

# GAAP Process Update Fiscal Year 2016



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## Agenda

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- **General overview of GAAP process and FY16 due dates**
- **WEDGE Update**
- **GASB Update**
- **Revised SCO-579 *Analysis of Deposits and Investments***
- **Open Session/Questions**



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- **Quarterly State Property Reports**
- **Capital Asset Forms (SCO-537/SCO-538)**
- **Quarterly Accounts Receivable Reports**
- **Leases (SCO-560)**
- **Quarterly Locally Held Fund Reports**
- **Compensated Absences Forms (SCO-580)**
- **Questions regarding access to WEDGE**

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Overview

## GAAP PACKAGE PREPARATION

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## General Information

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- Accessing WEDGE:
  - <http://reporting.ioc.state.il.us/>
- Accessing the SCO-563 database:
  - <http://www.apps.ioc.state.il.us/563/login/index.cfm>
- Agencies will have access to post/update their GAAP information into WEDGE and, when finished, transmit the package to the IOC.
- Once packages are transmitted, agencies will only have access to view and/or print packages.
  - All changes subsequent to transmission will need to be made by IOC staff.
- Required manual forms not included on WEDGE must be completed and sent to the IOC by the appropriate due dates.

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## General Information

- The following entries, if applicable, will be posted to GAAP packages by IOC staff, and notification will be mailed to the GAAP coordinator of the agency:
  - Interest accrual entries for Treasury-held Non-Shared funds
  - Securities lending entries for Treasury-held Non-Shared funds
  - Capital lease entries for governmental funds
  
- The following activity, if applicable, will be mailed to the GAAP coordinator of an agency, **to be input** by the administering agency of a Non-Shared fund:
  - “Accrual only” activity of the non-administering agency
  - Unearned revenue related to unexpired licenses

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## General Information – Due Dates

- Lease Information Confirmed by 7/15
  
- Compensated Absence Information Due (SCO-580) by 7/29
  
- Capital Asset Information Due (SCO-537/SCO-538) by 8/12
  - IOC to mail by 7/21 depending on receipt of lease information confirmation
  
- Interfund Transfers Entered by Grantee Agency (SCO-567) by 8/5
  
- Interfund Transfers Approved by Grantor Agency (SCO-568) by 8/12

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## General Information – Due Dates

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- **GAAP Packages -**  
WEDGE system will be available approximately 7/15. Manual forms that display prior year balances will be mailed no later than 7/15 .
  - Locally Held Packages due 8/12
  - All “Other” Packages due 8/19
  - GRF, Funds with SEFA reporting requirements, and Proprietary Packages due 8/26
  - Significant Packages at Material Agencies due 9/5
  - Private Purpose Trust Funds, Investment Trust Funds, and Pension Trust Funds – Nonretirement Systems due 9/9

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## WEDGE UPDATE

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## Wedge Updates

- **New Forms for FY16**
  - **SCO-576 Changes in Assets and Liabilities – Agency Funds**
    - Required for Non-Shared Agency Packages (NSA) and Locally-Held Fund Agency Packages (LA) *approximately 75 GAAP packages*
    - Form summarizes the gross additions and deletions to balance sheet accounts for the current year.
      - Edit checks to ensure ending balances on form agree to trial balance
    - Form also used to report any amounts on hand due to other funds at year end.

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## GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) UPDATES

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## Summary of GASB Updates

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- **Effective Dates – Recently Implemented GASB Standards**

- **June 30, 2015**

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*
    - GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
    - GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

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## Summary of GASB Updates

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- **Effective Dates – Recently Issued GASB Standards**

- **June 30, 2016**

- GASB Statement No. 72, *Fair Value Measurement and Application*
    - GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
    - GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*

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## Summary of GASB Updates

- **Effective Dates – Recently Issued GASB Standards**

- **June 30, 2017**

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
    - GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
    - GASB Statement No. 77, *Tax Abatement Disclosures*

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## Summary of GASB Updates

- **Effective Dates – Recently Issued GASB Standards**

- **June 30, 2017**

- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
    - GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*
    - GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

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## Summary of GASB Updates

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- **Effective Dates – Recently Issued GASB Standards**
  - **June 30, 2018**
    - GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
    - GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

