September 25, 2002

To: Counties and Cities Reporting Under Category 1 BARS Requirement

The Washington State Auditor's Office is aware of the tough economic conditions local governments are facing. As a result, we are working on several projects designed to address the financial impact of our audits.

Currently, local governments prepare their financial reports in accordance with Generally Accepted Accounting Principles (GAAP) or on a cash basis. For the past couple of years, our Office has been working with local governments to prepare for the implementation of GASB 34, which is a significant change related to reporting under GAAP.

In May of this year we sent a letter informing counties and cities of additional latitude in the time line for implementing GASB 34 reporting requirements. Although many of the GAAP-basis entities are able to make the GASB 34 transition with financial and technical resources available to them, others consider this task burdensome. For these entities, we are offering a third reporting option:

Entities required to report under GAAP could continue to follow the Category 1 BARS Manual as prescribed, except they would have the option to not show the Government Wide Financial Statement, Infrastructure, and the Management Discussion and Analysis. Our next BARS update, scheduled to be published later this year, will reflect this additional option.

If you choose to follow this reporting option, you will receive an audit opinion that states you followed an “other comprehensive basis of accounting” rather than following GAAP. If you are considering this option, please be sure it will not violate any bond covenants or other reporting requirements you may have.

We hope this option will be of benefit to local governments. If you have any questions, please contact the Local Government Support Team at (360) 664-3149.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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