INDEX OF STATUTORY CHANGES
HOUSE BILL 5391
Government Reporting Enhancement and Transparency Act
A/O October, 2026-NEGOTIATIONS ONGOING

| Article–Section: Art. 1 | Creates New Act and Definitions

Summary: Establishes the Government Reporting Enhancement and Transparency Act, including purpose, scope, defined terms, applicability, and general reporting and compliance structure.

Intent: Solution to the 20th century statutory local government financial reporting requirements. Provides a 21st century reporting model to reflect contemporary practices, standards and economies of scale.

Operative: One statewide single audit statute with four categories of governments based on annual cash receipts with escalating reporting requirements.

Sect. 1-5 Purpose

Sect. 1-10 Definitions

Change(s)

Added definition for "Accounting Practitioners" to reflect a change in category 1 government to provide for an accounting practitioner to complete the Comptroller's checklist. FIRE PROTECTION DISTRICTS

Added definitions for Familial Interest and Professional Accounting Services [Version 3.2 HA#2 7.16]

| Article–Section: Art. 5 | CPA Firm Selection and Retention

Summary: Creates a uniform statewide framework for selection, retention, independence, compensation, and procurement of independent CPA firms, including RFQ processes, exemptions from local procurement laws, and oversight by the Comptroller.

Intent: Provide guidance to units of local government on auditor selection process.

Operative: Multi-phase process with units of local government posting requests for CPA firms on centralized database maintained by the Comptroller. The centralized posting will be a one-stop shop for CPA firms to respond to requests for RFQs and will save governments time by not having to shop for CPA firms ad hoc.

5-5 Purpose

Purpose updated- *This addition establishes a fair, transparent, and competitive process for selecting a local government's independent CPA firm. It also ensures that the chosen engagement team possesses the qualifications, expertise, and resources necessary to provide professional accounting services in compliance with applicable laws, regulations, and professional standards*

5-10 CPA RFQ Portal

Section streamlined eliminating RFQ steps addressing concerns- PARK DISTRICTS/IGFOA [Version 3.2 HA#2 7/16]

5-15 Transition Years

Transition Years extended to 2030-COMPTROLLER [Version 3.2 HA#2 7/16]

5-20 Independent CPA Selection Process

Auditor Section 8 to 10 years

Comptroller shall adopt administrative rules establishing minimum considerations

*5-20 (i) & (j)-Fixed Fee to Variable Fee-*ACCOUNTING FIRMS

5-25 CPA Firm Retention

Change(s)- Sect 5-20(f) Auditor Selection-Eliminated prohibitive language of management's assistance with auditor selection process-PARK DISTRICTS

See also additions of (m), (n), (o)

*Changes 5-25(d)-Single year to multi-year agreement-*ACCOUNTING FIRMS [Version 3.2 HA#2 7/16]

5-25(c)-Technical correction as to reference to peer review administrator (scrivener update by ICPAS)

5-30 Payments for Auditing, Attestation, or Related Professional Accounting Services

Comptroller to provide guidance and assistance for selection and evaluation of auditors. [Version 3.2 HA#2 7/16]

5-35 Other Competitive Procurement Requirements

5-40 Auditing Tax

| Article–Section: Art. 5 – Sec. 5-15 | Transition Fiscal Years

Summary: Requires the Comptroller to assign each local government a first compliance transition fiscal year between FY 2028 and FY 2034 to phase in new CPA selection requirements, allowing continuation of existing audit engagements prior to the transition year and mandatory compliance thereafter.

Intent: Provide a thoughtful transition from Governmental Account Audit Act and progeny acts to the Government Report Enhancement and Transparency Act.

Operative: Ensure that local governments and auditors know standards and requirements to follow to prevent lost time and resources in an audit engagement.

| Article–Section: Art. 10 – Sec. 10-5 | Government Classifications

Summary: Establishes statewide classification of local governments into four categories based on annual cash receipts. Category thresholds, including the distinction between Category 2 and Category 3, are published by the Comptroller and incorporated by reference through guidance tables.

Intent: Provide smaller units of local government with contemporary reporting standards that reflect economies of scale based on accountability, transparency and compliance.

