



**Office of the Washington State Auditor
Pat McCarthy**

**Local Government Advisory Committee (LGAC)
Meeting Agenda
December 8, 2021
9:00am – 12:00pm
Virtual Meeting – Microsoft Teams**

Members in attendance:

Brodersen, Bret (WFOA); Burton, Debbie (SCCFOA); Clark, Kathy (Housing); Coit, Suzanne (WSTA); Gall, Sheila (AWC); Goodrich, Scott (WPPA); Hill, Shawn (WACO); Hunt, Heidi (WACO); Kelly, Mitchell (SWFOA); Kinley, Leana (WCCMA); Lundeen, Ann (WACO); Oestreich, Brenda (WSAC); Pascoe, Jerica (WFOA); Payne, Randy (WAPUDA); Pepin, Patty (ESD); Robacker, Tanya (Fire); Steffen, Philip (WPTA);
Tellers, Stacie (SAO, Chair)

Members absent:

Excused: Huynh, Phung (PSFOA); Pohle, Derek (CRAB); Mann, Michael (LEAP); McMillan, Sandi (WASWD); Schaub, Mike (OFM)

Unexcused: Douglas, Maggie (AWC); Ishizuka, Paul (AWPHD);

Other attendees:

Maule, Tim (Fire)

SAO Staff in attendance:

Ard, Sherrie; Collins, Kelly; Cowgill, Christie; Crouch, Olivia; Kostick, Niles; McCarthy, Pat; Montgomery, Ryan; Rooney, Keri; Vandenburg, Vivian; Watkins, Tina

Call to Order

The Committee meeting began at 9:00am, held via Teams. The meeting was called to order by Stacie Tellers, LGAC Chair.

Welcome and Attendance

Stacie welcomed everyone. Attendance was taken via the Teams attendee list.

Approval of Minutes from August 2021

The minutes previously distributed via email with a link to the SAO LGAC webpage where the draft minutes are posted.

Motion to approve the August 2021 minutes was made by Bret Brodersen and seconded by Ann Lundeen. The appointed committee members approved the minutes with no corrections or changes, unanimously.



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SAO Executive Update

Pat McCarthy thanked the attendees for joining the meeting today and for the continued support and participation in the Committee. SAO appreciates all feedback we receive and this feedback is used as SAO continues to work with accounting standards setters on the national level. SAO has participated in GASB roundtables and other events in order to advocate for the interests of local governments in Washington State.

BARS Updates and Discussion

Christie Cowgill discussed the final annual BARS update list for the Dec 21/Jan 22 update (see attached).

Christie further discussed the preliminary items for the annual BARS update list for the Dec 22/Jan 23 update (see attached).

The floor was opened for questions, comments, and concerns related to BARS. Stacie advised the committee that the 2021 BARS Update webinar recordings will be posted to the website in conjunction with the finalized BARS updates in December.

Bret Brodersen requested more training and resources in the BARS manuals for Certain Asset Retirement Obligations. The trouble areas appear to be assets without a definite useful life or instances where the government does not intend to retire the asset. Brenda Oestreich echoed this issue. Christie stated that this has come to SAO's attention with other audits and she will work with the audit support staff to ensure everyone has the correct criteria and will work on developing training. Both Bret and Brenda stated they would be available to review or provide more information.

No other topics were brought up at this time.

SAO Resources

Niles Kostick provided an update on Center for Government Innovation. New resources are available for accounts payable and payroll in the resources database. Additionally, the Center will be working on refreshing and updating resources that have been issued in prior years. The Audit Connection Blog is utilized to provide more information on resources and tools, specifically related to cybersecurity, federal funding, and single audit information. Subscribing to the blog is encouraged so that you may receive timely information.

Thank you to the committee members that have provided review services on the Center's resources. Call to current committee members for any volunteers for reviewers of upcoming resources.



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Lean services are ongoing and we have adapted to the virtual world. This service continues to be offered and has been successful during the pandemic.

FIT continues to grow and develop in order to publish the comparative statistics requirements. New additions include better peer comparison options, financial project tools, and improved benchmarking tools. The Center posts “FIT Data Stories” on the Audit Connection Blog often. These stories provide interesting information on different trends occurring around the state and with different government types.

The Center is launching short videos called “Fish Tank” to highlight the services provided by the Center.