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## Summary of GASB Updates

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- **GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27***
  - Implemented in FY15
    - Agencies impacted by the Statement due to participation in SERS/TRS
      - Enterprise funds - full accrual basis of accounting
      - Government-wide departmental financial statements
      - No changes for Governmental Funds (General, Special Revenue, Debt Service, Capital Projects and Permanent Trust Funds)

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## Summary of GASB Updates

- **GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27***
  - Year 2 of Implementation
    - Agencies will receive a summary, similar to FY15, with the amounts required to be reported as Net Pension Liability (NPL), Deferred Inflows of Resources (DIRs), and Deferred Outflows of Resources (DORs)
    - Amounts reported as DIRs and DORs will include the amortized balances of the FY15 amounts plus a new layer for the FY16 amounts.

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## Summary of GASB Updates

- **GASB Statement No. 72 – *Fair Value Measurement and Application***
  - Establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value.
  - **Fair Value Definition** – The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
  - Fair value is determined using valuation techniques.

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## Summary of GASB Updates

- **GASB Statement No. 72 – *Fair Value Measurement and Application***
  - **Valuation Techniques** - Valuation technique(s) to best represent fair value should be applied based on the circumstances and data available to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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## Summary of GASB Updates

- **GASB Statement No. 72 – *Fair Value Measurement and Application***
  - **Inputs:**
    - Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities - most reliable.
    - Level 2: Quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are observable.
    - Level 3: Unobservable inputs – least reliable.

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## Summary of GASB Updates

- **GASB Statement No. 72 – *Fair Value Measurement and Application***

- Investments and Fair Value:
  - Assets that meet the definition of an investment should generally be measured at fair value (*certain exceptions exist*).
  - Definition of an investment: A security or other asset that a government holds primarily for the purpose of income or profit and with a present service capacity that is based solely on its ability to generate cash or to be sold to generate cash.

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## Summary of GASB Updates

- **GASB Statement No. 72 – *Fair Value Measurement and Application***

- Investments not reported at fair value:
  - Investments in nonparticipating interest-earning contracts (*nonnegotiable CD's*) should be measured using a cost-based measure
  - Money market investments and participating interest-bearing investment contracts (*negotiable CD's*) that have a remaining maturity at time of purchase of one year or less should be measured at amortized cost
  - Qualifying external investment pools that measure their investments at amortized cost (*previously 2a7-like pools*)

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## Summary of GASB Updates

- **GASB Statement No. 72 – *Fair Value Measurement and Application***

- Disclosure Requirements:

- For each class or type of asset and/or liability measured at fair value disclose:
      - The fair value measurement at the end of the reporting period and for nonrecurring fair value measurements, the reasons for the measurement.
      - The input level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3).
      - A description of the valuation technique.
    - For fair value measurements categorized within Level 3 of the fair value hierarchy, disclose the effect of those investments on investment income for the reporting period.

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## Summary of GASB Updates

- **GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68***

- Generally relates to pension plans that are not administered through trusts that meet the criteria established in GASB 68.
  - Major differences in requirements with Statement 68 result from the lack of assets held in a trust.

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## Summary of GASB Updates

- **GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans***
  - Reporting requirements for the Plan
  - Scope includes defined benefit and defined contribution OPEB plans administered through trusts
  - Also addresses assets accumulated for purposes of providing OPEB plans that are NOT administered through trusts
  - This Statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*

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## Summary of GASB Updates

- **GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***
  - Reporting requirements for the employer
  - Requires employer to record their proportionate share of the net OPEB liability,
    - For those OPEB plans not administered through a trust, requires employer to record their proportionate share of the total OPEB liability
  - This Statement replaces Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*
  - Disclosures will be similar to those required by GASB 68 for pensions.