Operative: Smaller units of local government would complete and submit through a review committee a comptroller provided checklist. Category 2 governments would have a CPA complete an AUP report with five financial areas and five statutory compliance areas. Category 3 & 4 units of local government would continue reporting of audited financial statements and AUPs. Optimizing category 2 governments with AUPs versus auditors will attract CPAs and CPA firms to do this type of government work incentivized by not having to undergo an onerous systems peer review and familiarization and adherence to yellow book standard requirements. Incentivizing CPAs and CPA firms to provide this limited scope work will create a larger pool of CPAs and CPA firms to provide category 2 units of local government services thereby freeing up CPAs and CPA firms to perform audits.

10-5 Categories of Governments

Intent: Categories of local government are a mechanism to recognize small, medium and large-sized governments with applicable reporting requirements.

Operative: Classification of local governments serves as a floor and not a ceiling. Local governments may move to a higher category regardless of annual cash receipts if they chose to do so and/or to have a financial statement audit completed. Regardless of category, local governments will not have to change accounting systems in place.

Changes

Adjust and expand Category 1 to >$315K threshold to accommodate those governments that currently do not use CPA services in self-reporting financial information –(@ suggestion of the Comptroller)

Category 2 increased >$315K-$3.5M

| Article–Section: Art. 10 – Sec. 10-10 | Category 1 Reporting [>$315,000]

Summary: Applies limited oversight requirements to Category 1 local governments by requiring appointment of a three-member independent local review board to inspect selected receipts, disbursements, and reconciliations using a standardized Comptroller-issued template. Findings are documented, management comment is permitted, and the completed report is submitted publicly to the Comptroller, providing basic fiscal transparency without requiring an external CPA audit.

Changes:

10-10(a)-Expand Category 1 to permit an accounting professional who has passed a national exam to be a member of the review committee- (Fire Protection Districts)

10-10(g)-Address permissive stipend for Independent Elector Review Board and accounting professional

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| Article–Section: Art. 10 – Sec. 10-15 | Category 2 Reporting [$315K-3.5M]

Summary: Requires Category 2 local governments to engage an independent CPA firm to perform Comptroller-prescribed agreed-upon procedures in lieu of a full financial audit. These

procedures focus on compliance, internal controls, and selected financial activity, with required submission of reports to the Comptroller and public availability, providing increased accountability while limiting audit costs for mid-sized governments.

Change(s)

10-15(a)-Technical correction as to reference to AUPs engagement

(scrivener update by ICPAS) ---conforming changes throughout

Adjust at rate of inflation at rate of 2½% per year with new transition timeline of local government FY 2030.
Conforming changes reflected throughout.

Category 1 – Less than $315,000
Category 2 – Greater than $315,000, less than $3,677,000
Category 3 – Greater than $3,677,000, less than $36,770,000
Category 4 - $36,770,000 [VERSION 3.2 HA#2 7.16]

10-15(m)-*Registry, the five compliance areas were removed from the AUP from reporting for Category 2 governments. AUPs were removed for Category 3 & 4 Governments all together*.
PARK DISTRICTS, GFOA [scrivener's note, Park Districts and GFOA expressed opposition to Compliance AUP's. GFOA expressed concern over extra work on auditors in categories 3 & 4].

| Article–Section: Art. 10 – Sec. 10-20 | Category 3 Reporting [$3.5M-35M]

Summary: Requires Category 3 local governments, including larger non-county governments and smaller counties, to prepare financial statements on the cash basis of accounting and to undergo independent CPA audits conducted in accordance with applicable auditing standards. In addition to the audit, these governments must complete agreed-upon procedures prescribed by the Comptroller, submit governance communications and reports of known or suspected noncompliance, and present audit results at public meetings.

