



## Office of the Washington State Auditor Pat McCarthy

### Local Government Advisory Committee (LGAC) Meeting Minutes December 7, 2022 9:00am – 10:30am Virtual Meeting – Microsoft Teams

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**Members in attendance:**

Brodersen, Bret (WFOA); Clark, Kathy (Housing); Corin, Shannon (WFOA); Gall, Sheila (AWC); Goodrich, Scott (WPPA); Hendren, Alisha (SCCFOA); Hunt, Heidi (WACO); Huynh, Phung (PSFOA); Kelly, Mitchell (SWFOA); Kinley, Leana (WCCMA); Knudson, Erin (WSTA); Lundein, Ann (WACO); McMillan, Sandi (WASWD); Pascoe, Jerica (WFOA); Payne, Randy (WAPUDA); Rupe, Sara (OFM); Steffen, Philip (WPTA); Tellers, Stacie (SAO, Chair); Williams, Jason (ESD)

**Members absent:**

Excused: Mann, Michael (LEAP); vacant AWC position

Unexcused: Ishizuka, Paul (AWPHD); Oestreich, Brenda (WSAC); Pohle, Derek (CRAB); Robacker, Tanya (Fire)

**Other attendees:**

Booher, Debbie (Poulsbo), Brown, Jana (Transit); Gancel, Lisa (WCIF); Hill, Shawn (Grays Harbor County); Lowell, Eric (MSRC); Maule, Tim (Fire); Rogers, Danette (Transit); Schmidt, Cami (Transit); Streissguth, Kathy (Fire); Turntine, Cori (Conservation District); Zhang, Wenju (Bothell)

**SAO Staff in attendance:**

Browning, Roxann; Cowgill, Christie; Crouch, Olivia; Kostick, Niles; McCarthy, Pat; Montgomery, Ryan; Pagio, Kayley; Pennick, Deborah; Talbert, Rick; Vandenburg, Vivian; Watkins, Tina

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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.

**Approval of Minutes from October 2022**



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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 October 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. Pat thanked the committee and attendees for their attendance at today's meeting. SAO values the committee members' time and voices as we continue to listen to the concerns of local governments and carry the messages to the State and Federal levels. Pat discussed attendance at national association meetings, hearing from local governments assists SAO in advocating on the national level. SAO is currently working on the legislative session, seeking funding for continued performance audit and resource development work. Pat discussed in-person auditing as well as remote and hybrid options for audit clients. SAO audit teams will work with government's needs.

### **BARS Updates and Discussion**

Christie Cowgill, Assistant Audit Manager for the Local Government Support Team provided an overview of the final list of updates coming to BARS in December 2022 (see attached document). There was only one item added to the list since October, it is notated in italics. The update will begin on December 12 and should be completed by December 16. During this time several BARS pages in both manuals will be unavailable, Christie recommended to the group to download a PDF copy of BARS today.

Christie provided an overview of the preliminary BARS update list for December 2023 (see attached document). The BARS group provided an overview of the newly issued GASB Statements (see attached) and the potential impacts on both the GAAP and Cash manuals.

Committee member Ann Lundeen asked about the removal of BARS code 311.30 Sale of Tax Title property and if SAO removes this account from the BARS chart of accounts, would the County report the monies in regular property tax or another code. Christie discussed that SAO will be working with the Department of Revenue to gain an understanding of the law and will connect with the County Committee Members to discuss this BARS code further.

Committee member Shannon Corin, along with meeting attendees Jana Brown and Kathy Streissguth brought forth discussions on Compensated Absences (GASB 101) and the different types of leave banks and policies they have come across. Examples include emergency leave banks, military leave, cash out annually vs. payout upon separation, PFML, leave liability for another government. Christie notated the discussion and will connect with various attendees as SAO continues to research implementation plans for the new standard.



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Christie asked the committee about the need for training on asset retirement obligations, a follow-up from prior committee meetings. No requests for additional training were made.

Kayley Pagio, Assistant Audit Manager for the Local Government Support Team, provided an update on the annual filing system rewrite project. At this time SAO has scheduled to start programming in January 2023. Request was made to the committee for volunteer testers when the new system is ready.