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## Summary of GASB Updates

- **GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***
  - Reduces the hierarchy to two categories of authoritative GAAP
    - Raises the category of the GASB Implementation Guides in the GAAP hierarchy
  - Addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP

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## Summary of GASB Updates

- **GASB Statement No. 77 – *Tax Abatement Disclosures***
  - Requires governments that enter into tax abatement agreements to disclose the following information about the agreements:
    - Brief description of the tax abatement agreements, including eligibility criteria and the types of commitments made by the tax abatement recipients
    - The gross dollar amount of taxes abated during the period – accrual basis
  - Applies only to transactions meeting the following definition - A reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which:
    - One or more governments promise to forgo tax revenues to which they are otherwise entitled, and
    - Individual or entity promises to take a specific action *after* the agreement has been entered into that contributes to the economic development or otherwise benefits the governments or the citizens of those governments

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## Summary of GASB Updates

### ▪ **GASB Statement No. 77 – *Tax Abatement Disclosures***

- Substance over form (may not necessarily be titled a tax abatement)
- Key points:
  - The existence of an agreement with an individual or entity
  - The agreement is generally in writing, but not necessarily
  - The agreement must precede the reduction in taxes
  - The agreement must precede the recipient's fulfillment of the promise to act

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## Summary of GASB Updates

### ▪ **GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans***

- After the issuance of Statement 68, concerns were raised by stakeholders regarding the scope of Statement 68 as it relates to pensions provided by certain multi-employer defined benefit pension plans that are not state or local governmental plans.
- “Taft-Hartley Plans”
- Governmental entities were unable to obtain GASB 68 required disclosures because the pension plan itself was not subject to GASB reporting requirements

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## Summary of GASB Updates

- **GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants***
  - Supersedes the accounting and financial reporting standards for 2a7-like external investment pools
    - In July 2014, the SEC published significant amendments to its 2010 Rule 2a7, that would take effect starting in April 2016
    - As a result of these changes, the Board reviewed the existing guidance and reference to the SEC Rule 2a7.
  - Documents the criteria for qualifying external investments pools to elect to measure all of their investments at amortized cost

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## Summary of GASB Updates

- **GASB Statement No. 80 – *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14***
  - Amends the blending requirements for financial statement presentation of component units
  - Requires the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member

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## Summary of GASB Updates

- **GASB Statement No. 81 – *Irrevocable Split-Interest Agreements***
  - Establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts
  - Irrevocable split-interest agreements are used by donors to provide resources to two or more beneficiaries, including governments
  - Examples include:
    - Charitable lead trusts
    - Charitable remainder trusts
    - Life-interests in real estate

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## Summary of GASB Updates

- **GASB Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73***
  - Addresses issues regarding:
    - The presentation of payroll related measures
    - The selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice
    - The classification of payments made by employers to satisfy employee contributions

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## Summary of GASB Updates

- **GASB Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73***
  - The presentation of payroll related measures
    - Prior to this statement, GASB 67 and 68 required presentation of covered-employee payroll
    - This statement amends this requirement to instead require the presentation of covered payroll
    - **Covered payroll** – payroll on which contributions to a pension plan are based

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## **SCO-579 – ANALYSIS OF DEPOSITS AND INVESTMENTS - REVISED**

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## SCO-579

- **SCO-579 Analysis of Deposits and Investments**
  - Classifications of Deposits and Investments for footnote disclosure will not always correlate to trial balance classifications of Cash and Investments
  - Financial Statement Disclosure: Deposits versus Investments
    - Deposits include all amounts, demand or time, deposited in financial institutions (banks, savings and loans associations, and credit unions).
    - Investments include all other financial instruments held by the government that do not meet the definition of a deposit.
  - Financial Statement Reporting: Cash and Cash Equivalents versus Investments
    - Cash and cash equivalents include deposits and short-term, highly liquid investments readily convertible to cash, with a maturity of 90 days or less at time of purchase.
    - Investments include all other financial instruments held by the government that do not meet the definition of cash and cash equivalents.

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## SCO-579

- **SCO-579 Analysis of Deposits and Investments**
  - GASB 72 Investment Disclosures
    - P.2 revised to include columns to breakout the investments in relation to the Fair Value Hierarchy
      - Level 1
      - Level 2
      - Level 3
      - If not reported at fair value, indicate valuing method (i.e., amortized costs)
    - P.5 revised to include additional disclosure support for fair value measurements
      - Description of valuation techniques used
      - Changes in valuation techniques during the reporting period
    - P.6 added to include disclosure support for investments reported at Net Asset Value per Share (NAV)

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# OPEN SESSION/QUESTIONS

