



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

**Local Government Advisory Committee (LGAC)
Meeting Agenda
May 1, 2024
9:00am – 11:00 am
Virtual Meeting – Microsoft Teams**

Topics:	Speaker	Time
Welcome and Attendance	Stacie	
Approval of Minutes from December 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 24/Jan 25 update		
ii. Draft BARS pages review		
1. Accounting Changes and Error Corrections		
2. Compensated Absences		
iii. GASB Update, BARS impacts		
b. SAO’s annual report filing system update		
c. Open Discussion - BARS		
SAO Resources	Center	30 minutes
Open Discussion	LGAC	As needed

Meeting Schedule for 2024

Wednesday, May 1, 2024, 9:00am-11:00am	Virtual
Wednesday, October 2, 2024, 9:00am-10:30am	Virtual
Wednesday, December 4, 2024, 9:00am-11:00am	Virtual



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What is coming to BARS in 2025

as of April 19, 2024

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.
- General Topics
 - Updating BARS code descriptions
 - Added codes:
 - 318.46.00 Business Payroll Excise Tax
 - Economic Development
 - 345.51.00 Business and Growth Development
 - 345.52.00 Tourism
 - 345.59.00 Other Economic Development
 - 3.8.12 Voter Registration and Election Cost Allocation – Removing allocation prescriptions and directing user to the Secretary of State.
 - Moving section 3.6.10 Working Advances from the Department of Social and Health Services (DSHS) to section 3.4.7 Intergovernmental and Forgivable Loans
 - Separating out Fund Types and Accounting Principles into separate sections
 - Added liability code 263.50 Self insurance and risk pool claims liabilities such as open claims, incurred but not reported (IBNR), unallocated loss adjustments expense (UALE). Governments with self insurance programs should only report a claims liability on the Schedule 09 if they have an actuarially determined liability.

Cash Manual -

- Note 1 – Summary of Significant Accounting Policies – Added information about compensated absences, leases, and purpose of funds outside of the general fund.
- Note X – Long Term Debt – Changing the title to Note X – Long Term Liability and adding compensated absences and interfund loans.
- Note X – Interfund Loans – Removing
- Note X – Budget Compliance – Updating the note to provide clarification on how to disclose managerial accounts that are rolled up into other funds.

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 – Evaluating note disclosures for clean up and clarification



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GASB Update

As of April 16, 2024

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.

A summary of the current and upcoming accounting and financial reporting standards is below.

GAAP – For all statements, earlier application is encouraged.

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

For current GASB Documents for Comment visit: <https://www.gasb.org/projects/documents-for-public-comment>

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 PPPs and APAs 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 – Adds accounting and reporting requirements, similar to leases, for PPPs and Service Concession Arrangements.

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

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

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

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

- **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.

GASB Pronouncements Effective for Reporting Year 2025

- **Statement No. 102, *Certain Risk Disclosures***
This statement improves financial reporting by providing users of financial statements with timely information regarding certain concentrations or constraints and related events that make a government vulnerable to a substantial impact.

GAAP – BARS will provide guidance on when this disclosure is required and what to include in the disclosure.

CASH – BARS will provide guidance on when this disclosure is required and what to include in the disclosure.

Draft – for May 2024 LGAC Meeting – Not implementation guidance
GAAP BARS DRAFT

Accounting changes and error corrections:

X.X.X Introduction

The *Government Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards (Cod.) Section (Sec.) 2250—Additional Financial Reporting Considerations* establishes standards of accounting and reporting regarding accounting changes and error corrections.

X.X.X Definitions

There are four categories of accounting changes and error corrections defined as follows:

Change in accounting principle:

A change in accounting principle is the application of an accounting principle to transactions, or events, of similar type that is different than the accounting principle previously applied.

A change occurs when:

- a. A change in the application of one generally accepted accounting principle to another that is justified on the basis that the new one is preferable
- b. The implementation of new pronouncements

Change in accounting estimate:

An accounting estimate is an amount subject to measurement uncertainty that is calculated based on inputs and disclosed in the basic financial statements. Inputs can be data, assumptions or measurement methodologies.

A change in accounting estimate occurs when the inputs (which could be a change to data, assumptions or measurement methodologies) used to calculate the accounting estimate have changed. Changes may result from a change in circumstances, new information or more experience.

Change to or within the financial reporting entity:

A change to or within the financial reporting entity occurs when the any of the following occur:

- a. The addition or removal of a fund that results from the movement of continuing operations within the primary government, including its blended component units
- b. A change in a fund's presentation from major or nonmajor
- c. The addition/removal of a component unit to the financial reporting entityⁱ
- d. There is a change in a component unit's presentation as blended or discretely presented

Error correction:

An error occurs when any of the following are identified as of the previous financial statement date:

- a. Mathematical mistake
- b. Mistake in the application of accounting principles
- c. Oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date is identified.

