



Local Governments Annual Financial Reporting Update

On January 27, 2016, our Office published a follow-up to a report we issued last year on local government financial reporting. This year's results show that our outreach efforts have contributed to a greater number of local governments filing their reports as required by law for fiscal year 2014.

Our outreach, provided at no cost to local governments, included training sessions and how-to-file workshops, support from the Auditor's Office Helpdesk, and improvements in our online filing process. Staff from our Local Government Performance Center offered additional support and workshops.

Of the 394 local governments that did not file, more than half did eventually file, but after the deadline; another 50 started filing but did not complete their report. About 100 governments did not send any data, and 70 of them did not file a report for 2013 either.

The report also addressed the consequences of not filing an annual report, and our plans to help more entities file, including more workshops for governments large and small. The **Special Report: Local Governments: Increased Transparency and Accountability** is available on our website and also contains a Tableau presentation of the reported data.

Talking with Jan Jutte Deputy State Auditor

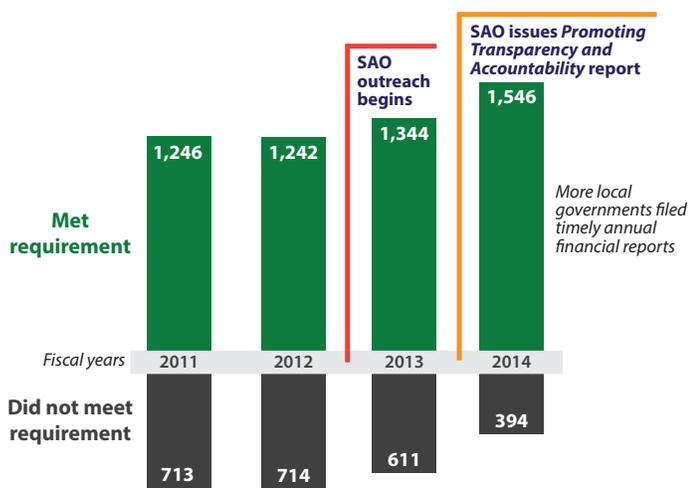
To say that 2015 was quite a year would be an understatement. But I want all of you to know how proud I am of the way all the staff at the State Auditor's Office have pulled together. We are one team, 400 strong, working hard to ensure that maintaining the vision, mission, goals and values of the State Auditor's Office is always the highest priority.



I also want to thank all of you for your support of me and the dedicated staff in our Office, who work with you to serve your communities and the state of Washington.

We now begin another year – my last with the State Auditor's Office, after more than 30 years. More important, though, and foremost in my mind right now, are the years to come after I retire. As I have said before, the State Auditor's Office isn't about one person. It is about the constitutional role the office fulfills and the people who contribute to that role, this year, next year and the years to come. That's why we have worked to develop a sound, comprehensive and aggressive operational plan to offer a path ahead for those who will have the honor of leading this organization in the future.

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Rate Increase Reminder

As of January 1, 2016, we adjusted our local government hourly billing rate from \$88.50 to \$93.00. This rate change was in response to the cost-of-living increase for state employees and the feedback you provided in our State Auditor's Office Perception Survey. The cost-of-living increase accounts for just over \$2.00 of the \$4.50 adjustment. The rest will fund additional staff training and enhanced audit support, helping us recruit, train and retain the people who will conduct your audits.

What To Do When You Suspect Fraud

State law (RCW 43.09.185) requires all state agencies and local governments to immediately notify the State Auditor's Office in the event of a known or suspected loss of public resources or other illegal activity. This includes situations in which disciplinary action against an employee is being considered due to known or suspected losses of public funds, fraud, illegal acts, or noncompliance with policies or procedures related to preventing losses of public funds, misappropriation or other illegal acts.

We encourage governments and agencies to develop policies and procedures that help them comply with this law. Be sure to set out clearly who is responsible for keeping managers and employees informed about the reporting requirements, and how you will make sure you tell us about losses promptly.

You are **not** required to tell us about these kinds of problems:

- Normal and reasonable "over and short" situations from cash receipting operations. Record these transactions in the accounting system as miscellaneous income and expense respectively, and monitor this activity by cashier for any unusual trends.
- Reasonable inventory shortages identified during a physical count. Record inventory adjustments in the accounting system.
- Breaking and entering, or vandalism of property.

