

Minutes for November 30, 2016

Local Government Advisory Committee
(LGAC)

Attendees

Members in person: Alexandra Johnson (SAO), Christy Raske (SAO), Michael Schaub (OFM), Michael Mann (LEAP), Stacie Tellers (WFOA), Jeff Monsen (CRAB), Milene Henley (WACO), Serena Dolly (AWC), Victoria Lincoln (AWC)

Conference Call: Rick Dyer (WPUD) Vicki Dalton (WACO), Christine Smith (WFOA), Sue Hagener (WFOA), Kathy Streissguth (WFASG), Tracey Dunlap (WCMA), Cathy Muhall (WACO)

Additional attendees: Debra Burleson (SAO), Mark Rapozo (SAO), Sherrie Ard (SAO), Duane Walz (SAO)

Decisions of the State Auditor

No decisions are required by the State Auditor.

Minutes

The LGAC meeting began at 9:10am and was held in the SAO Sunset Building. The meeting was called to order by Christy Raske.

Approval of Minutes from May 2016

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

SAO Update

Mark Rapozo, Deputy Director stated that the auditor elect Pat McCarthy has been meeting with the SAO executive team on the transition to the SAO.

Pat stopped at the BARS roundtable November 29 and introduced herself to the audience. We hope to have her attend the spring LGAC meeting, if possible.

Mark showed the Committee the audit connection on the SAO website and how to sign up for information feeds. This will allow users to obtain notice whenever there is something new posted by the SAO. Mark shared with the members the public records report, *The Cost of Transparency* which was issued August 2016. Embedded in the electronic report is interactive data using tableau allowing users to set parameters to focus on specific data within the report.

Pension Update

Debra Burleson, the pension specialist for the SAO, briefed the Committee on GASB Statement 68 implementation and upcoming changes to the existing tools (spreadsheets, instructions etc.). She has also clarified definitions that will be included in the BARS update.

Debra discussed the upcoming similar changes for OPEB (GASB Statement 75). Local governments will implement GASBS 75 for the fiscal year 2018. She has organized a workgroup to address the implementation. The workgroup includes individuals from cities, counties, Office of the State Actuary, and Office of Financial Management. The goal is to be ready at the beginning of 2018 with similar tools available for local governments as GASB 68.

BARS/Online Filing

Alexa discussed the significant updates to the BARS manual.

Chart of Accounts

- Reporting of leases and rentals (BARS code 362) was simplified and the details regarding length or items rented/leased are no longer required. Also, the coding of concessions was clarified [the proceeds should be coded in existing 34170 account and the license for concession in a new 32180 account].
- Special items (BARS code 369500) was moved to 380s section since the proceeds are not considered revenue. Also the account was expanded to include extraordinary items.
- The 380s category was renamed to *Other Increases (Decreases for symmetrical changes in 580s) in Find Resources*.

- Accounts 386 and 389 were consolidated, renamed *Custodial Activities* and new categories were established to provide easier data important from the audit work required in the cash area.
- A new account 51170 was established to separate lobbying expenses and account 51530 was expanded to provide more details in the legal activities. Both changes are expected to ensure governments records be sufficient to support auditors' request, provide check figures to evaluate their related inquiries and allow for automation of a required audit procedure in low-risk situations.

There will be a new section added in the Chart of Accounts part containing guidelines regarding classification of revenues and expenses as operating and nonoperating. The section includes the discussion and a spreadsheet with the designation for each BARS account as operating or nonoperating. This section is applicable only to GAAP proprietary funds.

To ensure uniformity in the terminology and to make the cash basis financial statements more comparable with other basis of accounting, the operating statement for the cash entities were revised. The online reporting system will be updated, so there is no impact on the electronic filers.

The capital assets part in the GAAP manual was also revised. The guidance which was split into seven accounting and two reporting sections was consolidated into three. While content has not fundamentally changed, most topics were updated and re-written to improve guidance and match the current environment and user needs. In particular, control guidance was expanded in conjunction with development of a referenced checklist to help local governments with management of capital assets.

The notes to financial statements are updated to reflect the new GASB standards (GASBS 72 – investment note reflecting changes in fair value measurement, GASBS 77 – tax abatement, and GASBS 78 – disclosure regarding nongovernmental pension plans).

Duane shared with the Committee the plan for filing workshops February – March 2017. We are planning on setting up approximately 27 workshops across the state in hopes of helping some of the non-filers who typically do not file year-after-year. We will be scheduling appointments with them and have laptops on hand with staff to assist them file their annual report.

Victoria and Milene offered assistance in encouraging the non-filers to attend the workshops.

Duane also discussed some of the upcoming changes in online filing. This year there will be a pilot project for completing the DOT street/road report (required for counties and cities) using online filing. The SAO has worked with individuals from the CRAB and DOT to develop the street/road report option in the SAO online filing system. Cities and counties are not required to use online filing and can continue to complete the hard copy report as they have in the past. The goal is to eliminate duplicate reporting for local governments. Jeff Monsen added that the data should be more accurate using the online filing data, since in the past the data did not agree with their financial statements. (See attached flyer).

Another development in online filing is the ability for local governments to print their entire annual reports after their submission. Prior to this year, they could only print page-by-page. This is a direct result of request from local governments.

The last change in online filing is applicable to GAAP governments with proprietary funds. They will need to identify some BARS accounts as operating or non-operating per their operating statement. Some BARS accounts (grants) differ per local government and online filing will prompt the filers to identify which category they are reported in. This change will 1) allow their Schedule 01 net operating income to agree with the financial statements, and 2) allow FIT to develop operating indicators automatically from online filing. Previous to this change, the SAO staff manually entered in this information from their financial statements into the FIT.

BARS Roundtables

Christy updated the Committee on the BARS roundtables that are currently taking place. Christy, Duane, and Sherrie just completed the ninth roundtable (out of 13) November 29th in Tacoma. This year there are over 400 people who signed up for the free three-hour session. The sessions are structured this year to encourage maximum feedback from local governments on BARS, online filing and the Local Government Performance Center resources. Attendees are grouped and discuss questions designed to provide feedback and share with the entire group. All feedback is logged in and at the end of the roundtables in December will be compiled and addressed for possible implementation to improve services we provide. Many improvements in BARS and online filing are the results of feedback from previous roundtables (e.g., print option for entire annual report, etc.).

Local Government Performance Center

Sherrie Ard demonstrated the Financial Intelligence Tool (FIT) for GAAP. FIT for cash basis local governments has been available for approximately two years, however FIT for GAAP is very recent. FIT for GAAP has only been available since May 2016. FIT will provide only one year of data for GAAP governments unless they choose to request assistance from the SAO to back fill two prior years. At this time, approximately one third of GAAP governments have requested their data to be back-filled. The SAO will continue to encourage all GAAP governments to back-fill, reminding them that the SAO will do the work for them but would need confirmation of the data.

Sherrie mentioned that the Local Government Finance Reporting System will soon be accessed through FIT. It will be moved to provide better access and awareness to the system.

Meeting adjourned at 11:00 a.m.