



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

**Local Government Advisory Committee (LGAC)
Meeting Minutes**

June 2, 2021

9:00am – 12:00pm

Virtual Meeting – Microsoft Teams

Topics:

Welcome and Attendance

Members in attendance:

Burton, Debbie (SCCFOA); Clark, Kathy (Housing); Coit, Suzanne (WSTA); Douglas, Maggie (AWC); Gall, Sheila (AWC); Goodrich, Scott (WPPA); Hill, Shawn (WACO); Hunt, Heidi (WACO); Huynh, Phung (PSFOA); Kelly, Mitchell (SWFOA); Kinley, Leana (WCCMA); Lundeen, Ann (WACO); Mann, Michael (LEAP); McMillan, Sandi (WASWD); Oestreich, Brenda (WSAC); Conti, Holly attended on behalf of Pascoe, Jerica (WFOA); Pepin, Patty (ESD); Pohle, Derek (CRAB); Robacker, Tanya (Fire); Steffen, Philip (WPTA); Tellers, Stacie (SAO, Chair)

Members absent

Excused: Payne, Randy (WPUDA)

Unexcused: Brodersen, Bret (WFOA); Ishizuka, Paul (AWPHD); Schaub, Mike (OFM);

Other attendees

Lanphere, Gloria

SAO Staff in attendance

Ard, Sherrie; Burleson, Debra; Collins, Kelly; Cowgill, Christie; Crouch, Olivia; Kostick, Niles; McCarthy, Pat; Montgomery, Ryan; Rapozo, Mark; Rooney, Keri

Call to Order

The Committee meeting began at 9:01am, 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 Team attendee list.



Office of the Washington State Auditor Pat McCarthy

Approval of Minutes from December 2020

The minutes were previously distributed via email with a link to the SAO Website, LGAC page where the draft minutes were posted.

Motion to approve the December 2020 minutes was made by Ann Lundeen and seconded by Suzanne Coit. The appointed committee members approved the minutes with no corrections or changes, unanimously.

LGAC Membership

The committee members introduced themselves, welcoming returning and new members. Stacie reminded all attendees that the meetings are open to everyone wishing to attend and that all attendees are welcome to comment on discussion topics. Only committee members are allowed to vote and move to vote on committee items. Voting during virtual meetings will be done by written comments in the chat function of the virtual platform. All committee members in attendance will be required to vote, or note that they are abstaining.

BARS Updates and Discussion

Christie Cowgill discussed the BARS annual update list (see attached), the preliminary items for Dec 21/Jan 22 update. At this time, there is a small list of clarification and clean-up items that have come up during the filing season. This list will continue to be updated as new topics are evaluated over the summer, including review of the 2021 legislative session. Updates will be brought to the summer committee meeting.

SAO Executive Update

Pat McCarthy thanked the attendees for joining the meeting today. Pat provided an update on SAO's operations during the pandemic of 2020 and an overview of the resources available to governments that is available on the SAO website. Pat addressed the security incident and data breach, including the work that SAO has done over the past months to address the incident. Additional work is being done in the cybersecurity audits and SAO strives to ensure that our audit reports do not contain sensitive information. The SAO website contains additional resources and information related to cybersecurity. SAO's work in 2021 includes the commitment to cybersecurity audits, tools and resources; as well as support and accountability for the new rounds of federal funds and working towards a new normal post-pandemic.

Questions from the committee:

Has SAO heard of any exemptions to single audit requirements for the CARES Act funds? Kelly Collins confirmed that there is no exemptions and that the threshold remains at \$750,000.

What is the timeline for cybersecurity audits? Kelly and Sherrie Ard, confirmed that there is preliminary work on these audits, the wait list is several years for a full scope audit.

Pat thanked the attendees for their participation in the Committee.



Office of the Washington State Auditor Pat McCarthy

BARS Updates and Discussion, Continued.

Christie, Debra Burleson, and Olivia Crouch provided an overview of the upcoming GASB implementations (see attached), including the impacts on GAAP accounting and reporting and the potential impacts on the Cash BARS manual.

Debra provided an overview of the updates to the Leases project page, available on the SAO website. Draft notes, updated Q&A items, and new resources have been added as governments are working their way toward implementation. Leases accounting and reporting will impact both GAAP and Cash BARS. Cash may not early implement. GAAP can early implement. New leases webinars are planned for August 2021; more information will be coming soon.

Christie discussed a pending change from the Secretary of State (SOS) regarding elections costs, BARS, and the impact on counties. This is an ongoing item and at this time the impact to the specific BARS section is not known, pending more information from the SOS.

The floor was opened for questions, comments, and concerns related to BARS.

SAO Resources and FIT Q&A

Niles Kostick provided an update on new and updated SAO resources, including updates on the SAO Blog's new articles, published checklists and other resources, Lean assistance, and FIT training sessions. Niles provided an overview of the resources and FIT enhancements planned for 2021.

Open Discussion

Heidi Hunt asked about the previous option that was available in the annual filing system regarding previous year filing data. Will those data tools be available in the future again? Niles explained that at this time there is work on making this available in FIT, at this time it is available after filing.

Meeting Schedule for 2021

Wednesday, August 11, 2021, 9:00am-10:30am – mid-year check-in	Virtual
Wednesday, December 8, 2021, 9:00am-12:00pm	Virtual

Meeting adjourned at 11:12pm.



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**Local Government Advisory Committee (LGAC)
Meeting Agenda**

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9:00am – 12:00pm

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Topics:	Speaker, Time
Welcome and Attendance	Stacie 10 minutes
Approval of Minutes from December 2021	Stacie/LGAC 5 minutes
LGAC Membership	Stacie 30 minutes
Introduction of Committee members	Stacie/LGAC 20 minutes
Meeting housekeeping items (voting, comments)	Stacie 5 minutes
SAO Executive Update	Pat McCarthy 30 minutes
BARS Updates and Discussion	BARS Team 60 minutes
BARS Update –	
a. Annual update list – preliminary items for Dec 21/Jan 22 update	
b. Annual update list – review upcoming GASB implementations	
i. Impacts to GAAP and Cash	
ii. Leases project page	
c. Secretary of State – Elections, BARS, and Counties Discussion	
d. Open Discussion - BARS	
SAO Resources and FIT Q&A	Niles 30 minutes
a. New Center resources	
b. FIT updates	
Open Discussion	LGAC As needed
Meeting Schedule for 2021	
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What is coming to BARS in 2022

BARS Updates as of May 15, 2021 include:

BARS coding description updates to ensure all codes have descriptions.

Due to a request from Washington State Department of Transportation, we will be adding a new expenditure BARS code specifically for Ferries and Water Taxis.

Updating and cleaning up Cash Basis notes:

- Providing additional 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
 - ARO section will include how to report assets with indefinite life
- CASH
 - Environmental Liabilities and Certain Asset Retirement Obligations will include all AROs including contract obligations
 - Adding impact and impairment sections related to capital assets
- Both Manuals
 - Guidance for debit cards added to the appropriate purchase card sections
 - Clarifications to the Equipment Rental and Revolving Fund sections



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GASB UPDATE

June 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.

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. We will update the BARS manual in the Summer of 2022.

CASH - Please see the Leases project page for accounting and reporting requirements. We will update the BARS manual in the Summer of 2022.

- **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 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 recently issued several proposed new standards for public comment. These exposure drafts are not new standards yet, but they will be in the future. The Board 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.

If you have questions about GASB standards, please contact the HelpDesk to be connected with a BARS and GASB Specialist.