If you suspect or detect a loss of public funds or assets, or other illegal activity, report the loss to our Office using our online reporting form. For additional information on what to do if you suspect a loss, please visit our website at www.sao.wa.gov/investigations/Pages/FraudProgram.aspx

Talking with Jan Jutte – Continued from page 1

A key to the success of this operational plan is our culture of continuous improvement – working to find, develop and implement new and better ways, large and small, in how we do our work. It's been my observation that the best keep finding ways to do it better. And I consider our State Auditor's Office team the best.

Part of that culture is outreach to you, and to the citizens we serve with you, through transparency, communication, improved customer service and recognition of success. One way we will continue to recognize success is the State Auditor's Stewardship Award. The award is presented to state and local governments in recognition of outstanding accomplishment in the stewardship of public resources as we pursue our shared goal of government that works better, costs less and earns greater public trust.

That culture of continuous improvement is founded on six values we embrace and employ in everything we do – values I expect to come through in every interaction between our teams and yours. Those values are:

- Objectivity
- Accountability
- Independence
- Integrity
- Respect
- Transparency

I believe those intrinsic values add up to the unique value our Office offers the governments and citizens of Washington: that of an independent auditor providing expertise, transparency and accountability in government.

Unfortunately, that unique value and our ability to offer important new services to local governments are in jeopardy as the Governor and Legislature consider supplemental budget changes. For example, our Office has planned to conduct IT security audits for at least three state government agencies and 10 local governments in 2015-17 (six are already in progress). Few things are more critical – and at risk in our digital world – than government IT security. Through contracts with subject-matter experts and our Local Government Performance Center, the State Auditor's Office is building an IT security audit capability that can be a boon to local governments around the state. But a proposed additional \$10 million cut in voter-approved performance audit funding would eliminate our ability to do nearly all of the planned IT security audits. We are working with legislators to ensure they understand the risks of our not being able to continue with this important work.

This new year will bring new challenges, and new opportunities. I look forward to working with you to face those challenges and explore those opportunities.



Jan M. Jutte

Deputy State Auditor

BARS Roundtables Attract Attendees Across the State

Changes in the Budgeting, Accounting and Reporting System (BARS) manual, and the reporting requirements around it, often prompt questions and raise concerns at local governments. As part of last year's increased outreach efforts, we offered 12 roundtable meetings across the state. The three-hour sessions attracted just over 400 people.

The topics they discussed included BARS update information, demonstrations of online filing upgrades and the Financial Intelligence Tool (FIT), and resources available from our Local Government Performance Center. Most important, the forums were designed to allow attendees to ask questions and provide feedback on any accounting or auditing issues. This led to discussions ranging from the timing of annual reports and audits and the need for a printable chart of accounts

2015 Roundtables

October – Yakima, Olympia, Wenatchee

November – Renton, Lynnwood, Burlington

December – Friday Harbor, Sequim, Seattle, Spokane, Vancouver

(which is now available), to minimum annual report requirements and the implementation of GASB 68.

The roundtable meetings were a great opportunity for building relationships and offered a learning environment for everyone attending. Many attendees asked us to offer such sessions again in the future, and so we plan to offer another series of BARS Roundtables in the fall of 2016. You can sign up to

receive announcements about upcoming meetings on our website at <https://portal.sao.wa.gov/saoportal/Login.aspx>. If we did not offer a roundtable meeting in your area in 2015, please email Christy Raske at Christy.Raske@sao.wa.gov, and we will try to accommodate your request: we want to give everyone the opportunity to attend. We value your input.

BARS Manuals Update

The GAAP and Cash Basis BARS manuals have been updated and are available on the SAO website at www.sao.wa.gov/local/Pages/BarsManual.aspx

BARS manuals for port districts, transit districts and PUDs have been merged with the *Cities, Counties, and Special Purpose Districts GAAP* manual, and are no longer available as separate manuals. The merging of the manuals did not change existing accounting and reporting policies for these governments.

The *Overview of Significant Changes* found in the appendices of each manual contains detailed descriptions of the changes and links to the appropriate sections of the manual. The *Overview* is segregated by the applicability of the changes to the reporting year: all changes affecting the 2015 annual report are in the section designated as 2015.

