

Minutes for December 4, 2014

Local Government Advisory Committee (LGAC)

Attendees

Members: Alexandra Johnson (SAO), Christy Raske (SAO), Tracey Dunlap (WFOA), Gordon Heimburger (WACO), Shawn Hunstock (WFOA), Rob Karlinsey (WCCMA), Stacie Tellers (WFOA), Michael Mann (LEAP), John Payne (WFOA), Brad Posenjak (WFOA), Kathy Tobin (WPTA)

Conference Call & Polycom Attendees: Sandy Langdon(WFOA), Loretta Smith Kelty (WCAA), Vicki Dalton (WACO), Jenny Stettler (Spokane County)

Additional attendees: Debra Burleson (SAO), Sheri Sawyer (SAO), Duane Walz (SAO), Daniel Masterson (SAO), Kelly Collins (SAO), Shawn Looney (SAO-Contractor)

Decisions of the State Auditor

Decision is required by the State Auditor to approve the proposed amendment to the bylaws. Auditor Kelley approved the amendment to the bylaws December 16, 2014.

Minutes

The LGAC meeting began at 9:10 am and was held in the Secretary of State's State Library Conference Room, Tumwater. The meeting was called to order by Christy Raske.

Approval of Minutes from June 2014

Christy Raske asked if the members had reviewed the minutes and if they are ready for approval. Brad Posenjak moved and Alexandra Johnson seconded the motion to approve the minutes. The minutes were unanimously approved.

Amendment to LGAC Bylaws

Christy proposed to again discuss the term limits that were suggested at the last Committee meeting. At that meeting, there was a discussion about adopting term limits but no action was taken. The SAO wants to make sure that every Committee member had an opportunity to participate in the discussion and there is consensus on whether to include term limits to ensure that members of all organizations have a chance to serve on the Committee. The SAO appreciates people who have served multiple terms; however the SAO wants to make sure that others have the opportunity to be involved with the Committee. At the last meeting, it was suggested the SAO *recommends* rather than *require* two term limits; however, there is still concern that this change will not encourage participation of new members.

Christy brought a draft amendment that would include term limits for two terms (six years) and members could be re-nominated after three years hiatus. The change exempted few associations because of their size/nature. After extended discussion, Christy made a motion, and Vicki Dalton seconded, not include term limits but to add to the bylaws that the SAO will encourage associations to reach out to all members for nominations. The Committee voted and did not approve this proposal.

After further discussion, Rob Karlinsey made a motion to include the draft term limits amendment but add a clause that the State Auditor can approve a third term based on the nominating association's request. John Payne seconded the motion and the motion was approved. Christy will revise the bylaws as suggested.

Local Government Performance Center (LGPC)

Sheri Sawyer and Shawn Looney from the State Auditor's Office presented information about the financial condition tool the Center is developing. The tool will be using the information provided by local governments in their annual reports. Initially local governments will only be able access their

own indicators. The Committee felt that FIT (financial intelligence tool) had made many improvements since June. The LGPC demonstrated specific reports, and how the local government can annotate the graphs and edit the data if necessary. The LGPC also presented benchmarking tools and Stacey asked if the FIT could provide the governments the data and names of people asking questions. There were concerns that users would not contact the right people with questions regarding the data.

The LGPC presented the timeline for the cash basis over the next year:

Cash Basis Excel Version - 01/01/2015

Web Based Cash Basis - 07/01/2015

Excel for GAAP - 07/01/2015

Web Based for GAAP - 07/01/2016

Public Web - 12/2016

A GAAP working group will start meetings in 2015. The meetings will be remote live meetings lasting approximately one-two hours per month. Anyone interested in participating should contact Sheri Sawyer.

BARS Issues

Alexa Johnson discussed upcoming BARS changes:

- The fire, conservation, library districts and the regional ems and trauma centers manuals were incorporated into the cash manuals, so all cash basis governments (except port districts) will be using just one manual. This change was possible since there is an enormous overlap between these manuals. The SAO will combine the GAAP manuals in 2015.
- Chart of accounts: there are very limited substantive changes (only two new accounts were added); there will be one generic chart of accounts; however the templates will provide the different types of governments with narrower selection of accounts applicable to their entity types. The coding of grants was changed to use only two (instead of four digits of the CFDA number). This change should not affect local governments since the more detailed coding will be accepted just not required. Also the local option (six unprescribed digits) was eliminated from the BARS code structure. The local governments can use any number of digits for their internal purposes

