

# The Comprehensive Annual Financial Report



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JUDY BAAR TOPINKA

# Overview

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- **Preparation of the Comprehensive Annual Financial Report (CAFR) for the State of Illinois**
- **Use of WEDGE (web-based electronic data gathering environment) by agency staff**
- **Financial Reporting Standards Board**



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Overview

# PREPARATION OF THE CAFR



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# Preparation of the CAFR

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- **Planning phase – 3 months prior to year-end**
  - **Review of recently issued GASB pronouncements**
  - **Identification of new funds and required GAAP packages for the upcoming year**
  - **Identification of changes in administering agencies (i.e. – Lottery)**
  - **Review of SAMS mandatory transfers, documentation of statutory authority for transfers**
  - **Leases – update/rollforward all lease information for the first 9 months of the year**



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# Preparation of the CAFR

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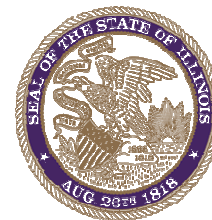
- **Year-end procedures**

**Goal – to have WEDGE and Federal Grant systems available to agency users within 3 weeks of year-end**

- **WEDGE system**

- **GAAP packages on WEDGE**

- **Rollforward of prior year balances and prior year GAAP adjustments**
- **Preparation of extract of SAMS revenue and expenditures**
- **Preparation of the WEDGE system download, by GAAP package**
- **Reconciliation of revenues and expenditures**
  - **Adjustments for held transfers**
  - **Adjustments for held vouchers**
- **Reconciliation of the SAMS cash balances**



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# Preparation of the CAFR

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- **Year-end procedures**
  - **WEDGE system (continued)**
    - **Interfund transfers**
      - **Rollforward of prior year ending accruals**
      - **Download all SAMS mandatory transfers (approximately 700 transactions)**
      - **Reconciliation of held interfund transfers**
  - **Federal Grant system**
    - **Rollforward prior year ending accruals for federal grants**



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# Preparation of the CAFR

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- **Other year-end procedures**
  - **Compensated Absences summary**
    - Agencies are required to submit a summary of compensated absences
    - The form is mailed to agencies, with the prior year balances pre-populated
    - Form is due to the IOC by the end of July
  - **Leases**
    - Year-end lease schedules are mailed to agencies within 1-2 days of year-end
    - Agencies are required to update lease information through June 30 and return to the IOC within approximately 10 days



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- **Other year-end procedures (continued)**
  - **Capital Assets**
    - Agencies are required to complete a summary of capital asset activity for the year
    - The capital asset forms are used to prepare the capital asset footnote
    - The capital asset forms are dependent upon the submission of the lease information
    - Form is due to the IOC by mid-August
    - The capital asset forms are reconciled by the IOC to submitted GAAP packages
  - **Year-end reports**
    - Annual GAAP reporting letter
    - Revenue reports
    - Expenditure reports
    - Unexpended appropriations



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# Preparation of the CAFR

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- **GAAP Project Due Dates**

- **Stricter Standards for GAAP reporting**

- 15 ILCS 405/19.5
    - Requires agencies to submit all information deemed necessary by the Comptroller on or before October 31
    - Requires the Comptroller's Office to publish the CAFR by December 31, if all information is received in a timely manner

- **Due dates for FY12**

- Lease information 07/13/12
    - Compensated absences summary 07/27/12
    - Interfund activity – Grantee 08/03/12
    - Interfund activity – Grantor 08/10/12
    - Capital assets summary 08/10/12



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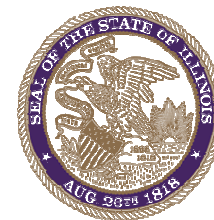
# Preparation of the CAFR

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- **GAAP Project Due Dates**

- **Due dates for FY12 (continued)**

- **Locally-held fund packages** **08/10/12**
    - **Treasury-held fund packages** **08/17/12**
    - **General revenue fund packages, federal activity fund packages, and proprietary fund packages** **08/24/12**
    - **Investment trust fund packages, private purpose fund packages, and OPEB plan packages** **09/10/12**
    - **Significant funds at agencies preparing financial statements (preapproved)** **09/10/12**
    - **Component Units** **09/14/12**
    - **Universities** **09/28/12**
    - **Pension Trust Funds** **10/01/12**