Both GAAP and Cash Basis manuals contain information necessary to report required pension liabilities. Please refer to the *Accounting* section for general information and to the *Reporting* section for note and RSI (GAAP only) disclosures.

The Chart of Accounts Excel spreadsheet has been replaced with an interactive webpage. Use it to select a specific Chart of Accounts for your organization. If you have any questions, please contact Alexandra Johnson at Alexandra.Johnson@sao.wa.gov.

To reach the interactive webpage, go to: portal.sao.wa.gov/LGCS/Reports/BARSExport.aspx the BARS Account Export page.



The Chart is available in Excel and PDF formats. The Excel spreadsheet is sufficiently generic to allow governments, after downloading, to organize it to their specific needs. The PDF file replicates the format previously used in the paper version of the manuals.

Select a government type:

Select a basis of accounting:

Select export type: Excel PDF

Select a reporting level:

[Download BARS Accounts](#)

GASB Update



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 on the GASB website, www.gasb.org, free of charge.

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

Current GASB Pronouncements

There are several new standards effective in 2016:

- *Statement No. 72 – Fair Value Measurement and Application* Describes how fair value should be defined and measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.
- *Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68* The requirement that any assets accumulated for a pension plan that does not meet the criteria of GASB 68 be reported as assets of the employer is effective for 2016. The remaining requirements of this statement are effective for 2017.
- *Statement No. 76 – The Hierarchy of GAAP for Local Governments* This statement reduces the GAAP hierarchy to two categories of authoritative GAAP – (A) GASB statements and (B) GASB technical bulletins, implementation guides and AICPA literature.
- *Statement No. 77 – Tax Abatement Disclosures* This statement defines tax abatements and establishes requirements for note disclosures.
- *Statement No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* This statement excludes non-governmental pension plans (for example, a union-sponsored plan) from the requirements of GASB 68. It establishes requirements for recognition and measurement of pension expense, liabilities, note disclosures and RSI.

Upcoming GASB Pronouncements

- *GASB Statement No. 74 – Financial Reporting for Other Post-Employment Benefits (OPEB) Plans* These reporting requirements are comparable to GASB 67 for pension plans. It is effective for 2017.
- *GASB Statement No. 75 – Accounting and Financial Reporting for OPEB* This is the guidance for reporting OPEB by employers. It is comparable to GASB 68 for pension plans. It is effective for 2018.

New GASB Statement

The GASB issued Statement No. 79 – Certain External Investment Pools and Pool Participants, in December 2015. This statement establishes the criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. It will come into effect in 2017.

Current GASB Exposure Drafts

The GASB recently issued several proposed new standards for public comment. These exposure drafts are not new standards yet, but they will be in the future. GASB encourages any individual or organization to provide written comments about them and instructions are included with each document. The documents can be downloaded free of charge from the GASB website. This is a good opportunity to become involved in the standard setting process.

- **Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73** Addresses certain practice issues that arose with respect to the new pension standards. Specifically, required supplementary information (RSI) would present “covered payroll,” which is the portion of compensation paid to active employees on which contributions to a pension plan are based. Also, contributions made by the employer on behalf of plan members would be treated as employee contributions. Comments are due by February 12, 2016.
- **Certain Asset Retirement Obligations** Under this proposed statement, a government that has a legal obligation for future capital asset retirement activities would be required to recognize a liability and a corresponding deferred outflow of resources. Comments are due by March 31, 2016.
- **Fiduciary Activities** This proposed guidance would clarify what constitutes a fiduciary activity for financial reporting purposes and the fund types to be reported. Comments are due by March 31, 2016.

If you have questions about GASB standards, please contact Debra.Burleson@sao.wa.gov or the SAO HelpDesk.

Audit Focus for Schools in Fiscal Year 2015

GASB 68 Pension Reporting

The State Auditor's Office and the Office of Superintendent of Public Instruction (OSPI) have been working together to develop guidance for GASB 68. Modified accrual and cash basis school districts will need to report their contributions to pension plans as well as their proportionate share of the net pension liability and other figures in the notes to the financial statements. The final F-196 with the net pension liability data should be the basis for the notes to the financial statements, and will be what the State Auditor's Office uses for school district audits of FY 15.