X.X.X Accounting and reporting

Accounting and reporting for each accounting change and error correction category is discussed below. There are **note disclosure** requirements for each accounting change and error correction.

Change in accounting principle:

In the absence of other specific guidance, governments that experience a change in accounting principle should report the change retroactively by restating the beginning net position, fund balance, or fund net position by the cumulative effect of the change on prior periods.

Change in accounting estimate:

Governments that experience a change to an accounting estimate calculation should recognize the change prospectively in the reporting period that the change occurs, unless other specific requirements address how a change would be reported.

Change to or within the financial reporting entity:

Governments that experience a change to or within the financial reporting entity should recognize the change by adjusting the current period beginning net position, fund balance or fund net position. The recognition of this will appear as if the change occurred at the beginning of the reporting period.

Error correction:

In the case that a government is required to correct an error, the correction should be reported retroactively by restating the financial statements for all periods presented. The restatement amount should total the cumulative effect of the error on the net position, fund balance or fund net position impacted by the error.

For guidance on how to apply accounting changes and error corrections to comparative financial statements, see **GASB Cod. Sec. 2250**.

X.X.XX Required Supplementary Information (RSI) and Supplementary Information (SI)

Change in accounting principle and to or within the financial reporting entity

For reporting periods that are presented in the basic financial statements, information for those periods that is presented in required supplementary information (RSI) (including management's discussion and analysis [MD&A]) or supplementary information (SI) should be consistent with the manner in which the information for those periods is presented in the basic financial statements. (That is, the reporting periods should be adjusted or restated in the same manner as the basic financial statements.)

For prior reporting periods that are earlier than those presented in the basic financial statements, information for those prior periods that is presented in RSI (including MD&A) or SI should not be restated for a change in accounting principles or a change to or within the financial reporting entity.

If prior-period information presented in RSI (including MD&A) or SI is not consistent with current-period information as a result of a change in accounting principle or a change to or within the financial reporting entity, an explanation of why the information is not consistent should be provided in RSI (including MD&A) or SI, as applicable. In MD&A, that explanation should include a reference to the related note disclosure in the basic financial statements.

Error correction

For reporting periods that are presented in the basic financial statements, information for those periods that is presented in RSI (including MD&A) or SI should be restated. If the error affects periods earlier than those presented in the basic financial statements, all affected information should be corrected by restating the information for those prior periods in RSI (including MD&A) or SI, if practicable.

Information presented in RSI (including MD&A) or SI that is affected by an error should be identified as restated or not restated, as appropriate, and an explanation about the nature of the error should be provided in RSI (including MD&A) or SI, as applicable. In addition, if it is not practicable to restate information in RSI or SI, an explanation of why it is not practicable to restate should be provided in RSI (including MD&A) or SI, as applicable.

ⁱ Exceptions to this are:

- a. Acquisitions, mergers, or transfers of operations (as defined by Statement 69) that result in the addition or removal of a discretely presented component unit
- b. A component unit reported pursuant to Statement No. 90, *Majority Equity Interests*.

REPORTING

Note X - Accounting Changes and Error Corrections

A template for this note is not available. See “Instructions to preparer:” for disclosures that may be required.

INSTRUCTIONS TO PREPARER

Include changes in accounting principles, changes in accounting estimates, changes to or within the reporting entity, and error corrections in previously issued financial statements as defined at BARS XXX. See the Government Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards (Cod.) Section (Sec.) 2250 — Additional Financial Reporting Considerations* for more details.

For all accounting changes and error corrections, the note disclosure should include:

- a. A narrative description, specific details are included with each category below
- b. Tabular format that reconciles beginning balances as previously reported to beginning balances as adjusted or restated for each reporting unit for each accounting change and/or error correction

Specific narrative requirements for each accounting change and/or error correction are listed below:

Change in accounting principle:

- a. The nature of the change including:
 - i. Identification of the financial statement line item affected
 - ii. Identification of the new pronouncement implemented
- b. The reason for the change; if not because of the implementation of a new pronouncement, include an explanation of why the new accounting principle is preferable

Change in accounting estimate:

- a. The nature of the change, including the identification of the line items affected
- b. The reason for the change to an input, if applicable, unless the change in measurement is required by a GASB pronouncement.

Change to or within the reporting entity:

- a. The nature of the change
- b. The reason for the change

Error correction:

- a. The nature of the error and the correction, including the periods affected by the error
- b. Identification of the financial statement line items that are affected by the error
- c. The effect on the prior period’s change in net position, fund balance, or fund net position, as applicable, had the error not occurred

Examples:

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Example – Change to or within the reporting entity: During fiscal year 20XX, the (government type) experienced a (change to OR within the financial reporting entity) which resulted in adjustments to the (beginning net position OR fund net position) as identified in Column (X) of the table below.

