

Minutes for Local Government Advisory Committee (LGAC)

June 5, 2019

State Auditors' Office

Attendees

Members in person: Stacie Tellers (Chair), Sherrie Ard, Debbie Booher, Alexa Johnson, Theresa Juel, Ann Lundeen, Michael Mann, Derek Pohle, Mike Schaub

Members on conference call: Randy Bischoff, Chase Donnelly, Tracey Dunlap, Scott Goodrich, Sue Hagener, Shawn Hill, Heidi Hunt, Leonard Kim, Kim Noah

Additional attendees: Debra Burleson, Mark Rapozo, Scott Woelfle, Kim Parsons

Absent members: (all excused) Candice Bock, Kathy Lambert, Jerica Pascoe, Debbie Zabell

Decisions of the State Auditor

No decisions are required by the State Auditor.

Call to Order

The LGAC meeting began at 9:02 am and was held in the SAO Sunset Building. The meeting was called to order by Stacie Tellers.

Approval of Minutes from December 2018

The minutes were previously distributed by email. Motion to approve the December 2018 minutes was made by Derek Pohle and seconded by Ann Lundeen. They were approved with no corrections or changes. Stacie explained where to find previous meeting minutes online.

Tracker

Scott Woelfle shared a PowerPoint presentation about Tracker. Handouts with information on the resource and instructions on how to log into and use the application was also distributed.

Tracker is an online application that gives the designated user a chance to review past audits, including audit findings or management letters. Responses and corrections can also be entered by the designated person (usually an audit liaison), as completed, instead of waiting to just prior to the next audit. Items are available for download.

Debbie Booher asked if management letters will only be accessible to the entity. Scott said yes and explained the client portal is controlled by a designated person at the entity. They approve who in the government is allowed access to that government's portal, but it is not public.

Derek Pohle asked if there been thought about regulatory agency access; they need access to more than individual entities. Scott stated he would bring this topic to the Tracker group for discussion.

Tracey Dunlap asked if Tracker is in addition to the published response that goes with a finding and if it is mandatory to update? Scott explained it is not mandatory to update. Tracker provides an opportunity to respond so the public can see what has been done, the auditor can access the information prior to an audit, and the entity can track and review the status of prior findings.

A member asked about citizens' access. Scott responded that only the final reports, findings, and entity responses to the findings will be available for public display. The public portal is still being designed.

Feedback included making the fields auto-populate and to use a different term than "no response." Scott stated "Response Pending" will likely be used for public-facing reports. There are also fields that are chosen by the user, such as "in progress," "partially implemented," "implemented," and "no action needed." The public should be able to click on a status field and see a finding response.

Tracker is currently live for entities, accessed in the online services portal.

If there are any further suggestions or comments, email either Scott or Stacie.

Scott will follow up at the next meeting.

BARS

- OPEB Update

Debra Burluson reported that now that the May 30th filing deadline was over, SAO can research the annual reports of cash-basis reporting entities to determine what types of OPEB plans are offered by these local governments. Our initial research shows primarily LEOFF 1 and PEBB employers. These governments have an OPEB liability under these plans that can be easily calculated using the on-line tools provided by the Office of the State Actuary (OSA).

The Office will review the research and work with the OSA on the tools for cash-basis entities to report the OPEB liabilities on Schedule 9 in the 2019 reporting year.

- Leases Update

Stacie referred to the handout. Debra provided an update on Leases for GAAP and the proposed updates for cash-basis governments. This update is effective for FY2020 for reporting in 2021. Cash-basis entities are impacted due to the comparative statistics requirements and uniform accounting and financial reporting framework in place for both CASH and GAAP entities. The proposed impacts to Cash include: short-term vs. long-term lease definitions, schedule 09 reporting requirements, and a Notes template.

Debra clarified if you have a previously termed “Capital lease”, which is a contract where the entity is purchasing the item at the end, this is now considered an installment contract.

Theresa Juel asked why Cash basis isn’t only compared to other cash governments, why are they compared with GAAP also. SAO clarified that comparison is across all governments regardless of type, size, and basis of accounting.

A member asked for clarification on what is considered long-term vs. short-term lease in GASB. Stacie referred to the SAO internet, under the BARS & Annual Filing, Leases (<https://www.sao.wa.gov/bars-annual-filing/leases>) where the office has updated information on the leases accounting standard.

Lease term includes the initial period in which a lessee has a non-cancelable right to use an underlying asset plus periods covered by options to extend the lease. When it gets to the point where both the lessee and the lessor have the option to terminate the lease without permission from the other party or if both parties have to agree to extend the lease, that’s the end of the lease term. This applies to CASH or GAAP.

