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AUG 21 2002

COMPTROLLER'S MEMORANDUM NO. 2002-29

TO: Heads of Departments

SUBJECT: Financial Statement Reporting

This memorandum is Addendum No. 4 to Comptroller's Memorandum No. 2001-8, dated February 27, 2001. It provides additional guidance to departments and their external auditors on the departmental implementation of GASB Statement No. 34.

Component Unit Financial Statements

The Department of Accounting and General Services (DAGS) will be using the financial statement format presented in the *Guide to Implementation of GASB Statement 34 on Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Implementation Guide) in preparing the State of Hawaii's (State) basic financial statements in the Comprehensive Annual Financial Report (CAFR), for the fiscal year ending June 30, 2002. Component units of the State, including the Housing and Community Development Corporation of Hawaii, the Hawaii Hurricane Relief Fund, and the Hawaii Health Systems Corporation, should, therefore, also follow the Implementation Guide. Any deviations from the sample statement format in the Implementation Guide that DAGS determines is necessary for more appropriate statement presentation will be communicated to departments as early as possible.

Management's Discussion and Analysis (MD&A)

Inquiry has been made by certain departmental external auditors as to whether departments may exclude MD&A from their audited financial statements if there would be no significant impact on the State's CAFR. Departments are encouraged to include the minimum MD&A

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required by GASB Statement No. 34, as part of their audited financial statements. This would assist DAGS in obtaining information from departments for the MD&A that will be included in the State's CAFR. DAGS will communicate to departments its information requirements for MD&A purposes on an individual basis. Those departments that are not asked to provide such information have the option of excluding MD&A from their FY 2002 audited financial statements.

Budgetary Comparison Schedules

There is some uncertainty at the departmental level as to what amount should be shown as the original budget amount, whether it should be the amount in the appropriations act or the amount allotted by the Department of Budget and Finance. Departments should use the amount in the appropriations act, as amended by the supplemental appropriations act, as the original budget amount in the budgetary comparison schedules.

Any questions on the above may be directed to the DAGS Accounting Division, at 586-0600.

Mary Alice Evans

MARY ALICE EVANS
State Comptroller