NEIL ABERCROMBIE



JANS, GOUVEIA ACTING COMPTROLLER KERRY K. YONESHIGE

STATE OF HAWAI'I **DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**

P.O. BOX 119, HONOLULU, HAWAI'I 96810-0119

NOV 2 2 2011

COMPTROLLER'S MEMORANDUM NO. 2011-29

TO:

Heads of Departments

SUBJECT: New Fund Balance Reporting Policy for Governmental Funds

This memorandum addresses the financial reporting requirement of Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement 54 which is effective for governmental fund financial statements issued for the fiscal year ended June 30, 2011, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.

The State's policy which is attached provides general guidelines in determining the proper fund balance classifications for departments and agencies that issue stand alone departmental financial statements. Departments that have constraints on the specific purposes for which amounts can be spent may require classifications that differ from the general policy. Departments should consult with their auditors in determining the proper classification.

If there are any questions, please contact Wayne Horie of our Accounting Division at 586-0600.

N S. GOUVEIA

Acting State Comptroller

Attachment

Policy on Fund Balance Reporting (GASB Statement 54) Effective for Governmental Fund Financial Statements Beginning with Fiscal Year Ended June 30, 2011

CLASSIFICATION OF FUND BALANCES:

Nonspendable:

Amounts that cannot be spent or amounts legally or contractually required to remain intact.

Examples are inventories; prepaid items, long-term receivables if use of proceeds not constrained and endowments of a permanent fund.

Restricted:

Amounts that are restricted to specific purposes usually imposed by external parties such as creditors, grantors or other governments.

Examples are federal grants and bond proceeds.

Committed:

Amounts that can only be used for specific purposes pursuant to formal action of the Legislature. Examples are program revenues credited to special and revolving funds.

Assigned:

Amounts that are constrained by the State's intent to be used for specific purposes, but are neither restricted nor committed.

Examples are miscellaneous income, investment income and operating transfers.

For General Fund only, encumbrance balances at fiscal year end.

Unassigned:

Amounts intended for general operations of State.

Positive unassigned balance is only reflected in the General Fund.

INDIVIDUAL FUND POLICY:

General Fund:

Spending policy: Restricted, committed, assigned, then unassigned

Inflows:

 All revenues deposited into the general fund are not constrained for specific purposes and are for the general operations of the State and are unassigned.

Encumbrances: Balances at year-end are reflected as assigned

Policy on Fund Balance Reporting (GASB Statement 54) Effective for Governmental Fund Financial Statements Beginning with Fiscal Year Ended June 30, 2011

Special Funds:

New definition:

Funds used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Restricted and committed revenues should be expected to comprise a substantial portion of the inflows in the fund. Funds not meeting criteria should be reported in the general fund.

Spending policy: Restricted, committed, than assigned

Inflows:

- Federal grants are restricted.
- Program revenues are committed.
- Transfers from other funds are assigned.
- Investment income is assigned unless restricted.
- Miscellaneous revenue is assigned.

Encumbrances: Not applicable

Capital Projects fund:

Spending policy: Restricted, committed, then assigned

Inflows:

- Bond proceeds and premiums are restricted.
- Transfers from other funds are assigned.
- Investment income on bond cash are restricted
- Investment income on unrestricted cash are assigned

Encumbrances: Not applicable

Debt Service Fund:

Spending policy: Assigned, committed, then restricted

Inflows:

Transfers from other funds are assigned

Encumbrances: Not applicable