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

### SAO Resources

Niles Kostick, Assistant Audit Manager for the Center for Government Innovation provided an update on the new and updated resources from SAO. Niles provided an overview of the new resources that have been added to the online resource library, including new fraud prevention resources. Niles highlighted the weekly digest emails, noting that due to the holiday season SAO will not send the digest the last two weeks of December.

Niles provided an overview of the new Accounts Receivable guide to assist governments with best practices, procedure information, and checklists. He requested volunteers for review of the new guide before SAO publishes for use. There are updated checklists coming for preparing cash basis and GAAP basis financial statement checklists.

SAO and MRSC continue to work together on resource projects regarding contracting and public meetings. The MRSC survey sent to local governments had a great response and this information will be used in the resource development.

Niles provided an update on FIT. In the next year, FIT will be updated for use on mobile devices. FIT usage has gone up and shows that users are continuing to look at local government data. SAO continues to analyze the reported data in the annual filing system and several data quality projects were done during the year. Reviewing reported negative ending balances, managerial fund use, internal service fund reporting, and use of suspense funds are a few projects completed this year.

Niles announced a new data story that was published on the Audit Connection Blog on December 6, 2022 regarding WSDOT funding received by local governments.

The Center for Government Innovation has hired a new lean specialist, Joanna. She will be taking on lean projects and trainings.

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



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### Open Discussion

Stacie opened the floor for the discussion period.

Stacie proposed the 2023 meeting schedule. There is a possibility that a County conference conflicts with the June 7 date, if so, the June meeting would be moved to June 14, 2023. With no objections the meeting schedule is set for 2023, with the alternate June date if needed.

### Proposed Meeting Schedule for 2023

Wednesday, June 7, 2023, 9:00am-11:00am

Virtual

Wednesday, October 4, 2023, 9:00am-10:30am

Virtual

Wednesday, December 6, 2023, 9:00am-11:00am

Virtual

No further discussion topics were brought forth.

Meeting ended at 10:16am.

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### Local Government Advisory Committee (LGAC)

#### Meeting Agenda

December 7, 2022

9:00am – 11:00 am

Virtual Meeting – Microsoft Teams

Topics:	Speaker	Time
Welcome and Attendance	Stacie	5 minutes
Approval of Minutes from October 2022	Stacie/LGAC	10 minutes
SAO Executive Update	Pat McCarthy	15 minutes
BARS Updates and Discussion	BARS Team	30 minutes
	a. Update from the October meeting regarding Dec 22 BARS update b. Annual update list – tentative list for Dec 23/Jan 24 update i. New and upcoming GASB Statements c. Asset Retirement Obligations – implementation year follow-up d. SAO's annual report filing system update e. Open Discussion - BARS	
SAO Resources	Niles	30 minutes
Open Discussion	LGAC	As needed
<b>Proposed Meeting Schedule for 2023</b>		
Wednesday, June 7, 2023, 9:00am-11:00am		Virtual
Wednesday, October 4, 2023, 9:00am-10:30am		Virtual
Wednesday, December 6, 2023, 9:00am-11:00am		Virtual



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# What is coming to BARS in 2023

as of November 29, 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
  - *Liability section update – new section to pull in intergovernmental loans and forgivable loans from other BARS sections into a single BARS section*
  - 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

## What is coming to BARS in 2024

### *Both Manuals*

- *Hot topics*
  - *Subscription Based Information Technology Arrangements (SBITA) accounting & reporting*
  - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (PPP/APA)*
- *see project page on SAO website (accounting, reporting, BARS codes, annual filing impacts – schedule 09 and BARS Codes)*
- *BARS code 311.30 - Sale of Tax Title Property, RCW 36.35.110, removing from BARS chart of accounts, effective for FY2023 filed in 2024.*

### 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

### November 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.**

*Implementation Guidance Update – 2023*, comments due January 20, 2023

Documents for public comments are posted to <https://www.gasb.org/exposuredocument>.