

Minutes for December 6, 2017

Local Government Advisory Committee
(LGAC)

Attendees

Members in person: Alexandra Johnson (SAO), Christy Raske (SAO), Michael Mann (LEAP), Stacie Tellers (WFOA), Lisa Ayers (WSAC), Sherrie Ard (SAO), Mike Folkers (AWC)

Members on conference call: Vicki Dalton (WACO), Sue Hagener (WFOA), Rick Dyer (WPUD), Tracey Dunlap (WCMA), Jerica Pascoe (WFOA), Sridhar Krishnan (WFOA), Milene Henley (WACO), Victoria Lincoln (AWC) Debbie Zabell (WFOA)

Additional attendees: Cathy Muhall (Chelan), Debra Burleson (SAO), Kelly Collins (SAO), Tina Watkins (SAO), Armijo (SAO), Duane Walz (SAO), Pat McCarthy (State Auditor), Keri Rooney (Deputy State Auditor), Jenny Statlin (Spokane County), Cliff Jo (Pierce County Library), Scott Goodrich (Port of Vancouver), Kathi Rauch (WCIF), Bob Marion (Port of Everett), Shana Joy (WSCC), Justin Leighton (WSTA)

Decisions of the State Auditor

No decisions are required by the State Auditor.

Minutes

The LGAC meeting began at 1:00 pm and was held in the SAO Sunset Building. The meeting was called to order by Christy Raske.

Approval of Minutes from November 2016

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

State Auditor

Pat McCarthy welcomed the participants and expressed her gratitude for their participation in the LGAC work. She shared some of the outreach she and her team have been working on during the last year. They have met with over thirty associations, every editorial board in the state, many legislators, fifteen of the larger state agencies and are starting to meet with additional state agencies. The Office recently hired Kristina Swanson, former Cowlitz County Auditor, as the Director of Operations. Kris, like Pat, came from local governments and is a valuable contribution and brings the local perspective to the SAO. The Office is gearing up for the 2018 Legislative session and will be requesting funds for additional accountability audits of state agencies and it will attempt to clean-up the State Auditor statute. Pat provided a list of the types of audits the SAO conducts which is very different than most of the other states. The SAO conducts federal single, financial, accountability and performance audits. Included in these categories is fraud and cybersecurity audits. The Office is heavily involved in many conferences including the Washington Finance Officer Association. We also have been working with Pierce County in exploring a budget tool that may be helpful in some form for other local governments. Pat again stressed her open door policy and her accessibility to everybody with any issues related to the SAO function.

OPEB Update

Debra Burleson updated the group on the state's OPEB plans. The Public Employees Benefits Board (PEBB) plan has approximately 275 local governments participating. The State Actuary will update its on-line PEBB (and LEOFF 1) calculation tool for GASB 75 so that local governments can use the tool, at no cost to them, to calculate their OPEB liability. The tool, which is the alternative valuation method allowed under GASB 75, can only be used by employers with less than 100 plan members (active and retired). The SAO asked the Health Care Authority to provide a list of participating employers and their membership numbers and we found that only 27 local

governments had 100 or more plan members. Those employers should arrange for their own valuations as soon as practical.

There was a significant change in the Association of Washington Cities (AWC) plan. The AWC offers both active and retiree plans. The active plans are rated separately from the retiree plans (since 2014), but the active plans were subsidizing (25%) two of the retiree plans. This led to an OPEB liability (\$6,264,000 at 12/31/16). At the AWC Board meeting 9/28, the Board decided to discontinue the subsidy effective 1/1/18.

As a result, the OPEB liability for participating employers will be eliminated effective 1/1/18, and retirees will pay higher premiums. The AWC member employers will not have an OPEB liability due to an implicit or explicit rate subsidy.

If employers pay all or part of retirees' premiums, as they do for LEOFF 1 retirees, then they do have an OPEB liability. They will need to determine the liability through individual actuarial valuations. The AWC will not provide the information.

The Washington Counties Insurance Fund plan (WCIF) has approximately 80 participating employers. Like the AWC plan, there is no OPEB liability due to a rate subsidy. Only employers who pay all or part of their retirees' premiums are providing OPEB. They will need to determine the liability through individual actuarial valuations. WCIF will not provide the information.

Debra briefly discussed the overall results of SAO's OPEB survey in October. We received 448 responses from various entity types. 60% of responses were from cash-basis governments and 40% were from GAAP-basis governments. 42% reported they provide OPEB and 58% report they do not. The SAO will further analyze the types of plans and benefits provided to determine if we can provide additional tools and more specific help to local governments in their implementation of GASB 75 in 2018.