- as long as they report the seven-digit code and this requirement did not change.
- Budgeting part was revised and many sections regarding methodology were eliminated. The part was streamlined and is limited to several definitions and statutory requirements related to budgeting.
 - The changes in the accounting part are mostly clarifications of existing guidelines. The new addition is a section related to the GASBS 70 (*Financial Guarantees*).
 - The reporting part includes now Schedule **15**, which is not a new schedule. Previously both federal and state schedules of financial assistance were referred to as Schedule 16. Currently we separated them and the state part will be numbered 15. Some of the GAAP notes were revised to ensure uniformity since there were multiple versions of these notes. The reporting examples and instructions for cash entities were aligned with the Online filing system. Schedule 22 was revised to streamline the reporting and to make sure that only necessary information are collected.
 - Appendices: The *Glossary of Accounting Terms* was eliminated and the *Overview of Changes* was redesigned. It will focus only on significant changes and will be much more descriptive providing the users with good understanding of the changes.

BARS Demonstration

Due to technical difficulties, Duane Walz was not able to go live and provide a demonstration. He did discuss the online filing changes that will be available in 2015. The SEFA will be greatly improved, the cash statements appearance more professional, overview of changes more effective, and the chart of accounts easier to use.

The LGS Team is conducting informal BARS roundtable around the state. They are often in conjunction with internal team trainings. The meetings not only provide training but also feedback from users. The SAO have been to Fairfield, Wenatchee, Ritzville, and Stanwood. The SAO plans to hold more of these meetings if the time will allow getting out there.

In addition, the SAO is offering monthly workshops in Olympia on the first Wednesday of every month. This is a pilot project intended to provide hands-on assistance. The SAO has laptops available and multiple SAO staff

members to provide one-to-one assistance with annual reports. The SAO hopes to provide similar workshops in other areas in the state depending on need. The Committee members asked questions how this opportunity is communicated and Duane explained that it has been mostly by invitations since the SAO is trying to reach the very specific group of local governments, but we hope in the future to expand this group and to reach out to others.

Pension Update

Debra Burleson forwarded a message from the Department of Retirement Systems. DRS encourages all local governments to visit its New GASB Standards web page and to contact DRS with questions and concerns regarding implementation of the new GASB pension standards.

Debra explained how the new pension liability that will be allocated to member employers under the new pension standards requires new audit procedures. The information that is provided to the actuary and used to determine the liability, called "census data," needs to be audited at the individual employer level. DRS is contracting with SAO to perform this testing during the first quarter of 2015. Approximately 76 local governments will be randomly selected for testing. This audit work is part of the audit of the state's pension plans and SAO will bill DRS, not the local governments. DRS and SAO appreciate the cooperation of all local governments selected for testing.

Debra discussed the old, pre-LEOFF 1 police and firefighter pension plans administered by some cities and fire districts. Depending upon how each local government has established these plans, they may or may not meet the criteria of GASB 67, paragraph 3. If the plans do not clearly meet the criteria of GASB 67, employers should continue to report under the requirements of GASB 25. Local governments that have these plans should carefully review all legislation establishing and modifying these plans and consult with their legal counsel regarding the status of the plans.

Other Training

Christy and other SAO Committee members are on the WFOA Education Committee. They proposed to the WFOA to change the 2015 BARS

training and split it into two *BARS for Cash* and BARS for GAAP classes. Brad Posenjack and Shawn Hunstock asked about grant management training because of all the upcoming changes. Christy will get Brad and Shawn the contact information in the SAO.

Audit Issues

Kelly Collins discussed how the SAO is looking at its own processes to “lean” the agency.

She also mentioned a new customer service survey coming out that is overdue for an update. The new survey is expanded and encourages more feedback from the SAO clients.

She highlighted changes in the accountability reports which will focus more on issues and recommendations.

In 2015, the SAO will implement engagement letters. The SAO wants to use them as a communication tool to ensure that clients understand the audit and its process to ensure a better communication during the audit so the exit conference is just a summary of everyone’s expectations.

The last item in Kelly’s presentation was a reminder that SAO’s billing rate will increase in January 2015. The rate increase supports the staff pay increases (approved by Department of Enterprise) that are intended to help retain audit staff and reduce the current turnover of 33%.

Meeting adjourned at 11:45 a.m.