



# ACCOUNTING BULLETIN

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TO: **Fiscal Officers of All State Agencies**

FROM: Steven L. Valasek, Director of State Accounting/GASB 34 Coordinator

DATE: December 4, 2000

SUBJECT: GASB 34 Implementation

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Between December 1998 and June 1999, the Governmental Accounting Standards Board (GASB) issued statements 33, 34, 35, and 36 (hereafter, generally referred to as GASB 34). GASB 34 has been described as “the most significant change in the history of governmental accounting”. The objective of GASB 34 is to provide the readers and users of governmental financial statements with a Comprehensive Annual Financial Report (CAFR) that is easier to understand, and easier to use. It establishes a new framework or “reporting model” for state and local government financial reports. This new model introduces concepts such as government wide financial statements, accounting for infrastructure, depreciating capital assets, shifting to full accrual accounting, and more user-friendly statements.

The Illinois Office of the Comptroller (IOC) has begun the process of implementing GASB 34. This bulletin describes the process the IOC has taken to address the issue of implementing GASB 34.

## **READINESS ASSESSMENT**

In preparation for GASB 34, the IOC needed to assess GASB 34’s applicability to the State and the current financial reporting systems’ ability to meet any new requirements. To accomplish this, the IOC contracted for the performance of a Readiness Assessment. The Readiness Assessment included in-depth interviews of key agencies’ employees to determine the State’s level of readiness.

The Readiness Assessment identified major policy issues that have to be addressed during the GASB 34 implementation. These issues include:



1. **Fixed Assets** - Decisions are required regarding asset classes, how to determine historical cost and accumulated depreciation, useful lives based on class of assets, depreciation methods based on class of assets, and capitalization thresholds.

2. **Infrastructure Reporting** – Decisions are required regarding which method of reporting will be used for each system and subsystem, who will be responsible for reporting on the infrastructure in question (titleholder v. maintainer), and how assets acquired before July 1, 1980 will be treated.

3. **Method of Agency Level Reporting** – GASB 34 requires a change in the way the agencies report their GAAP packages to the IOC and the way agencies prepare agency level financial statements.

The IOC must prescribe the new requirements for GAAP package reporting to the IOC, and will consult with the American Institute of Certified Public Accountants (AICPA) and the Illinois Office of the Auditor General (OAG) regarding audit-related matters associated with any changes in agency level financial statements.

4. **MD & A Reporting** – If Agencies are required to submit fund level financial statements, a decision must be made on how the agencies will report Management Discussion and Analysis (MD&A) information to the IOC.

5. **Budget Reporting** - Decisions are required to determine the functional categories to report and which of the State's funds will qualify for major funds reporting.

The Readiness Assessment project's final deliverable was a Master Plan for implementation. A copy of the Master Plan is available at our web site at [www.ioc.state.il.us/Office/GASB34/](http://www.ioc.state.il.us/Office/GASB34/) <<http://www.ioc.state.il.us/Office/GASB34/>>.

### **IMPLEMENTATION PHASE**

The Master Plan identified 54 projects to be completed during the implementation phase. The major project implementation categories include the following:

- ◆ Training
- ◆ Capital Assets
- ◆ Fund Analysis
- ◆ Liability Analysis
- ◆ Other Account & Transaction Analysis
- ◆ Revenue Analysis
- ◆ Expense Analysis
- ◆ Budget
- ◆ Financial Reporting
- ◆ Management Discussion and Analysis
- ◆ Policies and Procedures

To accomplish the implementation of the Master Plan, the IOC has issued an RFP for assistance on the project. The IOC plans to award the contract by the end of December 2000.

### **AGENCY INVOLVEMENT ON GASB 34 IMPLEMENTATION**

The implementation of GASB 34 will require the IOC to develop and implement several new policies and procedures. The involvement of state agencies and component units is critical to the success of this project. The IOC will use the following avenues to keep all parties involved and current on the status of the Project:

- ◆ The IOC has developed a Steering Committee comprised of representatives from the major agencies that will be impacted by the new reporting model. The role of the Steering Committee is to provide technical assistance on the Project and to provide advice on policy decisions.
- ◆ The IOC is exploring the development of a monthly GASB update meeting.
- ◆ The IOC is offering agencies the opportunity to volunteer staff with expertise in select areas to serve on Implementation Projects. There are currently over 50 planned Implementation Project teams that consist of outside consultants and IOC staff.
- ◆ The IOC will issue Accounting Bulletins to inform CFOs and GAAP coordinators on major issues.
- ◆ GASB Information and updates will appear on our website [www.ioc.state.il.us/Office/GASB34/](http://www.ioc.state.il.us/Office/GASB34/) <<http://www.ioc.state.il.us/Office/GASB34/>>.
- ◆ The IOC will provide new training and education sessions for agencies.

### **GASB34 MEETING**

The IOC will present a GASB 34 Master Plan overview for State agency officials at 2:00PM on December 18, 2000. The meeting will be at the Capital City Center located at 130 West Mason in Springfield. At that time, the IOC will outline the major projects in our Master Plan and discuss the various ways that State agencies can participate in the Project. For reservations, please contact Lynda Fletcher at (217) 782-5258

The IOC is also doing preliminary work in the area of capital assets. Attached is a "Statewide Capital Assets Survey". Please complete the survey and return it to the IOC by December 18, 2000.

In closing, the IOC's goal is to implement GASB 34 in a timely and accurate manner, and to minimize the cost of implementation to the IOC and the State agencies. If you have any comments or questions, we encourage you to use our GASB 34 web page comment and question area. If you do not have Internet access, please forward any questions or comments to me.