Debra displayed the new OPEB web page available in the BARS Manual and reviewed the Frequently Asked Questions section of the web page. The web page is a work-in-progress and local governments are encouraged to contact SAO with their OPEB questions so we can add to the FAQ's section.

BARS

Roundtables

Christy provided a summary of the BARS roundtables that were recently completed. There were fifteen roundtables across the state with 350 local government attendees. Major topics included a report back on previous commendations, upcoming BARS update, and new and improved data tools. Surveys will be compiled in the next week with feedback on the roundtables. However, the participants seemed to appreciate the ability to provide feedback on BARS changes prior to implementation, the focus on BARS, group discussion with peers (GAAP and cash basis groups) and the demonstration of the Local Government Finance Reporting System and a possible budget spreadsheet.

The comments and survey results will be analyzed for implementation in January for possible implementation in the next BARS update.

BARS Update

Alexa discussed the significant changes listed in the draft *Overview* provided to participants. There are few new accounts added (3132400, 3360425, 3360425 and 50195) and most of the governments using these accounts were informed before about their addition. The changes to the account 51530 will be applicable for 2018 reporting. Other changes to the accounts listed in the *Overview* were limited to clarifications, revisions, changes in the titles, etc. Alexa also pointed out that there is a change in the terminology regarding account structure and old terms like *prime*, *BASUB*, etc. were replaced with *first*, *second*, ... *digit*. This makes references to the components of the code much easier and was well received in the BARS classes.

The accounting part includes mostly revisions and clarifications like adding utility tax section to the GAAP manual (it's already in the cash-basis manual), adding flowchart to the capital assets section regarding capitalization/expensing improvements (GAAP manual only), streamlining accounting and budgeting for diverted property tax (both manuals), discussing investment in its own debt instruments (both manuals), etc.

The reporting part of GAAP governments includes updates related to GASBS 80 and 85 [regarding component units] and GASBS 83, *Certain Assets Retirement Obligations* and GASBS 86, *Certain Debt Extinguishment Issues* – both statements, if applicable, require additional disclosures if governments decided to early implement them. Otherwise, they are applicable for the next year. Also, two currently required notes regarding

investment and tax abatement were revised to make the disclosure easier – there are no substantive changes in these notes. An additional explanation regarding reporting loans with forgiveness clauses was added to the Schedule 09 for both the GAAP and cash-basis governments. Alexa also added that the pension notes, RSI and worksheet templates were updated.

Except for changes regarding Schedules 07, 11 and 06 and reporting agency funds (discussed next by Duane Walz), the biggest changes in the cash reporting section was addition of more instructions regarding (if applicable) special items, contingencies and litigations, government combinations and going concern. Existing disclosure regarding risk management was separated into a stand-alone note.

There were no questions or comments regarding the update.

Schedule 07/11 and new Schedule 06

Duane announced the Schedules 07/11 are no longer required for GAAP Counties. Cash counties and cities, for FY2017 reporting, will have the option to continue to file the Schedules 07/11 or the new optional Schedule 06 – Summary of Bank Reconciliation. Once FY2017 reporting is complete, an evaluation of Schedule 06 will determine if it is a permanent replacement for Schedules 07/11. Duane provided a draft of Schedule 06 to the members and no additional discussion occurred although Duane encouraged governments to contact SAO with questions and/or concerns.

Statement C-5

Duane also provided a copy of the new Statement C5 – Fiduciary Fund Resources and Uses Arising from Cash Transactions. The handout illustrated the new format along with guidance on the prescribed fund type guidance. Discussion followed about the impact this would have on Cash Counties.

Local Government Finance Reporting System (LGFRS)

Duane demonstrated the LGFRS prototype highlighting feature functionality and a timeline for the project. Duane received volunteer requests from attendees to assist with testing and providing feedback.

Local Government Performance Center/FIT

Sheri Ard discussed the Local Government Performance Center resources and tools to include a short demo of the e-Learnings, checklists on the resource database and digital audit connection. The Financial Intelligence Tool (FIT) has been available to most governments for a year, giving people a chance to become familiar with their data. We believe it is a helpful tool and will be working to assist governments to understand the benefits of using it. Sherrie Ard made the following two requests: 1) would like to know if they themselves or any of their peers would be willing to assist with a session at WFOA on how they use FIT to communicate information; 2) feedback and recommendations on additional tools and resources to help local governments. Two recommendations: 1) we could consider how data could apply to statewide initiatives; 2) make FIT to include data that would be more relevant to specific government types.

Meeting adjourned at 2:20 pm.