



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

**Local Government Advisory Committee (LGAC)
Meeting Minutes
October 4, 2023
9:00am – 10:30 am
Virtual Meeting – Microsoft Teams**

Members in attendance:

Brodersen, Bret (WFOA) | Clark, Kathy (Housing) | Corin, Shannon (WFOA) | Gall, Sheila (AWC) | Goodrich, Scott (WPPA) | Hendren, Alisha (SCCFOA) | Hunt, Heidi (WACO) | Huynh, Phung (PSFOA) | Jimenez, Grace (WSAC) | Kinley, Leana (WCCMA) | Knudson, Erin (WSTA) | Lundeen, Ann (WACO) | McMillan, Sandi (WASWD) | Olander, Scott (AWPHD) | Payne, Randy (WAPUDA) | Pohle, Derek (CRAB) | Robacker, Tanya (Fire) | Scott, Jill (WFOA) | Steffen, Philip (WPTA) | Tellers, Stacie (SAO, Chair) | Williams, Jason (ESD)

Members absent:

Excused: vacant AWC position

Unexcused: Kelly, Mitchell (SWFOA) | Rupe, Sara (OFM)

Other attendees:

Bishop, Olivia (Library) | Booher, Debbie (Poulsbo) | Gancel, Lisa (WCIF) | Grant, Cheryl (MRSC) | Hill, Shawn (Grays Harbor County) | Lowell, Eric (MSRC) | Pascoe, Jerica (Ellensburg) | Rogers, Danette (Transit) | Turntine, Cori (Conservation District) | Zhang, Wenju (Bothell)

SAO Staff in attendance:

Browning, Roxann | Collins, Kelly | Cowgill, Christie | Crouch, Olivia | Kostick, Niles | McCarthy, Pat | Montgomery, Ryan | Pagio, Kayley | 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, Committee Chair.



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Welcome and Attendance

Stacie welcomed everyone. Attendance was taken via the Teams attendee list and verbal notification for attendees calling in via phone.

Approval of Minutes from June 2023

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

Motion to approve the June 2023 minutes was made by Sandi McMillan and seconded by Ann Lundeen. The appointed committee members approved the minutes with no corrections or changes, unanimously.

SAO Executive Update

Washington State Auditor, Pat McCarthy, provided the SAO executive update to the Committee. She thanked everyone for joining the meeting today and taking their time to participate in the Committee. She expressed she was thankful for the virtual option for attending the Committee meeting as it allows for more flexibility for Committee members. Auditor McCarthy spoke to the SAO participation at the recent WFOA Conference, with special thanks to Stacie Tellers and her team for the outstanding sessions and uplifting spirit at the conference.

Auditor McCarthy spoke about cybersecurity and SAO's cybersecurity check-up program. SAO continues to offer tools for government's toolbox to help limit the impacts of cyberattacks. The cybersecurity program is funded by the approved sales tax (PAGA funds) and therefore is a free program for governments.

Auditor McCarthy spoke about association meetings that the SAO leadership has been attending. Audit billing rates will be increasing from \$128 to \$139 per hour, a direct result of the legislative approved staff COLAs and other salary related incentives. Deputy Auditor Keri Rooney spoke to the different salary related items that were approved in the 2023 legislative session.

Auditor McCarthy highlighted the improvements to the Financial Intelligence Tool (FIT) and encouraged the Committee to look at the updates. Director of Local Audit, Kelly Collins, spoke to the required data sharing agreements with governments and SAO, noting that many of the agreements are coming due for renewal. Kelly also discussed the continued use of SAO's secure share tool for governments to share sensitive information with our office.



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Auditor McCarthy closed with a discussion of Artificial Intelligence (AI) and that SAO has created a task force to assist the agency in developing policies and procedures of use of the AI tools. At this time SAO will not use AI tools at this time and will notify clients as soon as a decision is made to begin using the tools.

BARS Updates and Discussion

Christie Cowgill, Assistant Audit Manager for the Local Government Support Team, provided an overview of the tentative list of updates coming to BARS in December 2023 (see attached). Christie provided a brief overview of each item.

Scott Olander asked if there is a materiality threshold for SBITA arrangements. Olivia Crouch, Assistant Audit Manager for the Local Government Support Team clarified that SAO does not provide specific guidance on threshold development. While thresholds can be established by policy, governments should connect with their audit team to discuss materiality and threshold development.