Example – Error correction: During fiscal year 20XX, the (government type) identified (describe error). The effect of that error is shown in Column (X) of the table below.

Table format example:

	12/31/20XX As previously report	Change in accounting principle	Change to or within the financial reporting entity	Error correction	12/31/20XX As restated/adjusted
Opinion Unit(s)					
Opinion Unit 1					
Opinion Unit 2					
Total primary government					
(Other opinion units)					
(Other opinion units totals)					

Accounting changes and error corrections

3.1.X.XX Definitions

Accounting changes and error corrections occur in governments in three separate situations, as listed below.

Change in accounting principle:

This occurs when switching from one generally accepted accounting principle to another or adopting a new standard as required by the BARS Manual.

Change to or within the financial reporting entity:

- a. A government opens or closes a fund and needs to move all related financial activity
- b. A change in reporting fiduciary activities at the fund level. This means that if a government reports a 600 level fund and moves that activity to a 000-500 or 700 level fund, or vice versa.

Error correction:

An error occurs when any of the following are identified as of the previous financial statement date:

- a. Mathematical mistake
- b. Mistake in the application of accounting principles
- c. Oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date is identified
- d. Amounts that are refunded to the government (or fund) that are material from prior year financial activity

3.1.X.XX Accounting and reporting

Accounting and reporting for each change and error correction category is discussed below. If an entity is required to submit notes, a **note disclosure** is required to be presented with each accounting change and/or error correction that occurs during the fiscal year.

Change in accounting principle:

Governments that implement or adopt a new accounting standard should record activity as if the accounting principle was in place as of the beginning of the fiscal year. BARS code 388.50.00 or 588.50.00 should be used to restate the beginning balance as of the beginning of the year.

Change to or within the financial reporting entity:

Governments that undergo a change to or within the reporting entity should record the activity as if the change occurred as of the beginning of the fiscal year. BARS code 388.40.00 or 588.40.00 should be used to adjust the beginning balance as of the beginning of the year.

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For example, if a government opened a new fund in the fiscal year, the change would be reflected on the financial statement as if the fund had been opened on the first day of the fiscal year. All activity for the year would then be captured in the appropriate fund.

Error correction:

Governments required to correct an error should record the cumulative effect of the error in the fiscal year that the error is identified. BARS code 388.30.00 or 588.30.00 should be used to restate the beginning balance as of the beginning of the fiscal year.

For example, one fund incorrectly recognized an expenditure that should have been recognized by another fund which was identified in a subsequent fiscal year. As a result, the government is required to record an error correction to reflect the expenditure in the responsible fund in the fiscal year that the error was identified.

In the fund that originally recognized the expenditure, the government should record the amount of the expenditure to BARS code 388.30.00 and should record the same amount in the fund that should have recognized the expenditure to BARS code 588.30.00

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REPORTING

Note X - Accounting Changes and Error Corrections

A template for this note is not available. See “Instructions to preparer:” for disclosures that may be required.

INSTRUCTIONS TO PREPARER:

Include changes in accounting principles, changes to or within the reporting entity, and error corrections in previously issued financial statements as defined at **BARS XXX**.

For all accounting changes and error corrections, the circumstance surrounding each change should be separately disclosed by:

- a. A narrative of the change or error, as detailed below
- b. A formatted table detailing the impact of each change or error that reconciles to the adjustment totals in BARS Codes 388.XX and 588.XX

Specific narrative requirements for each accounting change and/or error correction are listed below:

Change in accounting principle:

- a. Identification of the new accounting standard implemented as required by the BARS Manual

Change to or within the financial reporting entity:

- a. The nature of the change
- b. The reason for the change

Error correction:

- a. Identification of the error and the correction, including the period(s) affected by the error
- b. Identification of the line items that are affected by the error
- c. The effect (amount) on the prior period’s cash and investment balance, had the error not occurred

Examples:

Example – change in accounting principle: During fiscal year 20XX, the (government type) implemented (describe accounting standard) as required by the BARS Manual. The effect of that accounting standard is shown in Column (X) of the table below.

Example – change in financial reporting entity: During fiscal year 20XX, the (government type) reported Fund XXX as (fund type) whereas in (prior fiscal year) it was reported as Fund XXX as (fund type). This change has occurred due to (describe reason for the change). The effect of the change in reporting entity is shown in the table below, see column (X).

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Example – error correction: During fiscal year 20XX, the (government type) identified (describe error). This error causes the beginning cash balance to be restated by (dollar amount) less/more than previously reported. The effect of that error is shown in Column (X) of the table below.

Table format example:

	12/31/20XX As previously report	Change in accounting principle	Change to or within the financial reporting entity	Error correction	12/31/20XX As restated/adjusted
Fund 1					
Fund 2					
Total Funds					

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