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# Preparation of the CAFR

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- **GAAP Package Review Process**
  - **1<sup>st</sup> review by IOC staff/consultants**
    - Detailed review – use of a review checklist
    - Includes tracing totals on manual forms to the WEDGE based forms
    - Includes a review of all posted journal entries
  - **2<sup>nd</sup> review – IOC manager**
  - **Review comments sent to agency - response requested within 1 week**
  - **Review comments received from agency and cleared**
  - **GAAP packages are marked complete on the system, and IOC version is available for viewing**
  - **IOC prepares financial statements and footnotes once GAAP packages reviews are complete**



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# Preparation of the CAFR

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- **CAFR compilation**
  - **Fund level financial statements**
    - **modified accrual basis**
      - WEDGE system generated financial statements - 7 fund types
      - Manually prepared financial statements - 5 fund types
  - **Government-wide financial statements**
    - **full accrual basis**
      - Fund level statements are consolidated
      - Adjustments are made to report using the full accrual basis of accounting
      - Manually prepared



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# Preparation of the CAFR

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- **CAFR compilation**
  - **Footnotes**
    - 23 footnotes containing approximately 100 tables
  - **Budget to Actual Statements**
    - Approximately 100 pages of financial statements comparing revenues and expenditures
  - **Economic and Statistical Information**
    - 16 schedules showing various trends over the last 10 years



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# Preparation of the CAFR

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- **CAFR audit and submission**
  - The CAFR is audited by the Office of the Auditor General
  - Upon completion of the audit, the CAFR is submitted to the Government Finance Officers Association (GFOA) to be considered for the:

## **Certificate of Achievement for Excellence in Financial Reporting**

- The State of Illinois has received the Certificate of Achievement for over 25 consecutive years.



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**WEDGE** (WEB-BASED ELECTRONIC DATA  
GATHERING ENVIRONMENT)



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# WEDGE

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- **Hired consultants in 2011 to rewrite WEDGE**
  - **Previous system**
    - **Outdated language**
    - **Incompatible with current Microsoft technology**
    - **Unable to make changes to the system, or to add additional forms**
  - **WEDGE 3.0**
    - **Supportable programming language**
    - **Increased automated cross-form validation**
    - **Ability to automate manual forms/processes**



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# WEDGE

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- **WEDGE system overview**
  - **The system has 3 “views”**
    - Agency
    - IOC
    - Auditor
  - **Agency view**
    - Operating statements start with uploaded SAMS balances of revenues and expenditures
    - Operating statements are read-only
    - Agencies use additional forms in WEDGE to post in-transit and accrual adjustments



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# WEDGE

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- **WEDGE system overview**

- **IOC view**

- Once agencies submit packages, they are rolled over to IOC status.
    - Adjustments resulting from the IOC review process are posted in IOC view.
    - Once the IOC review process is complete, agencies are able to view all changes.
    - IOC view is read-only to all agency users.

- **Auditor view**

- Audit adjustments deemed material are posted by the IOC staff in Auditor view.
    - Auditor view is read-only to all agency users.



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# FINANCIAL REPORTING STANDARDS BOARD



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# Financial Reporting Standards Board

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- **Public Act 97-1055**
  - **Effective 08/23/12**
  - **Establishes the Financial Reporting Standards Board (FRSB)**
    - **Shall consist of 3 members appointed by the Comptroller and 3 members appointed by the Governor**
    - **The Board is given the power to:**
      - **Establish minimum qualification for “GAAP Coordinators”**
      - **Establish minimum training requirements for “GAAP Coordinators”**
      - **Establish continuing education requirements for “GAAP Coordinators”**
      - **Establish best practice guidelines for GAAP package submission**
      - **Provide assistance during the GAAP cycle**
- **Requires an internal audit of every State agency that submits a GAAP package**



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# Areas of Concern

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- **Review of monthly internal reconciliations**
  - Cash balances – treasury-held and locally-held
  - Revenues
  - Expenditures
  - Fixed Assets/Leases
- **Year-end adjustments**
  - **Review for adequate support/documentation:**
    - Cash in-transit, vouchers in-transit
    - Receivables
      - Estimation process
      - Allowance for doubtful accounts
    - Payables
      - Estimation process



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# Areas of Concern

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- **Deadlines**
  - **Critical deadlines - prior to GAAP package submission**
    - Leases
    - Capital Assets
    - Interfund activity



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**QUESTIONS?**



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