There are exclusions to the types of leases that must be accounted for under the new standards posted on the BARS Leases webpage, such as software, which is an intangible asset, or internal leases (intra-agency).

There was discussion on rent versus lease definitions. If both the lessee and the lessor have an option to terminate the lease without permission from the other party or if both parties have to agree to extend, than these terms are excluded from the lease term

calculations. This applies to CASH or GAAP. There are exclusions posted on the website, such as software, which is an intangible asset, or internal leases (interagency).

Proposed changes will be discussed further with SAO Management before implementation.

- Fiduciary Activities Update

Christie referred to handout provided.

She discussed GAAP Basis accounting changes, such as Custodial Funds replacing Agency Funds, and significant GAAP BARS changes including:

- Custodial Funds will now require a change in fund balance statement
- Counties will have to report external investment pools (both Cash and GAAP) with additional disclosures.

Proposed Cash BARS updates included:

- Change in Agency Funds to Custodial Funds
- There will be possible BARS code updates (namely directions on how to move custodial activities from previously reported agency funds into the funds of the government and vice versa. Other possible new codes as activity continues to be evaluated).
- There will also be new note disclosures for counties with external investment pools.

Fiduciary activities and updates to fund types were included in the January BARS Update. Alexa said there will be further updates and guidance that will explain how to implement the changes required. The BARS account code changes were not provided in the January update. SAO wanted to wait until FY2018 reporting was completed so there would be less confusion.

- BARS Codes and Fund Balance Classification

Alexa referred to the handout provided.

The cash basis BARS manual only has two categories for beginning and ending cash/investment balances: reserved and unreserved, which may not adequately represent cash/investment balance restrictions for Cash Basis governments. She discussed classification changes and examples were provided. The changes would expand the classification (reserved into restricted and committed and unreserved into assigned and unassigned). This would apply to beginning and ending fund balances. It would not only add flexibility to the classification for cash governments but also provide state-wide comparability. The changes are required for 2020, to be reported in 2021.

- Environmental Liabilities and Pollution Note

Alexa referred to the handout that proposes changes to the Cash BARS manual, which was discussed.

This update applies to the cash basis governments. It includes adding a new section in the Liabilities area regarding environmental liabilities encompassing liabilities related to pollution remediation and certain asset retirements. Some assets, like wells, dams, X-ray machines, etc., require special activities for disposal and are regulated by the Federal or state governments. The governments should recognize and report related liabilities when the liability becomes probable on the Schedule 09. The second handout provide samples of note disclosure discussing these liabilities. The update would be required, if applicable, for 2019 reports.

- BARS Topics – Open Discussion

A member provided feedback that the new manual a little difficult to navigate and find information. Stacie gave a demonstration of where to download the searchable PDF versions. A video is being produced. The BARS account export function remains the same. Stacie asked that members notify her of their concerns.

Heidi Hunt said the Overview of Significant Changes did not print. Her MyBARS doesn't work at home. She also commented that she would like the ability to print the notes. Stacie asked if having an option to print a single page/BARS section would help. Additionally if having access to print a single note template would ideal. Response: if possible, that would work.

The GAAP manual is large so had to be posted as two PDFs. Members asked if it can be created to be accessed with one link, such as in a FTP site or other file transfer site.

Leonard Kim said he downloads the whole Cash manual and prints sections as needed.

Executive Update

Mark Rapozo discussed the report on unauditible governments, now available on the SAO website. A member asked about small entities who don't have resources for filing reports. Mark explained there are resources and assistance available through SAO. Not filing or having audits can open an entity up to fraud or noncompliance. This happened recently with an entity that has not filed for several years.

Open Discussion

Tracy: Tool for GAAP government feedback regarding the FIT Tool. Sherri Ard spoke, stating that FIT was published in February and made available to the public. FIT combines data from the prior version of LGFRS with new tools. Allows you to compare peers with similar revenues as well as other government types. Results of the FIT launch: Over-reporting sub-funds which resulted in governments reviewing their consolidation process. Not real-time. Email feedback to Sherrie Ard or Duane Walz.

OPEB questions: elected officials get benefits, but not eligible for retirement. Debra stated this would be part of census data since the government is paying into the pool.

OFM reporting model project with GASB. They remeasured the State of Washington's 2018 CAFR. OFM was asked to participate in public NASACT hearing with the GASB Board. GASB has taken a step back and are reviewing their direction.

The next meeting is scheduled for Wednesday, December 4th at 9 am.

Meeting adjourned at 11:45 am.