/block group column on the worksheet has been formatted as text. This formatting should not be altered as the validity of your data may be compromised.

The data provided via this template will be subject to automated processing. Applicants are therefore required to provide this upload as an Excel file, and not to convert it to a PDF prior to upload. Additionally, applicants should not modify the format of this file (e.g. by adding or removing worksheets). Do not leave blank lines in the table between service areas.

EXAMPLE

Service Area Name	Tract or Block Group #
Big BB Project South	01001020100
Big BB Project South	01001020100
Big BB Project South	010010202001
Big BB Project West	01001020400
Big BB Project North	01001020800
Big BB Project North	010010209002

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BTOP CCI Service Area Template

Title: **Ke Ala 'Ike: Connecting Hawaii's Public Schools, Community Colleges and Libraries**
 Easy Grants ID: **5786**

Service Area Name	Tract or Block Group #
00-State-of-Hawaii	15003000102
00-State-of-Hawaii	15003000104
00-State-of-Hawaii	15003000109
00-State-of-Hawaii	15003000110
00-State-of-Hawaii	15003000105
00-State-of-Hawaii	15003000106
00-State-of-Hawaii	15003000107
00-State-of-Hawaii	15003000108
00-State-of-Hawaii	15003000200
00-State-of-Hawaii	15003000301
00-State-of-Hawaii	15003000302
00-State-of-Hawaii	15003000401
00-State-of-Hawaii	15003000402
00-State-of-Hawaii	15003000500
00-State-of-Hawaii	15003000600
00-State-of-Hawaii	15003000700
00-State-of-Hawaii	15003000800
00-State-of-Hawaii	15003000901
00-State-of-Hawaii	15003000902
00-State-of-Hawaii	15003000903
00-State-of-Hawaii	15003001000
00-State-of-Hawaii	15003001100
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00-State-of-Hawaii	15003001202
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00-State-of-Hawaii	15003001600
00-State-of-Hawaii	15003001700
00-State-of-Hawaii	15003001801
00-State-of-Hawaii	15003001802
00-State-of-Hawaii	15003001901
00-State-of-Hawaii	15003001902
00-State-of-Hawaii	15003002001
00-State-of-Hawaii	15003002002
00-State-of-Hawaii	15003002100
00-State-of-Hawaii	15003002200
00-State-of-Hawaii	15003002300
00-State-of-Hawaii	15003002401
00-State-of-Hawaii	15003002402
00-State-of-Hawaii	15003002500
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00-State-of-Hawaii	15003002701
00-State-of-Hawaii	15003002702
00-State-of-Hawaii	15003002800
00-State-of-Hawaii	15003002900
00-State-of-Hawaii	15003003000
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00-State-of-Hawaii	15003003102
00-State-of-Hawaii	15003003200
00-State-of-Hawaii	15003003300
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00-State-of-Hawaii	15003003407
00-State-of-Hawaii	15003003500
00-State-of-Hawaii	15003003601
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00-State-of-Hawaii	15003003700
00-State-of-Hawaii	15003003800
00-State-of-Hawaii	15003003900
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00-State-of-Hawaii	15003005300
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Service Area Name	Tract or Block Group #
00-State-of-Hawaii	15003005900
00-State-of-Hawaii	15003006000
00-State-of-Hawaii	15003006100
00-State-of-Hawaii	15003006201
00-State-of-Hawaii	15003006202
00-State-of-Hawaii	15003006301
00-State-of-Hawaii	15003006302
00-State-of-Hawaii	15003006401
00-State-of-Hawaii	15003006402
00-State-of-Hawaii	15003006500
00-State-of-Hawaii	15003006600
00-State-of-Hawaii	15003006701
00-State-of-Hawaii	15003006702
00-State-of-Hawaii	15003006802
00-State-of-Hawaii	15003006803
00-State-of-Hawaii	15003006804
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00-State-of-Hawaii	15003006806
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00-State-of-Hawaii	15003006809
00-State-of-Hawaii	15003006900
00-State-of-Hawaii	15003007000
00-State-of-Hawaii	15003007100
00-State-of-Hawaii	15003007200
00-State-of-Hawaii	15003007300
00-State-of-Hawaii	15003007400
00-State-of-Hawaii	15003007502
00-State-of-Hawaii	15003007503
00-State-of-Hawaii	15003007504
00-State-of-Hawaii	15003007505
00-State-of-Hawaii	15003007506
00-State-of-Hawaii	15003007701
00-State-of-Hawaii	15003007702
00-State-of-Hawaii	15003007804
00-State-of-Hawaii	15003007805
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00-State-of-Hawaii	15003008914
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00-State-of-Hawaii	15003009000
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00-State-of-Hawaii	15003009200
00-State-of-Hawaii	15003009300

Service Area Name	Tract or Block Group #
00-State-of-Hawaii	15003009400
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00-State-of-Hawaii	15003009801
00-State-of-Hawaii	15003009802
00-State-of-Hawaii	15003009901
00-State-of-Hawaii	15003009902
00-State-of-Hawaii	15003010000
00-State-of-Hawaii	15003010100
00-State-of-Hawaii	15003010201
00-State-of-Hawaii	15003010202
00-State-of-Hawaii	15003010302
00-State-of-Hawaii	15003010303
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00-State-of-Hawaii	15003010306
00-State-of-Hawaii	15003010503
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00-State-of-Hawaii	15003010602
00-State-of-Hawaii	15003010701
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00-State-of-Hawaii	15003011000
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00-State-of-Hawaii	15009030701
00-State-of-Hawaii	15009030702
00-State-of-Hawaii	15009030703
00-State-of-Hawaii	15009030800