Changes(s)

10-20(p)-Reporting requirements to Comptroller erroneously left out and added consistent with other categories

Sect. 10-10 Category 1

-Added ability of local governments to retain an accounting professional services- FIRE PROTECTION DISTRICTS [Version 3.2 HA#2 7.16]

(i) Local Government Registry Information Returns Report
Revised- *Comptroller to provide format pursuant to the administrative rules process.*
W2-1099 reporting—format as prescribed by the comptroller through the administrative rules process/streamlined—PARK DISTRICTS
--Conforming changes throughout document. [VERSION 3.2 HA#2 7.16]

Sect. 10-15 Category 2
(m) Inclusion of reporting of debt schedule in reporting (Sect. 15-15)
--Conforming changes throughout- As recommended by Federation of Bond Analysis [VERSION 3.2 HA#2 7.16]

Sect. 10-20 Category 3 Governments

(m) Data submitted to comptroller. [Data submission, AUPs]

(n) Submission of Auditors' communication as on items outlined. (in re: deficiencies in internal controls, known or suspected fraud or non-compliance with laws or regulations and any reports required by audit standards.

Submission of audit reports (+)auditor communications auditor letters in format determined by comptroller pursuant to administrative rules.

(p) W2-1099 reporting in format prescribed by comptroller pursuant to administrative rules. — PARK DISTRICTS

(q) Debt schedule as required by 15-15(c). **[as recommended by FEDERATION OF BOND ANALYSIS]** [VERSION 3.2 HA#2 7.16]

(q) *AUPs were removed for Category 3 & 4 Governments all together*. PARK DISTRICTS, GFOA [scrivener's note, Park Districts and GFOA expressed opposition to Compliance AUP's. GFOA expressed concern over extra work on auditors in categories 3 & 4].

| Article–Section: Art. 10 – Sec. 10-25 | Category 4 Reporting [>$35M]

Summary: Applies the most comprehensive reporting and oversight requirements to Category 4 local governments by requiring preparation of financial statements in accordance with generally

accepted accounting principles, independent CPA audits, and completion of Comptroller-prescribed agreed-upon procedures. These governments must submit extensive audit-related disclosures, fraud and compliance communications, informational returns, and present audit findings publicly, reflecting heightened transparency expectations for financially significant entities.

Change(s)

10-25(j) -Drafting correction-redaction of duplicate language

10-25(u) -Drafting correction

10-25(m)- AUPs were removed for Category 3 & 4 Governments all together. PARK DISTRICTS, GFOA [scrivener's note, Park Districts and GFOA expressed opposition to Compliance AUP's. GFOA expressed concern over extra work on auditors in categories 3 & 4].

| Article–Section: Art. 15 | Registry and Agreed-Upon Procedures

Summary: Directs the Comptroller to maintain a centralized, public local government registry and to prescribe minimum agreed-upon procedures, including compliance, internal controls, asset accountability, and statutory reporting requirements.

Intent: Creates a transparent, standardized, and accountable framework for local government reporting with the Comptroller's Local Government Division.

Operative: Specifies statutory responsibilities of the Office of the Comptroller in local government reporting and products and resources provided to units of local government.

15-5 Local Government Registry and Report Database

15-10 Limited Procedures for Category 1

15-15 Government-wide Agreed Upon Procedures

Changes(s)

15-15(e)-Conformity with removing prohibition of auditors performing authorized non-attest services -COUNTY TREASURERS' ASSOCIATION

15-15(g) & (h)-Scrivener's note-this is an open issue for resolution as to applicability of GAAS

The Comptroller-prescribed compliance AUPs include:

- FOIA and Open Meetings Act compliance
- Records retention
- Accountability for capital and leased assets
- Compensation and banking compliance
- Bond and debt compliance
- Testing of receipts and disbursements
- Compliance with significant statutory mandates
- Specialized procedures for fire protection districts and intergovernmental arrangements

Tax data reported to comptroller by county treasurer.
(in re: streamline reporting for local governments)
(h) Comptroller compile a publicly available database for each county government.

(1) Property tax info
(2) Debt schedules
(3) Info on payments from state treasury

Sect. 15-15 Government Wide AUPs

(c) Comptroller prescribe objective procedures for debt schedules.

--Applies to Categories 2, 3, and 4

(g) Corrected to reflect GAAS

--Cash basis or accrual

[VERSION 3.2 HA#2 7.16]

Sect. 15-15 Government Wide AUPs

15-15 (b)(1)(2)(3)(4)(5) -*the five compliance areas were removed from the AUP from reporting for Category 2 governments. AUPs were removed for Category 3 & 4 Governments all together*.
PARK DISTRICTS, GFOA [scrivener's note, Park Districts and GFOA expressed opposition to Compliance AUP's. GFOA expressed concern over extra work on auditors in categories 3 & 4 and information that would be reported in the financial AUP's will be formatted to reflect the audited financial statement as much as possible to capture that data].

