



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

**Local Government Advisory Committee (LGAC)  
Meeting Minutes  
October 5, 2022  
9:00am – 10:30am  
Virtual Meeting – Microsoft Teams**

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**Members in attendance:**

Brodersen, Bret (WFOA); Clark, Kathy (Housing); Gall, Sheila (AWC); Goodrich, Scott (WPPA); Hendren, Alisha (SCCFOA); Kelly, Mitchell (SWFOA); Kinley, Leana (WCCMA); Knudson, Erin (WSTA); Lundeen, Ann (WACO); McMillan, Sandi (WASWD); Pascoe, Jerica (WFOA); Payne, Randy (WAPUDA); Pepin, Patty (ESD); Rupe, Sara (OFM); Tellers, Stacie (SAO, Chair)

**Members absent:**

Excused: Corin, Shannon (WFOA); Huynh, Phung (PSFOA); Mann, Michael (LEAP); Oestreich, Brenda (WSAC); vacant AWC position.

Unexcused: Hunt, Heidi (WACO); Ishizuka, Paul (AWPHD); Pohle, Derek (CRAB); Robacker, Tanya (Fire); Steffen, Philip (WPTA);

**Other attendees:**

Booher, Debbie (Poulsbo), Brown, Jana (Transit); Gancel, Lisa (WCIF); Hill, Shawn (Grays Harbor County); Maule, Tim (Fire); Rogers, Danette (Transit); Stimson, Mary (Library); Streissguth, Kathy (Fire); Turntine, Cori (Conservation District); Wilson, Kimberly (Housing); Zhang, Wenju (Bothell).

**SAO Staff in attendance:**

Ard, Sherrie; Browning, Roxann; Collins, Kelly; Cowgill, Christie; McCarthy, Pat; Montgomery, Ryan; Pagio, Kayley; Rooney, Keri; Talbert, Rick; Vandenburg, Vivian

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**Call to Order**

The Committee meeting began at 9:00am, 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 Teams attendee list. Attendees calling in provided their names for the attendance list.



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### **Approval of Minutes from June 2022**

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 2022 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**

State Auditor Pat McCarthy provided an update on SAO activities. New in 2022 was the issuance of our first reports of the new Use of Deadly Force audits. This new type of audit work was the result of Washington State Legislation requiring compliance reviews for use of deadly force by a police officer. Additionally, a new type of energy audit related to the Clean Energy Transformation Act was added to SAO's list of audit types. The Office is promoting CyberSecurity Awareness in the month of Hacktober, including highlighting audit work that the Office is performing in regards to cyber related issues. Pat thanked the Committee for serving in government and on this Committee, the time you give is highly valued.

Pat also shared that the SAO's peer review, which occurs every three years, was just completed and went very well. The Office received some minor recommendations for improvement, overall the peer review had great results.

### **BARS Updates and Discussion**

Christie Cowgill, Assistant Audit Manager for the Local Government Support Team provided an overview of the near final list of updates coming to BARS in December 2022 (see attached document). At this time SAO is on track for the updates to be live on the website before the end of 2022. Many of the items on the list are clarifying items as SAO works towards providing clearer guidance in both BARS manuals.

Stacie notified the Committee that the draft Leases BARS pages are available on the SAO website for local governments to utilize as they continue to implement the changes to lease accounting and financial reporting. The finalized guidance, not expected to change from the draft pages, will be posted in the December 2022 update to BARS. Stacie additionally shared the "What's coming in 2023" project page, sharing new accounting and reporting information on SBITA (Subscription Based Information Technology Arrangements) and Private-Public/Public-Public Partnership.

Stacie provided an overview of the newly issued GASB Statements (see attached) and the potential impacts on both the GAAP and Cash manuals.



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The floor was opened for questions, comments, and concerns related to BARS. Nothing was brought forward.

### SAO Resources

Sherrie Ard, Program Manager for the Center for Government Innovation provided an update on the new and updated resources from SAO. October 18-27 is the Governor's 11<sup>th</sup> Annual Lean Conference, this is a free event. The Center continues to work with governments on Lean projects, and has hired a new Lean Specialist, Joanna Bailey.

Sherrie presented the newly updated resource library: <https://sao.wa.gov/improving-government/resources-database/> and provided a walkthrough of the library. Updated resources include the variety of checklists provided: financial statement preparations, best practices for implementing accounting standards, buying and bidding guides, and piggybacking guide.

Sherrie highlighted that October is Cybersecurity Awareness Month. She reminded attendees that SAO provides weekly articles during the month to highlight Cybersecurity. Additionally, new resources are available to help fight fraud, including the Best Practices for ACH Electronic Payments and Best Practices for Sending Wire Transfers. These resources can also assist with governments efforts to education staff on cyber and fraud.

Sherrie discussed the Open Public Meetings Act (OPMA) and Contracting resource project that SAO is working on with MRSC. MRSC will be sending surveys to governments regarding the OPMA and challenges governments have and are facing. SAO will work with MRSC on OPMA to update the SAO OPMA resource. The contracting resources provided by both MRSC and SAO are also being reviewed and updated. Sherrie wanted to highlight that MRSC may also be reaching out with contracting questions as we work on updating resources.

Sherrie highlighted the new CPE eligible on demand training on Cash Receipting: Fraud Prevention and Internal Controls. The training is approximately 40 minutes and does not need to be completed in one sitting. The training can be found on the <https://sao.wa.gov/improving-government/improvement-training-videos/> page.