Open Discussion

Stacie opened the discussion period with thoughts on the additional meeting that was added to the calendar in 2021. The third meeting did allow for shorter meetings overall, which is appreciated. The goal of the second meeting would be to present the nearly final list of updates for that December’s BARS update. Additionally, the BARS team could utilize this meeting to present draft versions of the large updates or new sections (such as leases for Dec. 2022) to allow for discussion, proposed edits from the committee, and other comments. The December meeting would focus more on the next year or years updates, which will allow for more time for the committee to discuss possible issues, edits, or changes to the proposed upcoming edits. The committee would like to continue the extra meeting. October is budget time for several governments, however they are willing to give an hour to hour and a half for the meeting to see if October works better than the August meeting.

The floor was opened for questions, comments, and concerns. No items were brought up. Stacie reminded the attendees that they may email her at any time with questions and comments. Stacie will ensure the email is forwarded to the appropriate SAO specialist.

Preliminary Meeting Schedule for 2022

Wednesday, June, 15, 2022, 9:00am-11:00am	Virtual
Wednesday, October, 5, 2022, 9:00am-10:30am	Virtual
Wednesday, December, 7, 2022, 9:00am-11:00am	Virtual

Meeting ended at 10:20am.



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**Local Government Advisory Committee (LGAC)
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Topics:	Speaker	Time
Welcome and Attendance	Stacie	10 minutes
Approval of Minutes from August 2021	Stacie/LGAC	5 minutes
SAO Executive Update	Pat McCarthy	30 minutes
BARS Updates and Discussion	BARS Team	45 minutes
a. Annual update list – review the final items for Dec 21/Jan 22 update		
b. Annual update list – review preliminary items for Dec 22/Jan 23 update		
c. Open Discussion - BARS		
SAO Resources	Center	30 minutes
Open Discussion	LGAC	As needed
Discuss third meeting – value added and thoughts		
Preliminary Meeting Schedule for 2022		
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What is coming to BARS in 2022

Italic items are NEW since the August 2021 meeting

Strikeouts have been moved to 2023

BARS coding descriptions: updated to ensure all codes have descriptions.

Washington State Department of Transportation request: new BARS codes to split out Ferry and Water Taxi activity.

- Revenue code – 344.72 – Ferry and Water Taxi Services
- Revenue code – 344.71 – Transits, Railroads and Other Transportation Systems Services
- Expense code – 547.20 – Ferries and Water Taxis
- Expense code – 547.10 – Transits, Railroads and Other Transportation Systems

New Coding changes

- Cash use only – 395.10 – Proceeds from Sales of Capital Assets
- Cash use only – 395.20 – Compensation for Loss/Impairment of Capital Asset
- GAAP governmental use only – 395.30 – Proceeds from Sales of Capital Assets
- GAAP governmental use only – 395.40 – Compensation for Loss/Impairment of Capital Asset

Update and clean up Cash Basis notes:

- ~~Providing more details in Note 1 – Summary of Significant Accounting Policies~~
- Note X – Component Unit note will be updated to clarify when each example should be used.

Clarification in BARS sections:

GAAP BARS

- GAAP ARO section will include how to report assets with indefinite life
- *Updating Net Position and Pension accounting to better align with GASB guidance*
- *Updating GAAP basis – Pension Note and SSAP for pensions template to better align with GASB guidance*

Cash BARS

- Environmental Liabilities and Certain Asset Retirement Obligations should include all AROs including contract obligations, adding language.
- Adding impact and impairment sections to the CASH BARS manual
- Cleaned up the Debt Refunding Section in CASH.



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- Removing CASH Notes Template (word file) from templates page.

Both Manuals

- Guidance for debit cards to the appropriate purchase card sections
- ~~Clarification to the Equipment Rental and Revolving Fund sections~~
- Added the determination of investments pool for counties
- Added additional information about fiduciary funds and internal service funds.

GAAP – 4.3.6 – Internal Service Funds

Cash – 3.1.7.50 – Fund Types and Accounting Principles



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What is coming to BARS in 2023

- Leases - both manuals (Please see the project page for more information on what will be included)
- Clarification to the Equipment Rental and Revolving Fund sections
- Cash - Providing more details in Note 1 – Summary of Significant Accounting Principles
- GAAP – Clarification of operating/non-operating



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GASB UPDATE

December 2021

The Governmental Accounting Standards Board (GASB) establishes generally accepted accounting principles (GAAP) for U.S. state and local governments. All statements, exposure drafts and other documents for public comment are available from the GASB website, www.gasb.org, free of charge.

Here is a summary of current and upcoming accounting and financial reporting standards.