15-20 Redevelopment Districts

Changes(s)

5/11-74.4-5 (d-2)-Report submission to the Comptroller (CITY OF CHICAGO)

5/11-74.6-22 (d-1)-AUP for TIF Districts (CITY OF CHICAGO)

Section 15-20 Removed from the bill. It was determined that there are 4 plus different practices in TIF reporting. This was coordinated with IML and TIF Association. The TIF statute needs updated separate and a part from this local government audit legislation. [V 3.3 HA#2-October 11, 2026].

5-25 Guidelines for Circuit Clerks

| Article–Section: Art. 20 | Supervision and Compensation of a Review Board or CPA Firm

Summary:

Intent:

Operative:

20-5 Purpose

20-10 Supervision and Payments for Professional Accounting Services

*Pieces of this section were previously in Sect 5. With streamlining of processes moved to Sect. 20-5 -*TOWNSHIP OFFICIALS OF ILLINOIS

20-15 Optional Compensation for Review Board

Ability to levy fees to pay review board-TOWNSHIP OFFICIALS OF ILLINOIS [Version 3.2 HA#2 7.16]

20-20 Independent Review Tax

Authorization for payment of review committee-TOWNSHP OFFICIALS OF ILLINOIS

| Article–Section: Art. 25 | Miscellaneous Provisions

Summary: Establishes baseline financial management, internal control, asset management, reporting, and compliance requirements for Illinois local governments. The provisions are designed to strengthen accountability, improve financial oversight, ensure timely reporting, and provide the Comptroller with tools to address noncompliance

Intent: Provides legal authority and guidance on key provisions of the Act to include enhanced enforcement authority for the Comptroller .

Operative: Provides operative legal authority and guidance for key operative provisions of the Act. Establishes mandatory internal control and asset management standards. Requires segregation of duties or alternative risk-mitigation controls. Creates accountability by designating responsible financial reporting personnel. Gives the Comptroller stronger oversight and enforcement authority over delinquent filings. Eliminates duplicative reporting to multiple State agencies. Preempts inconsistent home rule regulations and creates a uniform statewide framework for local government financial reporting and auditing.

25-5 Internal Controls

25-10 Segregation of Duties

25-15 Capital Assets and Leases

25-20 Audit Committees

25-25 Delinquent Reports

25-30 Administrative Rule Authority for the Comptroller

25-35 Designation of Responsible Persons

25-40 Other Duties

25-45 Reports to State agencies

25-50 Effect on Taxes

25-55 Home Rule

| Act: Intergovernmental Cooperation Act | Article–Section: Art. 900 | Joint Entities

Summary: Transitions joint action agencies and intergovernmental entities, including water and wastewater agencies, into the Government Reporting Enhancement and Transparency Act reporting and audit framework beginning with applicable transition fiscal years.

Intent: Application of the Government Reporting Enhancement and Transparency Act to joint entities

Operative: Incorporates the requirements of the Act to those entities with joint activities. Note, this is already contemplated in the existing Governmental Account Audit Act.

900-5 Municipal Joint Action Water Agency 5 ILCS 220/3. 220/10 (new)-applicability of the new Act

900-10 Comptroller Local Government and School District Registry (15 ILCS 405/23.7)

900-15 The Property Tax Code-addressing multi-township assessment district

900-17 Property Tax Code-repealing sect. 30-30/30-31

900-20 Public Building Commission

900-25 Local Government Financial Statement Act

900-30 The Governmental Account Audit Act

-Delinquent Reports

| Act: Counties Code | Article–Section: Art. 900 | County Audit Statutes

Summary: Repeals or supersedes county-specific audit and reporting provisions and transitions counties to the Government Reporting Enhancement and Transparency Act framework following December 31, 2027.

Intent: Thoughtfully sunsetting the county audit requirements and reoptimizing those requirements in the Government Reporting Enhancement and Transparency Act.