Stacie asked for questions, comments, or concerns on the preliminary listing of updates. Nothing was brought forward.

The BARS group provided the overview of the newly issued GASB Statements handout to the committee (see attached) and the potential impacts on both the GAAP and Cash manuals. Olivia provided an overview of the GASB exposure draft that was released for comment in September 2023, comments are due to GASB by January 5, 2024.

Kayley Pagio, Assistant Audit Manager for the Local Government Support Team, provided an update on the annual filing system rewrite project. The refreshed filing system will go live in January 2024. The current annual filing system will be locked in early January 2024 as SAO converts to the refreshed system. Local governments will be notified prior to the lockdown and when the refreshed system is ready for use. Additionally, volunteer testers will be able to test the refreshed system at the end of October or early November. Kayley will connect with our volunteers and looks forward to any and all feedback.

The floor was open for questions, comments, and concerns related to BARS, GASB, or Annual Filing. Nothing was brought forward.

SAO Resources

Niles Kostick, Manager for the Center for Government Innovation, provided an update on the new and updated resources from SAO. Over the summer, the Center released updates to FIT, new and



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updated resources, and attended several conference and association meetings. FIT updates included a new look, usage available on any size and type of electronic device and updated to be easier to use and understand the data presented.

Niles discussed updated resources and tools. The updated open public meetings act guides were published on the MRSC website with the support of SAO Center staff. Additionally, the *Find Your Contracting Requirements* guide was updated, providing updated information for local governments who contract and are looking at contracting. SAO published the best practice guide for fueling government vehicles, now available on the SAO website.

Niles provided a listing of resources that will be coming soon: updates to the small and attractive asset and credit card best practice resources. The Center is developing a series of federal grant articles to provide information on several federal awards topics. Finally, the Center is developing a resource for smaller local governments to help them get audit ready, geared for some of SAO's smallest audit clients. Niles asked for volunteers from the Committee for reviewers of these updated resources.

October is Cybersecurity Awareness Month! SAO's cyber check-up program is free and available for local governments. Target audiences are smaller local governments, local governments who have experienced a confirmed or suspected cybersecurity breach, and local governments currently on SAO's IT Audit waiting list and match other selected criteria.

Questions or comments for the Center, email center@sao.wa.gov

Open Discussion

Stacie opened the floor for the discussion period.

No further discussion topics were brought forth.

Meeting Schedule for 2023

Wednesday, June 7, 2023, 9:00am-11:00am	Virtual
Wednesday, October 4, 2023, 9:00am-10:30am	Virtual
Wednesday, December 6, 2023, 9:00am-11:00am	Virtual

Meeting adjourned at 9:59am.

Approved at the December 6, 2023 Committee Meeting.



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**Local Government Advisory Committee (LGAC)
Meeting Agenda
October 4, 2023
9:00am – 10:30 am
Virtual Meeting – Microsoft Teams**

Topics:	Speaker	Time
Welcome and Attendance	Stacie	
Approval of Minutes from June 2023	Stacie/LGAC	5 minutes
SAO Executive Update	Pat McCarthy	10 minutes
BARS Updates and Discussion	BARS Team	45 minutes
a. Annual update list – i. Proposed list for Dec 23/Jan 24 update ii. GASB Update and impact on BARS		
b. SAO’s annual report filing system update		
c. Open Discussion - BARS		
SAO Resources	Center	30 minutes
Open Discussion	LGAC	As needed
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Local Government Advisory Committee

What is coming to BARS in 2024

as of September 11, 2023

Italic items: added since June 2023 meeting

Both Manuals

- Hot topics
 - SBITA – Subscription Based Information Technology Arrangements, see project page on SAO website (accounting, reporting, BARS codes, annual filing impacts – schedule 09 and BARS Codes).

- Accounting and Reporting updates
 - Arbitrage rebate – update GAAP section and create new section for Cash to provide clarified guidance.
 - Notes to the financial statements – clarify that multiple year statements require single year notes packages, not combined notes. (Excludes comparative year statements).
 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements – new section in accounting, possible updates to reporting section.
 - Continue to clarify and improve note disclosure instructions.

