**Section 190.60 General Accounting Procedures**

a) All credit unions will maintain their books and records in accordance with GAAP, and in such a manner as to provide an accurate report of financial condition, with the exception of the selection of the accounting method to be used or when otherwise directed by statutory requirements. In the event that a credit union is using the modified cash basis of accounting, and the Secretary determines that method causes a material misstatement of the financial condition of the credit union, the Secretary shall require that the credit union convert to the full accrual method of accounting, except when factors such as prohibitive cost or lack of expertise are evident. The Division will notify in writing any credit union required to convert to the full accrual method and provide 60 days to review and respond.

b) If the credit union does not concur with the Division's requirement, it may request a formal hearing under Section 190.20. The order to change accounting procedures is stayed pending the final outcome of the hearing.

c) Regardless of the method of accounting in use, the following items must be accrued or amortized:

1) Dividends on Classes of Shares;

2) Premiums and Discounts on purchased investments;

3) Depreciation of Fixed Assets; and

4) Interest on investments when paid less frequently than once a year.

d) If a credit union uses the accrual method to recognize interest income on consumer loans, the accrual must be stopped and income recognized on a cash basis whenever the borrower is three months or more delinquent in contractual payments.

e) All credit union charts of accounts must be kept in sufficient detail to allow accurate and full completion of all reports required by Section 9 of the Act.

f) Pursuant to the authority granted to the Secretary by Section 60(B) of the Act to decrease the reserve requirement set forth in Section 60(A) of the Act, a credit union is exempt from the reserve requirement of Section 60(A) if:

1) The credit union's net worth to asset ratio is 7% or greater; or

2) If the credit union's net worth to asset ratio at the end of a calendar quarter is less than 7%, the credit union transfers an amount equal to .1% of the credit union's assets from undivided earnings to regular reserve at the end of the next calendar quarter and quarterly thereafter until the net worth to assets ratio is equal to or greater than 7%.

3) Notwithstanding subsection (f)(2), a credit union with a net worth to asset ratio of greater than 6% is not required to make the earnings retention transfer of 0.1% from undivided earnings to regular reserve at the end of the next quarter until after the quarter ending 3/31/2023 unless the Secretary determines that a transfer is necessary to address safety and soundness concerns.

(Source: Amended at 46 Ill. Reg. 16221, effective September 6, 2022)