Questions or comments for the Center, email [center@sao.wa.gov](mailto:center@sao.wa.gov)

### Open Discussion

Stacie opened the floor for the discussion period.

Bret Brodersen, City of Centralia brought forth the pending federal legislation that will be voted on in the defense act by the end of the year. This legislation would require a prescribed open source



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layout that would be established by the MSRB. The rules would be established within two years and would then allow for two years for issuers to implement. Bret provided a link <https://www.wfoa.org/news/> for the Committee.

Sheila Gall, AWC asked about how the Single Audit is going for the local governments, since large amounts of funds were received by the local governments and is SAO providing new resources or communications on this topic. Kelly Collins responded. She stated that SAO did see an increase in governments needing a single audit. At this time additional resources are not planned, however we continually participate in trainings and conferences to provide education on federal awards. Kelly stated that if anyone has additional resources they would like to bring forward, please send them our way. Sheila also stated that AWC would be happy to pass along additional resources as well.

Stacie closed with a few words on the meeting schedule and that in December the Committee can discuss the continuation of the three meetings with shorter meeting times for 2023.

No further discussion topics were brought forth.

**Remaining Meetings for 2022**

<del>Wednesday, June, 15, 2022, 9:00am-12:00pm</del>	<del>Virtual</del>
<del>Wednesday, October, 5, 2022, 9:00am-10:30am</del>	<del>Virtual</del>
Wednesday, December, 7, 2022, 9:00am-12:00pm	Virtual

Meeting ended at 10:13am.



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**Local Government Advisory Committee (LGAC)  
Meeting Agenda  
October 5, 2022  
9:00am – 10:30am  
Virtual Meeting – Microsoft Teams**

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<b>Topics:</b>	<b>Speaker</b>	<b>Time</b>
<b>Welcome and Attendance</b>	<b>Stacie</b>	<b>5 minutes</b>
<b>Approval of Minutes from June 2022</b>	<b>Stacie/LGAC</b>	<b>10 minutes</b>
<b>SAO Executive Update</b>	<b>SAO Leadership</b>	<b>10 minutes</b>
<b>BARS Updates and Discussion</b>	<b>BARS Team</b>	<b>40 minutes</b>
a. Annual update list – review list for Dec 22/Jan 23 update		
b. Draft Leases BARS pages are available on the SAO website		
c. New and upcoming GASB Statements		
d. Open Discussion - BARS		
<b>SAO Resources</b>	<b>Center</b>	<b>15 minutes</b>
<b>Open Discussion</b>	<b>LGAC</b>	<b>As needed</b>

**Meeting Schedule for 2022**

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# What is coming to BARS in 2023

as of October 5, 2022

*Italicized items are new from the prior meeting*

## Both Manuals

- Hot topics
  - *COVID-19 Note – update requirements to limit not use only if effect of COVID-19 is material*
  - Leases – see project page on SAO website (accounting, reporting, BARS codes, annual filing impacts – schedule 09 and BARS Codes)
- Accounting and Reporting updates
  - Budget note – clarify note requirements, clarify biennial budget disclosure requirements
  - CFDA – Catalog of Federal Domestic Assistance changing to ALN – Assistance Listing Number
  - Conduit Debt – update to notes and clarify when to report liability, including Schedule 09 coding
  - *Fiduciary Fund use and clarification – Flexible Spending Accounts (FSA) and Health Savings Accounts (HSA), provide clarification on when these transactions are considered custodial or non-custodial*
  - *Fund definitions – clarify 700 Funds (Permanent Funds) usage*
  - Going Concern note – clarify note requirements and header instructions
  - *Public Facility Districts – clarify allowability for promotional hosting*
  - Schedule 19 – Labor Relations schedule, **removing** schedule effective with 12/31/2022 annual filing
  - *Schedule 20 – **Counties Only** – changing to excel file template to allow for automated reporting for legislature use*
  - *Telecommunication Note – expanding note to include additional governments who may offer telecommunications services and adding to the Cash Manual. Applicable to City, Town, County, Port, PUD.*
- BARS Coding
  - *All codes have clarified and/or complete descriptions for use.*
  - Municipal Court 512.50 – splitting to 512.51 – Non-contracted and 512.52 – Contracted
  - Transportation Codes (54X) in Proprietary Funds – red flagging



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## What is coming to BARS in 2023, continued

### GAAP Manual Only

- Clarification of operating/non-operating BARS codes, updated matrix
- GFOA Section in BARS update and direct readers to GFOA website for ACFR awards.
- Reporting – RSI Section – breakout section for easier use in online environment
  - *Clarify budgetary information for RSI reporting*
- Unearned revenue/Unavailable revenue/Deferred Inflow clarifications of category use

### Cash Manual Only

- Code update: 389.90/589.90 – Holding and Clearing Account Transactions, clarify code description and add use for customer overpayments

### 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



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## GASB UPDATE

October 2022

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](http://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.

- **Statement No. 98, *The Annual Comprehensive Financial Report***  
This statement replaces the term *comprehensive annual financial report* and the related acronym with *annual comprehensive financial report* (ACFR). Effective for years ended after December 15, 2021.

**GAAP** – Most of the required changes have been implemented in BARS.

**CASH** – Does not apply since cash does not prepare ACFRs.

## 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.

***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 does not currently have any documents out for public comments. New documents for public comments are posted to <https://www.gasb.org/exposure-documents>.