Operative: As of the transition timetable dates, counties would begin reporting following the requirements of the Government Reporting Enhancement and Transparency Act. Note, counties will not have to change their existing accounting systems.

900-35 Counties Code (p.102) 55 ILCS 5/6, et seq.

-Annual Audits and Reports

-Overdue Reports

-Funds Managed by County Officials

-Audit Report Transition (p. 107)

-Transitional Agreed-upon Engagements (p. 110)

-Public Records

-Audit Committee

| Act: Township Code | Article–Section: Art. 900 | Township and Road Districts

Summary: Eliminates standalone township and road district audit statutes and incorporates those units into the Government Reporting Enhancement and Transparency Act classification and reporting system.

Intent: Thoughtfully sunsetting the county audit requirements and reoptimizing those requirements in the Government Reporting Enhancement and Transparency Act.

Operative: As of the transition timetable dates, counties would begin reporting following the requirements of the Government Reporting Enhancement and Transparency Act. Note, counties will not have to change their existing accounting systems.

900-40 Township Code 60 ILCS 1/80-20 (114)

| Act: Illinois Municipal Code | Article–Section: Art. 900 | Municipal Audits

Summary: Removes municipal audit, reporting, and publication requirements scattered throughout the Municipal Code and replaces them with uniform Government Reporting Enhancement and Transparency Act obligations.

Intent: Thoughtful sunsetting the municipal audit requirements and reoptimizing those requirements in the Government Reporting Enhancement and Transparency Act.

Operative: As of the transition timetable dates, municipalities would begin reporting following the requirements of the Government Reporting Enhancement and Transparency Act. Note: TIF Districts will transition to AUPs versus audits

900-45 Municipal Code 65 ILCS 5/8

-Comptroller Duties

-Audit Requirements

-Tax Increment Financing Report

-Auditor

-Expenses of the Audit

-Audit Report Disclosure

-Owning a Municipal Utility

-Contiguous/Noncontiguous Municipalities-Natural Gas Plant

-Street Railways

-Utility

-Municipal Revenue Bonds

-Combined Waterworks and Sewage

900-47 Home Equity Assurance Act

| Act: Special District Acts (70 ILCS) | Article–Section: Art. 900 | Special Districts

Summary: Transitions park, fire protection, sanitary, drainage, airport, mosquito abatement, forest preserve, library, and other special districts from legacy audit statutes to the Government Reporting Enhancement and Transparency Act framework.

Intent: Thoughtful sunsetting of special district auditing requirements and reoptimizing those requirements in the Government Reporting Enhancement and Transparency Act.

Operative: As of the transition timetable dates, special districts would begin reporting following the requirements of the Government Reporting Enhancement and Transparency Act. The Comptroller is required to develop agency rules to accommodate unique aspects of special districts.

900-50 Airport Authorities

900-55 Airport Authorities Act

900-60 Cemetery Maintenance District

900-65 Civic Centers

900-70 Civic Center Code

900-75 MCPIER

900-80 Soil and Water Conservation Districts

900-85 The Conservation District Act

900-90 Drainage District Code

900-95 Fire Protection Districts

900-235 The America's Central Port District Act

900-240 The Upper Mississippi River International Port District

900-245 Waukegan Port District Act

900-250 Emergency Services District

900-255 River Conservancy Districts

900-260 Drainage District

| Act: Miscellaneous and Conforming Acts | Article–Section: Art. 900 | Final Conforming Amendments

Summary: Completes technical, conforming, and transitional amendments across remaining Acts to ensure exclusive reliance on the Government Reporting Enhancement and Transparency Act for local government financial reporting and audits.

Intent: Conformity for areas not addressed above.

Operative: As of the transition timetable dates, remaining governmental bodies would begin reporting following the requirements of the Government Reporting Enhancement and Transparency Act. The Comptroller is required to develop agency rules to accommodate unique aspects of special districts.

Sect. 900-xxx Public Funds Statement Publication Ac
Sunset Act- FIRE PROTECTION DISTRICTS/ COUNTY TREASURERS [VERSION 3.2 HA#2 7.16]
Compensation Reporting Bands-PARK DISTRICTS

Sect. 2-23 Changes Transition Dates
Pushes transition dates out by 2 years to 2030-COMPTROLLER