



# Office of the Washington State Auditor

Pat McCarthy

## Minutes for Local Government Advisory Committee (LGAC)

December 4, 2019

State Auditors' Office

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### Attendees

**Members in person:** Stacie Tellers (Chair), Sherrie Ard (SAO), Debbie Booher (WPTA), Alexa Johnson (SAO), Leo Kim (WFOA), Mike Schaub (OFM)

**Members on conference call:** Maggie Douglas (AWC), Tracey Dunlap (WCMA), Sue Hagener (WFOA), Shawn Hill (WACO), Heidi Hunt (WACO), Theresa Juel (WFOA), Jerica Pascoe (WFOA), Debbie Zabell (WFOA)

**Additional attendees:** Pat McCarthy (SAO), Rick Talbert (SAO), Kelly Collins (SAO), Mark Rapozo (SAO), Debra Burleson (SAO), Christie Cowgill (SAO), Niles Kostick (SAO), Kayley Pagio (SAO), Kim Parsons (SAO), Randy Bischoff (WACO for Vicki Dalton), Suzanne Coit (Transits), Sheila Gall (AWC for Candice Bock), Patty Pepin (ESD), Paul Stone (ESD), Bret Brodersen (WFOA), Scott Goodrich (Ports), Kim Noah (Ports), Robert Marion (Ports), Kathy Rauch (WCIS), Kathy Streissguth (Fire)

**Absent members:** Candice Bock (AWC excused), Vicky Dalton (WACO excused), Chase Donnelly (WFOA excused), Kathy Lambert (WSAC excused), Ann Lundeen (WACO excused), Michael Mann (LEAP excused), Derek Pohle (CRAB excused)

### 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 June 2019

The minutes were previously distributed by email. Motion to approve the June 2019 minutes was made by Debbie Booher and seconded by Heidi Hunt. They were approved with no corrections or changes.

### **Correspondence from EWFOA**

The State Auditor's Office received a letter from Eastern Washington Finance Officer Association (EWFOA) addressed to the LGAC. The letter expressed concern over continuing changes implemented and proposed with regards to CASH basis reporting and annual report filings. The letter was forwarded to LGAC members prior to the meeting.

Stacie stated that the Office takes all communications seriously and appreciates receiving the comments from the EWFOA. The SAO is always willing to have conversations and discussions with entities and associations around the state regarding CASH BARS, why accounting standards are implemented, intent and purpose of the updated standards, and how the changes benefit the government, citizens, and users of the financial reports.

Stacie took a moment to discuss the purpose of CASH basis and that while it is not as complex as GAAP reporting requirements, that governmental accounting fundamentals are still a requirement of all governments. The SAO evaluates all the changes in governmental accounting from the national standards setter, Governmental Accounting Standards Board (GASB), for applicability to CASH basis reporting. These changes can range from no changes to simplified GASB implementation to full GASB implementation, depending on the nature of the changes. Part of the LGAC's role is to comment and discuss the proposed changes to CASH basis reporting. These discussions assist the SAO in the implementations to CASH basis BARS.

Discussion among the LGAC participants occurred. Several LGAC members concurred with the comments in the letter. Many stated the changes made it difficult for smaller city/government employees to understand the changes, due to the technical nature. Jerica (WFOA) stated that they switched to CASH basis due to the overhead and man power that GAAP reporting had required. Leo Kim (WFOA) expressed appreciation that the SAO allows governments to utilize CASH as his entity recently switched from GAAP to CASH basis. Sue (WFOA) felt that the SAO was trying to push CASH into GAAP and that these changes impacted larger CASH governments.

A member asked how many CASH governments there are. Stacie stated there are over 1,900 local governments in Washington and approximately 1,400 CASH governments. Most are small enough that they are not significantly impacted by recent changes.

Kelly Collins explained GASB is the standard setter, but the SAO provides additional guidance with the BARS manuals. There has been a lot of GASB activity, and a lot of stakeholders to consider. This is understandably hard for some entities. The SAO will continue to request input and reach out to offer training where necessary.

Stacie added that she and audit management spoke with Leslie (EWFOA) and offered to come speak at their next association meeting. The SAO continues to seek additional ways to provide more resources and training opportunities to CASH basis governments.

Pat McCarthy stated the SAO belongs to the National Association of State Auditors, Comptrollers and Treasurers (NASACT). Washington State is an advocate for local and state governments. This

is especially important when changes to requirements or updates to standards may not add significant value to reporting or when the cost of reporting exceeds the benefit. The SAO relies on feedback received from groups such as LGAC.