GASB 10 Self Insurance

Many districts participate in self-insurance activities, which require an audit at least once every two years. (RCW 43.09.260) Activities that fall under this requirement include: ESD non-risk sharing unemployment compensation pools, workers compensation, and dental plans for employees. Auditors will have conversations with districts to identify self-insurance programs they might have and to audit them this year.

GASB 54 Minimum Fund Balance

Many governments have formal arrangements to maintain amounts for budget or revenue stabilization, working capital needs, contingencies or emergencies, and other similarly titled purposes. A fund balance policy represents a plan for accumulating resources rather than a limitation on how exiting resources can be spent.

Districts must be able to demonstrate how the requirements of GASB 54 for "stabilization arrangements" were met. The School District Accounting Manual was updated for the 2014-2015 school year and directs school districts to evaluate whether their fund balance policies met the GASB 54 criteria.

Apportionment Work

Legislatively mandated ALE work will continue, with 41 onsite audits and 48 desk audits of ALE programs planned to be performed this year.

Career and Technical Education (CTE) enrollment will be an audit focus for the 2014-2015 school year. CTE programs have additional requirements that must be in place to receive CTE enhanced funding. CTE courses must have a current approval from OSPI. The class instructor must have CTE certification and be endorsed in the CTE discipline taught. Districts must maintain this support and it should be available for audit.

continued next column

Moody's to Require a Minimum of Biennial Audits to Retain Credit Rating

Moody's Investors Service has announced a minimum reporting requirement that could cost seven Washington governments their credit ratings. Losing the rating could put governments' ability to borrow money at risk.

The credit-rating service called for governments to submit third-party financial audits every other year, as well as verifiable off-year financial information, according to a statement issued January 6, 2016. Moody's said it will no longer maintain or issue new credit ratings for debt issuers, such as governments, that do not meet the requirement.

Moody's said a two-year audit cycle combined with off-year financial information provides the minimum independent verification necessary to perform its credit analysis.

The credit-rating service will phase in the new rule over the next year. Moody's requires fiscal 2015 audits to be submitted by the current fiscal year's end, and has said it plans to withdraw ratings of governments that do not meet fiscal 2015 audit deadlines.

How this change affects the work of the Auditor's Office

The Washington State Auditor's Office has been working with various governmental associations to educate local governments of the importance of timely and accurate financial reporting and audits, as well as their potential impact on bond ratings.

Local governments that currently have bond obligations should research their audit requirements for meeting bond covenants. If a more frequent financial statement audit is required, they should contact their local audit team to schedule an audit to meet the requirement. You can find your local audit team online at www.sao.wa.gov/about/Pages/ContactUs.aspx



Auditor Resources Available to School Districts

Your local auditor is available to you year-round and may provide information on technical questions as well as where to find guidance on specific areas. Please feel free to contact your local auditor with any school-related questions as they occur throughout the year.

State Auditor's Office Stewardship Awards: Seven presented statewide in 2015



The State Auditor's Stewardship Awards are presented in recognition of outstanding accomplishment in the stewardship of public resources as we pursue the shared goal of government that works better, costs less and earns greater public trust. Seven were presented to cities, counties and colleges across the state, to the cities of Kirkland, Redmond, Sammamish (pictured in the Fall 2015 *Audit Connection*) and Spokane, King County, Centralia College and Western Washington University.



Centralia College



Western Washington University



City of Spokane



City of Redmond



City of Kirkland



King County

Staff changes at our Office

Effective October 2015

Wendy Choy is our new South King County Audit Manager. In her 13 years with the State Auditor's Office, Wendy has developed strong leadership skills; in the last eight years, in her role as an Assistant Audit Manager, she demonstrated her ability to mentor and develop staff. Her exceptional communication skills will be instrumental in strengthening our client relationships.

Effective November 2015

Joe Simmons has accepted the position of Acting Audit Manager on Team Central King County. Joe joined our Office in 1987 on Team Port Orchard. He was promoted to an Assistant Audit Manager in 1998 and transferred to Team Tacoma in 2006. He has been the lead auditor and/or supervisor on City of Tacoma and Pierce County audits, and provided support as our County and City Specialist.

