

## **Minutes for May 31, 2017**

Local Government Advisory Committee  
(LGAC)

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### **Attendees**

Members in person: Alexandra Johnson (SAO), Michael Schaub (OFM), Michael Mann (LEAP), Rick Dyer (WPUD), Stacie Tellers (WFOA), Tracey Dunlap (WCMA), Jerica Pascoe (WFOA), Lisa Ayers (WSAC), Sridhar Krishnan (WFOA), Jeff Monsen (CRAB), Cliff Jo (Pierce County Library), Kim Noah (WPPA)

Conference Call: Vicki Dalton (WACO), Mike Folkers (AWC), Shana Joy (WSCC), Scott Goodrich (Ports), Sue Hagener (WFOA)

Additional attendees: Debra Burleson (SAO), Kelly Collins (SAO), Sherrie Ard (SAO), Sadie Armijo (SAO), Renee Meyer (SAO), Pat McCarthy (State Auditor), Keri Rooney (Deputy State Auditor)

### **Decisions of the State Auditor**

No decisions are required by the State Auditor.

### **Minutes**

The LGAC meeting began at 9:00 am and was held in the SAO Sunset Building. The meeting was called to order by Sadie Armijo.

### **Approval of Minutes from November 2016**

Alexa Johnson asked if the members had reviewed the minutes and if they are ready for approval. Alexandra Johnson moved and Stacie Tellers 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 provided some background information from her past as a public servant starting with a school board, becoming a County Auditor, the Pierce County Executive and the State Auditor. She talked about importance of engaging in conversation with all the local governments and her plan to build a strong relationships with them. One of Pat's goals is to strengthen the trust in governments and use our Office to help with improvements in this area. Our Office would like to increase transparency and promote benefits our work provides in the financial and performance audit fields. She foresees some changes in our communication style, increase in use of social media and development of a productive relationship with media.

Pat stressed her open door policy and her accessibility to everybody with any issues related to the SAO function.

### **SAO Update – GASB Response Letter**

Kelly Collins highlighted some points from the letter sent on March 31, 2017 by the SAO regarding GASB's proposed changes to a measurement focus and basis of accounting for governmental funds. (The participants were provided with the letter.) The GASB issued the invitation to comments and the SAO letter contained the Office's comments. The Committee expressed its gratitude for the response and Kelly recommended that the governments individually or as association participate in the discussion and express their opinions. The change is not anticipated until 2024-2025, but when happens it will have large implications for many governments.

Kelly also reminded the members about the SAO electronic version of the Audit Connection and recommended it as a source of the updated information regarding the happenings at the SAO.

### **GASB Update**

Alexa Johnson provided a short update regarding GASB's activities. The handout provided to the Committee listed all statements applicable for 2016 reporting, the statements applicable in upcoming years and the potential other statements. The members expressed their concerns regarding impact of GASB standards on their work. The increasing complexity of the statements imposes burden on many governments by increasing cost of

providing required reports to inability to find qualified employees with governmental accounting expertise.

Vicky Dalton expressed her concerns regarding upcoming standards promulgating changes in accounting and reporting for leases. Some governments have multiple lease arrangements and often they are small, however their multitude may have great impact on the accounting and reporting. Alexa recommended that local governments prepare for the implementation by inventorying all their possible leases. Since almost any unit of their governments is involved with leases, the financial offices will have to reach out to them to determine the extent of involvement with rents and leases.

### **Pension/OPEB Update**

Debra Burleson gave a pension/OPEB update.

Pensions – Debra is supported by Amy Bunger and Lisa Carrell. As of May 30, they had assisted over 105 local governments with their pension calculations and financial statement reporting questions. Common issues include:

- Difficulty in reconciling the net change in the pension liability to pension expense due to reconciling items such as:
  - Errors in beginning balances from last year
  - Excluded contributions
  - Timing differences
  - Prior year corrections
- Allocation of pension amounts to funds and departments and the effect of changes in allocation percentages from year to year.

The Department of Retirement Systems (DRS) is considering improvements to the PEFI based on employer feedback. This may include presenting the information alphabetically or providing an on-line look-up function.

OPEB – the SAO is participating in three OPEB standards implementation workgroups to help identify and share common questions and concerns.

- On the national level, the National Association of State Auditors, Comptrollers and Treasurers (NASACT) OPEB implementation workgroup includes representatives from all U.S. states and territories.

The workgroup meets monthly by telephone to discuss common implementation challenges and issues.

- The State has formed an implementation workgroup that includes the Health Care Authority (HCA), the Office of Financial Management (OFM), the Office of the State Actuary (OSA), and the State Auditor's Office (SAO). The workgroup's goal is to provide to participating employers in the PEBB program, the information they need to successfully implement GASB Statement 75. The workgroup meets monthly to discuss issues and develop an implementation plan and timeline.
- For local governments, the SAO has formed an implementation workgroup that includes representative governments such as counties, cities, schools, and ports. The group's goals are to work with the HCA and the OSA, to identify and provide implementation resources for local governments, and to identify and resolve implementation issues.

### **BARS/Online Filing**

Alexa discussed replacement of Schedules 7 and 11 with a new schedule – called *Summary of Bank Reconciliations*. This schedule would be used only for audit purposes providing our auditors with the necessary data to reconcile cash transactions. The new schedule would be required from all cash cities and all cash counties. It would be optional for 2017 but required after that date. We are working currently with the audit support team to develop this schedule.

Alexa discussed the expenditure account 527, *Juvenile Rehabilitation*. The account provide highly aggregated data; however, the SAO was approached by the WA State Institute for Public Policy regarding revising the account so it would provide more detailed info. The LGS staff will meet with the WSIPP regarding this issue in June.

Alexa stated that the SAO staff started working on the GASB Statement 84, *Fiduciary Activities* to determine the impact of this statement on the local governments.

The 2016 was the first year when the cities and counties, if they chose to do so, could report their street/roads data utilizing a special step in Online Reporting. According to statistics available at this time 173 cities and 23 counties volunteered to participate in the project; 91 cities/14 counties declined, and 17 cities/2 counties have not yet filed their annual reports.

As of May 30, 2017 1,622 governments filed their annual reports (270 on the very last day of filing) which is an increase from previous years (2013 – 1,372 filed, 2014 – 1,548 filed, and 2015 – 1,608 filed).

Vicky Dalton brought to our attention ESHB 1570 (Concerning access to homeless housing and assistance) regarding additional surcharge for homelessness and because of the nature of the revenue, the SAO will determine the impact of this bill on BARS after the session will conclude.

### **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 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 FIT. 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 11:00 am.