### **SAO Executive Update**

Pat McCarthy expressed appreciation for members and attendees taking part in LGAC. The group provides an important channel of communication.

She spoke about the SAO outreach and training, working with local and state governments to solicit feedback on ways to help and provide constructive training. She hears the challenges of staffing and resources, especially for smaller entities. As stewards of public money, we create confidence the public needs. She appreciates feedback to increase trust in government.

Kelly Collins gave an overview of various updates, outreach, and training. She referred to the array of tools and resources available on the SAO website, including articles in the Audit Connection Blog.

### **BARS-Updates and Discussion**

#### **A. OPEB Update – Status of CASH Basis Reporting Changes**

Debra Burlison (SAO) spoke about the OPEB (other post-employment benefits) changes. She presented the SAO CASH basis OPEB page on the SAO website. She also previewed the tools available on the Office of the Washington State Actuary website. The PEBB tool for 99 members or less is currently available. The remaining tools, PEBB over 99 members for CASH governments and LEOFF1 tools, should be available in March or April on the actuary's webpage.

Debra demonstrated the online PEBB tool. She encouraged downloading it before completing and not to try doing it online. Don't delete cells as it creates errors in the formulas; enter "0" as needed.

If your government has 100 or more PEBB or LEOFF1 retirees/employees and need assistance when those tools become available, please contact the state actuary at their email, [actuary.state@leg.wa.gov](mailto:actuary.state@leg.wa.gov).

CASH basis governments will report their calculated OPEB liability on the Schedule 09 for Fiscal Year 2019. The OPEB notes disclosure for CASH has been updated to include a sentence that will disclose the liability total.

Stacie requested comments, questions, or concerns from the LGAC.

A member asked how a CASH basis government would get their retiree information for PEBB. Debra advised them to contact their payroll/benefits person in their government. This data is

available from the Health Care Authority, however you need specific permissions to receive the report due to HIPPA compliance.

### **B. Leases Update**

Debra discussed the leases project page currently housed on the SAO website. This page continues to be developed with links, information, and resources for GAAP and Cash basis governments. Debra is currently developing a FAQ list, which will be added to the project page in the future. Leases accounting changes are effective for Fiscal Year 2020 reporting.

Debra is leading a workgroup made up of several local governments with a good mix of GAAP and CASH and government types. This group has discussed multiple topics and issues regarding leases.

- Many accounting systems do not support long term lease accounting. This is an issue that needs to be addressed by local governments.
- Lease liability threshold discussions. Allowed in GAAP and should be “reasonable” and disclosed in financial policies of the government.
- GAAP reporting and operating vs. non-operating lease interest income
  - Technical inquiries with the GASB have resulted in the following answer: if leasing is your primary operation, then the interest revenue would be considered operating revenue per GASB 34, which was not superseded in GASB 87.

Draft GAAP and CASH notes were distributed for feedback from the LGAC. No comments were received.

Debra requested LGAC member volunteers to participate in the review of the CASH Lessor Leases Note, in order to determine the need and applicability of this note for CASH governments.

Leo Kim (WFOA) and Bret Brodersen (WFOA) volunteered.

Stacie asked if there were additional comments, questions, or concerns from the LGAC. None received at this time.

### **C. BARS Update – Significant Changes**

Christie Cowgill (SAO) provided an overview of the BARS updates that will occur in early January 2020 for Fiscal Year 2019; the handout was emailed to members prior to the meeting.

The SAO will no longer determine significant changes. All BARS updates will be listed in the changes matrix, based on feedback from users what the SAO might not consider significant is actually significant for their government.

Schedule 06 Discussion:

Kayley Pagio (SAO) spoke about the Schedule 6 template. This is for CASH basis cities, towns, and counties and will replace the Schedules 07/11.

Cities and towns will be required to file the Schedule 06 for Fiscal Year 2019. Counties will be required to file the Schedule 06 for Fiscal Year 2020, but she suggested that counties should try to use it this filing season and upload the template, even if they are struggling as this will assist the SAO in training and resource development for counties.

The SAO is working on resources and a video that will explain the updated template, which should be available in January. The SAO is planning outreach at the BIAS Rally in February and WSACA and WTPA Conferences in April.

Kayley requested a city and county volunteer to field test this template within the next couple weeks to see if it is easier.

Leo (WFOA), and Bret (WFOA), volunteered.