- BARS Coding / Charts of Accounts
 - 311.30 - Sale of Tax Title Property, RCW 36.35.110, removing from BARS chart of accounts, effective for FY2023 filed in 2024. **Counties only.**
 - 348 – Internal Service Fund Sales and Services – clarify self-insurance funds would report both employee and employer contributions to the ISF using the 348 BARS revenue code.
 - General Ledger Accounts – adding “optional” to section title in BARS as these are not prescribed/required codes.
 - Object code section – updating section to clarify when object code 10, 20, 30, and 40 are used.
 - Continue to clarify and improve account titles and descriptions.

- **In review** – not finalized at this time for Dec 2024 update
 - Annual filing system
 - Clarification and updates to the reporting section will be needed as they relate to the new annual filing system.

- Intergovernmental and Forgivable Loans BARS Section 3.4.7 - add guidance regarding revolving loan funds accounting.
- Limitation of Indebteness BARS Section 3.10.5 - review RCW references and update as appropriate
- Voter Registration and Election Costs Allocation BARS Section 3.8 - working with the Secretary of State to update as appropriate.
Counties only.

Cash Manual

- Accounting and Reporting updates
 - Note X – Long-term Debt: add installment sales disclosures to template and instructions.
 - *Working Advances from the Department of Social and Health Services (DSHS) BARS Section 3.6.10 - Adding Area Agencies on the Aging to the list of possible recipients.*

GAAP Manual

- Accounting and Reporting updates
 - Working Advances from the Department of Social and Health Services (DSHS) BARS Section 3.6.10 - updating section for required long-term liability reporting requirements per GASB 62. *Adding Area Agencies on the Aging to the list of possible recipients.*

What is coming to BARS in 2025

Both Manuals

- Hot topics
 - Accounting Changes and Error Corrections – GASB 100. Will impact the following BARS areas: accounting, reporting, BARS codes).
 - Compensated Absences – GASB 101. Will impact the following BARS areas: accounting and reporting).

Pending future updates

- Both manuals - Clarification to the Equipment Rental and Revolving Fund sections
- Both manuals – Schedule 15, clarify when to recognize expenses
- GAAP – Upcoming GASB implementations
- Cash - Providing more details in Note 1 – Summary of Significant Accounting Principles



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 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.
- Statement No. 99, *Omnibus 2022***
 This statement addresses a mix of implementation issues related to LIBOR, nonmonetary transaction disclosures, future revenue pledges, and terminology updates to leases, reinsurance recoveries, and derivative instruments (**effective immediately for reporting year 2021**). Other items effective for reporting years after 2022 include clarification issues with leases, PPP, and SBITA, and financial guarantees and derivative instrument requirements.

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 financial reporting for “SBITA’s” in line with that of GASB 87 - Leases.

GAAP – Adds leased software to similar accounting and reporting requirements as leases.

CASH – Adds leased software to similar accounting and reporting requirements as leases.

- **Implementation Guide 2021-1**

This guide's objective is to provide guidance that clarifies, explains, or elaborates on GASB Statements. This statement brings the guidance on the accounting and financial reporting for derivatives, fiduciary activities, leases, and more.

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 2024

- **Statement No. 100, *Prior Period Adjustments, Accounting Changes, and Error Corrections***

This statement improves the accounting and financial reporting guidance for prior-period adjustments, accounting changes, and error corrections – amendment of GASB Statement 62.

GAAP – Clarifies when to apply the accounting and financial reporting for the variety of transactions that make up these categories.

CASH – BARS will provide clearer guidance and updated BARS codes regarding these types of transactions.

- **Statement No. 101, *Compensated Absences – Reexamination of Statement 16***

This statement improves the accounting and financial reporting guidance for compensated absences.

GAAP – Provides clearer definitions of the types of absences and the requirements for the accounting and financial reporting.

CASH – BARS will provide clearer guidance and requirements for reporting specific types of absences.

- **Implementation Guide 2023-1**

This guide's objective is to provide guidance that clarifies, explains, or elaborates on GASB Statements. This statement brings the guidance on the accounting and financial reporting for leases, SBITA, Accounting Changes and Error Corrections.

GAAP – Most of the required changes have been or will be implemented in BARS with the updates related to recent accounting changes.

CASH - Most of the required changes have been or will be implemented in BARS with the updates related to recent accounting changes.

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.

Documents for public comments are posted to <https://www.gasb.org/exposuredocument>.