



STATE OF HAWAII  
DEPARTMENT OF ACCOUNTING  
AND GENERAL SERVICES

P.O. BOX 119  
HONOLULU, HAWAII 96810-0119

APR 24 2008

COMPTROLLER'S MEMORANDUM NO. 2008-07

TO: Heads of Departments

SUBJECT: Financial Statement Reporting for General and General Obligation Bond Appropriations

This memorandum addresses the financial reporting of General and General Obligation Bond appropriations by departments and agencies that are reported as discretely presented components in the State's Comprehensive Annual Financial Report (CAFR). This policy also addresses the financial reporting by the governmental funds reflected in the State's CAFR as it relates to nonexchange transactions. Component units of the State, include the University of Hawaii, Hawaii Housing Finance and Development Corporation, Hawaii Public Housing Authority, Hawaii Health Systems Corporation, Hawaii Tourism Authority, Hawaii Community Development Authority, and the Hawaii Hurricane Relief Fund.

The financial reporting for General and General Obligation Bond appropriations are as follows:

Component Units:

- Revenues should be recognized when funds are allotted.
- Revenues should be adjusted when allotments lapse or are reduced by the Director of Finance or Governor in the same fiscal year the funds were allotted.
- Expense should be recognized when allotments are reduced or lapse in a fiscal year after the fiscal year the funds were initially allotted.

Heads of Departments

Memo No. 2008-07

Page 2

APR 24 2008

- Unexpended allotted funds, including funds that are encumbered should be reflected as "Due from State".

State CAFR (governmental funds):

- Expenditures should be recognized when funds are allotted.
- Expenditures should be adjusted when allotments lapse or are reduced by the Director of Finance or Governor in the same fiscal year the funds were allotted.
- Revenues should be recognized when allotments are reduced or lapse in a fiscal year after the fiscal year the funds were initially allotted.
- Unexpended allotted funds, including funds that are encumbered should be reflected as "Due to Component Units".
- Nonexchange transactions such as grants-in-aid to legal entities other than component units, should follow the policy above unless there are legal or contractual conditions that require funds to be disbursed when invoices are received or when services are rendered.
- Unallotted funds should be reflected as part of fund balance in the appropriate governmental fund.

The preaudit function of the comptroller, which is to be performed before funds are released by the State, is not considered to be an eligibility requirement for voluntary nonexchange transactions, as defined in Government Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

Questions on the above may be directed to Wayne Horie of our Accounting Division at 586-0600.



RUSS K. SAITO  
State Comptroller