Stacie asked if there were additional comments, questions, or concerns from the LGAC. None received at this time.

#### **D. SAO BARS Related Training**

##### **1. Roadshow overview live and webinar update**

Previously called the SAO Roundtable. Stacie stated that staff delivered the updates at nine locations to 414 attendees. This year [the](#) SAO offered the first webcast versions of the BARS Update. The SAO offered a Cash session and a GAAP session. She noted the webcasts filled within minutes, so second sessions were added. There were four sessions and 239 attendees.

##### **2. 2019 "Overview of BARS" WFOA classes update**

Six Cash classes with 244 attendees and four GAAP classes with 159 attendees  
Planning to offer ten classes in 2020

##### **3. Request for advanced accounting and reporting topics**

Stacie asked if there were any accounting and reporting topics that the LGAC wanted to provide for the SAO to consider for training in 2020. None were offered at this time. Stacie said to email her at any time with suggestions and ideas.

#### **E. Special Project Group Discussion**

Kayley is responsible for the annual filing process. She discussed that the Office is beginning to evaluate future enhancements to the current online filing process. The SAO is in the planning phase and she asked for volunteers that would like to participate in this long-term project, which is expected to last a few years.

Kathy Streissguth, (Fire), and Heidi Hunt, (WFOA), volunteered.

Kayley reminded everyone that the annual report filing for calendar year end governments is due May 29, 2020, as it is a leap year.

#### F. BARS Topics - Open Discussion

Kelly reiterated her earlier statements, including the importance of open channels of communications with stakeholders.

Stacie asked if there were additional comments, questions, or concerns from the LGAC. There was no further discussion.

#### **SAO Resources and FIT Q&A**

Niles Kostick (SAO) presented a PowerPoint and discussed resources available to governments on a wide range of topics. If you have a suggested resource, please email Sherrie Ard (SAO) for consideration.

Niles suggested subscribing to The Audit Connection Blog to keep updated on resources. One recent topic, cybersecurity, is a credible and real threat. The SAO offers resources for suggestions to avoid being victimized, including everyone's role in keeping entities' data secure. Any suggestions or feedback on published resources are welcome.

FIT (Financial Intelligence Tool) is a project to make Washington State's public financial data transparent. Statistics show there are almost an equal amount of new and returning visitors.

FIT allows anyone to compare and review nearly all Washington State local governments' annual financial data. The next phase of FIT is for local government to be able to use the tool to project up to five years in the future based on their submitted data. This should be available next year for beta testing to interested entities.

While there is room for improvement, Washington exceeds what other states have available.

Kristen Harris has been developing a fiduciary activity resource and has requested a volunteer from a city or county to review the document. Heidi Hunt (WFOA) volunteered.

Stacie asked if there were additional comments, questions, or concerns from the LGAC. None received at this time.

#### **Open Discussion**

Stacie asked for feedback on a proposed beta test that, if successful, would lead to the LGAC bylaw changes. These suggestions would need to be approved by the LGAC and approved by Pat McCarthy prior to implementing the test.

The first proposed beta test is to post draft minutes to the LGAC page on the SAO website. Since the LGAC only meets twice a year, this would make the minutes available to the public sooner.

The second proposed beta test is to post the meeting dates for 2020 as well as the working draft of the June meeting agenda to the LGAC page on the SAO website, prior to meetings. This would deliver the meeting topics to both the LGAC members and the public in real time.

The proposal is to test out these two items for the June meeting. At the June meeting, the LGAC will evaluate the test and vote on recommending to the State Auditor a permanent change to the bylaws to reflect the meeting minutes, dates, and agendas public posting. Once approved by the State Auditor, the permanent change to the bylaws would be voted on in the December LGAC meeting.

Debbie (WPTA) moved and Leo (WFOA) seconded the proposal. Motion passed unanimously by the LGAC.

Debbie said having the minutes available for public viewing would be helpful as each member can only bring their perspective and the group is intended to get broad feedback. This will allow her association the opportunity to review the minutes and the agenda and provide feedback for her to bring to the next LGAC meeting.

Motion passed unanimously.

Based on the motion, Stacie will bring these suggestions to Pat McCarthy for approval to test for the June meeting. The LGAC will discuss further at the June meeting.

There was no other discussion.

**Proposed 2020 Meetings:**

Wednesday, June 17, 2020	9:00 am-12:00 pm
Wednesday, December 9, 2020	9:00 am-12:00 pm

Members agreed to the proposed schedule.

Meeting adjourned at 11:45 am.