GASB Pronouncements Effective for Reporting Year 2021

- **Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period***
This statement suspends paragraphs 5-22 of GASB 62. Do not capitalize interest cost related to capital assets – expense as incurred. This statement was originally effective for the 2020 reporting year but was postponed by GASB 95.

GAAP – Formalizes that interest incurred before construction is complete for a capital asset is **not** capitalizable.

CASH – Does not apply since this is in relation to capital assets.

- **Implementation Guide 2019-1**

This guide's objective is to provide guidance that clarifies, explains, or elaborates on GASB Statements. This guide addresses OPEB, Derivative Instruments, Nonexchange Transactions, Impairment and Insurance Recoveries, and other accounting and reporting topics. This guidance was originally effective for the 2020 reporting year, but was postponed by GASB 95.

GAAP – Most of the required changes have been implemented in BARS. Please review the new rules for storm cleanup and insurance recoveries, which can be found in the insurance recovery BARS codes.

CASH - Most of the required changes have been implemented in BARS. Please review the new rules for storm cleanup and insurance recoveries, which can be found in the insurance recovery BARS codes.

- **Statement No. 98, *The Annual Comprehensive Financial Report***

This statement replaces the term *comprehensive annual financial report* and the related acronym with *annual comprehensive financial report* (ACFR). Effective for years ended after December 15, 2021.

GAAP – Most of the required changes have been implemented in BARS.

CASH – Does not apply since cash does not prepare ACFRs.

GASB Pronouncements Effective for Reporting Year 2022

- **Statement No. 87, *Leases***

This statement's scope includes definition of a lease, lease term, short-term leases, subleases, and sale-leasebacks. Guidance related to accounting and reporting for lessee and lessor. An implementation guide is available: **Implementation Guide 2019-3 - *Leases***. The statement and guidance were originally effective for the 2020 reporting year but was postponed by GASB 95.

GAAP – Please see the Leases project page for accounting and reporting requirements. Early implementation allowed.

CASH - Please see the Leases project page for accounting and reporting requirements. No early implementation allowed.

- **Statement No. 91, *Conduit Debt Obligations***

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement was originally effective for the 2021 reporting year, but was postponed by GASB 95.

GAAP - Conduit debt will not be reported unless certain criteria has been met.

CASH - Conduit debt will not be reported unless certain criteria has been met.

- **Statement No. 92, *Omnibus 2020***

This statement addresses a mix of implementation issues related to leases, reinsurance recoveries, and derivative instruments (**effective immediately for reporting year 2020**). Other items effective for reporting year 2022 include intra-entity transfers of assets, postemployment benefit arrangements, government acquisitions, etc. This guidance was originally effective for the 2021 reporting year, but was postponed by GASB 95.

GAAP – Most of the required changes have been implemented in BARS.

CASH - Most of the required changes have been implemented in BARS.

- **Statement No. 93, *Replacement of Interbank Offered Rates***

This statement provides exceptions to derivatives hedge accounting termination provisions and lease modifications solely to replace an interbank offered rate (IBOR). This guidance was originally effective for the 2021 reporting year but was postponed by GASB 95.

GAAP – LIBOR has been removed from the hedging derivative section of the BARS manual.

CASH – Does not apply to cash due to only apply to hedging derivatives.

- **Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for IRC Section 457 Deferred Compensation Plans***

This statement supersedes GASB Statement No. 32. IRC section 457 deferred compensation plans that meet the definition of a pension plan should follow the accounting and financial reporting requirements of pension plans.

GAAP – Most of the required changes have been implemented in BARS.

CASH - Most of the required changes have been implemented in BARS.

GASB Pronouncements Effective for Reporting Year 2023

- **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***

This statement establishes the definition of PPP's and APA's and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions.

GAAP – Adds more situations for Service Concession Arrangements to apply and updates the accounting and reporting requirements in these areas.

CASH – Does not apply due to the fact that Service Concession Arrangements are not reported in Cash.

- **Statement No. 96, *Subscription Based Information Technology Arrangements***

This statement brings the guidance on the accounting and and financial reporting for “SBITA’s” in line with that of GASB 87 - Leases.

GAAP – Adds software to the lease standard.

CASH – Adds software to the lease standard.

GAAP – *For all statements, earlier application is encouraged.*

CASH – *Implementation will be at the time of BARS prescription.*

Current GASB Exposure Drafts, Invitations to Comments, etc.

GASB does not currently have any documents out for public comments. New documents for public comments are posted to <https://www.gasb.org/exposure-documents>.