Rick Sweeney Honored

Deputy State Auditor Jan Jutte presented **Rick Sweeney**, Executive Director of the Washington State Board of Accountancy, with a State Auditor's Office coin for his years of public service and his contributions to public accounting in our state. Rick was the Director of Quality Assurance for our Office for many years, and is only the third external recipient of the coin.



Easier Access to Online Services



Online services login:

Access all of our online services when you log in, including:

- ▶ **File Online:** File your annual reports, view previous reports, complete reports in progress, and access the BARS templates and instructions
- ▶ **My Subscriptions:** Sign up for email notifications of new reports and resources, manage existing accounts, and more
- ▶ **FIT:** Access the Financial Intelligence Tool, built from your annual reporting data to help you analyze and understand your financial information
- ▶ **HelpDesk:** Access help for File Online, BARS, subscriptions, or watch training videos

If you already have an account, Sign In now using the fields on the right.

To create a new account, [start here](#). You'll need an email address to create an account; we might need additional information from you if you will be filing government reports.

If you need help logging in or with your account, please contact our support team at WASateAuditorSubscriptions@cao.wa.gov.

Sign in

E-mail

Password

Log in

[Forgot your password?](#)

[Create a new account.](#)

We heard you loud and clear. Local governments want to get to Online Services quickly.

We have revised our website's home page, adding a direct link to Online Services that will allow you to quickly file your annual report online, update your Subscription Account, access to the Financial Intelligence Tool, and submit a Helpdesk question. We also added a link to the Local Government Services page from the home page: it will get you to BARS – and other services we provide – in one click. We hope these changes will better meet your needs.

2016 Trainings and Workshops

For questions about attending any upcoming trainings and workshops, please contact:

Kayley.Anderson@sao.wa.gov

How to File Annual Reports			
City	Date	Time	Venue
Vancouver	2/25	1–5pm	Vancouver Community Library, 901 C. Street
Burlington	3/1	1–4:30pm	Burlington Public Library, 820 Washington Avenue
Olympia	3/2	9am – Noon	State Auditor's Office, Sunset Training Room, 3200 Capitol Blvd.
Bellingham	3/3	1–5pm	Fireplace Room, 625 Halleck Street
East Wenatchee	3/8	1–5pm	Douglas Fire Station #2, 377 Eastmont Avenue, East Wenatchee
Okanogan	3/10	1–5pm	Administrative Building, 123 5th Avenue N, Room 200
Colfax	3/15	1–5pm	North 310 Main Street
Richland	3/16	12:30 – 4pm	Richland Public Library, 955 Northgate Drive
Colville	3/22	1–5pm	Stevens C'ty Sheriff's Ambulance Training Room, 425 N Hwy
Spokane	3/23	1–5pm	Enduris Training Facility, 1610 S. Technology Blvd.
Everett	3/24	8:30-12:30	Community Transit Admin Building, 7100 Hardeson Road
Yakima	3/31	1–5pm	Yakima Health District, 1210 Ahtanum Ridge Drive
Olympia	4/6, 5/4	9am – Noon	State Auditor's Office - Sunset Training Room, 3200 Capitol Blvd.
Filing Workshop for Port Districts			
Moses Lake	3/30	8:30am - Noon	6997 Patton Blvd. N.E.

2016 Small Government Workshop Schedule			
City	Date	Time	Venue
Chehalis	2/23	Noon – 4pm	Lewis County Historic Courthouse, 351 NW North Street
Longview	2/24	1–5pm	Public Works Training Room, 1600 13th Avenue, South Kelso
Vancouver	2/25	9:30 – 12:30	Vancouver Community Library, 901 C. Street
Snohomish	2/29	1–5pm	Snohomish Library, 311 Maple Ave.
Burlington	3/1	8:30 – 12:30	Burlington Public Library, 820 Washington Avenue
Olympia	3/2	9am – Noon	State Auditor's Office - Sunset Training Room, 3200 Capitol Blvd.
Bellingham	3/3	8:30 – 12:30	Fireplace Room, 625 Halleck Street
East Wenatchee	3/8	8:30 – 12:30	Douglas Fire Station #2, 377 Eastmont Avenue, East Wenatchee
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