

Minutes for May 31, 2018

Local Government Advisory Committee
(LGAC)

Attendees

Members in person: Christy Raske (SAO) (Chair), Alexandra Johnson (SAO), Debbie Booher (WPTA), Jeff Monsen (CRAB), Jerica Pascoe (WFOA), Mike Schaub (OFM), Sherrie Ard (SAO), Stacie Tellers (WFOA), Tamara Dinus (FD), Victoria Lincoln (AWC)

Members on conference call: Cliff Jo (PCL), Kathi Rauch (WCIF/P), Lisa Ayers (WSAC), Milene Henley (WACO), Robert Marion (WAT), Sue Hagener (WFOA), Tracey Dunlap (WCMA), Vicky Dalton (WACO)

Additional attendees: Derek Pohle (CRAB), Mathew Branson (BFT), Shana Shipman (WTA), Adam Wilson (SAO), Debbie Pennick (SAO), Debra Burleson (SAO), Heidi Walter (SAO), Kathleen Cooper (SAO), Kelly Collins (SAO), Sadie Armijo (SAO), Kim Parsons (SAO)

Decisions of the State Auditor

No decisions are required by the State Auditor.

Minutes

The LGAC meeting began at 10:02 am and was held in the SAO Sunset Building. The meeting was called to order by Christy Raske.

Approval of Minutes from December 2017

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

OPEB Update

Pensions—Debra Burleson said the PEBB plan has decreased their pension liability. This has caused confusion for entities, as costs usually increase.

OPEB–Actuary is working on PEBB and LEOFF 1 online tools. They hope to have PEBB done by the time the PEFI is out and LEOFF 1 by year end. The first year is challenging because both beginning and ending balances are needed.

Office of State Actuary emphasizes that only those with fewer than 100 plan members can use the tools. Also, OSA cautions that these tools are based on state-wide assumptions. If individual employer assumptions are materially different, they may want to get their own valuation.

Is COBRA OPEB?–Debra discussed with GASB whether COBRA is OPEB. It takes some professional judgment to determine if/how COBRA affects OPEB. People tend to use the term “COBRA” in different contexts. If referring to the federal law that allows individuals (including retirees) to remain on your healthcare plan for up to 18 months after they leave employment, at their expense, then that is considered a termination benefit, not OPEB. But if you do like the state does, allow retirees to remain on your healthcare plan until they are 65 and eligible for Medicare – regardless of how long it takes, then that is OPEB. People sometimes refer to this as “COBRA” but that’s not what it is. It is one of the benefit provisions of the plan.

The next topic Debra discussed was how will union plans that do not meet the definition of a nongovernmental plan (such as NWFF) be reported – as governmental or nongovernmental? GASB says it does not meet the definition of a nongovernmental plan (similar to GASB 78, i.e. GASB 85 paragraphs 18-25) and so should meet all the reporting requirements of a governmental plan. The group agrees that we can only do as much as we can do. She recommended note disclosures and RSI similar to GASB 85.

Debra talked about old police/fire plans where they have comingled pension and OPEB in the same fund. They must either find a way to partition, start with all being pension or OPEB and partition from there, or determine it is not a qualifying trust and report in the general fund. About 36 entities are impacted.

Debra had asked how do you report beginning and ending balances the first year of GASB 75? See the GASB 75 Implementation Guide Q&A 4.499. You can use one valuation and roll-back for beginning balances.

We discovered that some PEBB employers hadn't implemented GASB 45 due to not being material the first year, change in reporting basis (OCBOA to GAAP), or joining PEBB after 2009 and not understanding the plan's implicit and explicit rate subsidies.

GASB Updates

Alexa discussed GASB statements other than those related to pension or OPEB which were discussed by Debra. All amendments to pension statements are incorporated into the BARS manual, so if the governments use the manual as a tool in preparing reports, then they are always complying with the newest requirements.

Alexa presented statements according to the year of their applicability. In 2017 there were two other than OPEB and pension statements (GASBS 80 and 81), but because of their nature (specifically blending and irrevocable split-agreements), we don't expect to see them being applicable to most governments. Among the statements applicable to 2018, we may see corrections related to reporting debt extinguished with governments' own resources; however, since the BARS manual always treated this as an expenditure, only entities not following BARS prescription should be impacted.

In 2019, probably the most changes will be related to the Statement 84, Fiduciary Activities. We are afraid that this statement might be overlooked because of the OPEB reporting requirements and we encourage the governments to take a closer look at their fiduciary activities as soon as possible, since some misclassified fiduciary activities might be required to be moved to governmental funds. This might have an effect on budgeting or some internal policies. The GFOA is planning to issue an advisory regarding fiduciary activities in September and we plan another article on that topic in Audit Connections.

The other two statements (GASBS 83, Certain Assets Retirement Obligations and GASBS 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements) will be applicable in very specific and unique situations. Right now, the only statement applicable to 2020 is Statement 87, Leases and again, we strongly recommend governments to start preparing for its implementation as soon as possible. GASB has several active

projects, but the most significant ones are related to the Financial Reporting Model Improvement and Revenue and Expense Recognition.

The SAO encourages all governments, either through their associations, or as individual entities to respond to proposed changes so they can have an impact on the future standards.

BARS

A. Update

Alexa discussed several issues related to the BARS manual. SAO is constantly improving the reliability of data available in the LGFRS. One of the latest analyses indicated that the object code 50 (Intergovernmental Services and Payments) was widely misused. We decided to remove it and integrate expenditures coded to object 50 either into object 30 or 40.

The GAAP BARS manual has general ledger accounts–balance sheet accounts. The use of the numbering system was, and is, optional. It seems that this part of BARS manual is not widely used and Alexa asked for an input on removing it. The feedback from the LGAC was to keep it, since some entities use as a guideline for their accounting and reporting. It allows entities to be consistent in their accounting and reporting.

Again, to increase quality of data in the LGFRS, SAO is looking at different aspects of reporting and it came to our attention that not all governments are using the enterprise fund type properly. We wrote article about enterprise funds and it is still available in our *Audit Connections*. We encourage governments to review their classification to determine if this fund type is used as required in GAAP and BARS manual.

Alexa also talked about Schedule 06, Summary of Bank Reconciliation. In March 2018 Niles Kostick (SAO) provided training at one of the association’s conference. The training was very well received and converted to a webinar, which is available on the SAO Channel on YouTube. There are 248 viewers up to day. We informed cities and counties through an email about this opportunity.

In their annual reports for 2017, the cash counties will be reporting first time the agency deposits related to the special purpose districts for which they serve

as a treasurer. Since our audit report will reflect this change, it was necessary for these counties to add a note explaining the increase in reported assets. On May 29th, SAO sent an email with this information to all cash counties, and we updated the BARS manual and the notes template.

Christy discussed LiveChat, which is a new feature added to Online Reporting allowing governments instant access for help. The tool was released in a test mode this year. This new tool was well used and already reduced HelpDesk submissions. Feedback was that the chat will not close and keeps popping up when a client no longer needs assistance. SAO will look into this.

B. BARS Website Demonstration

Heidi presented the new website BARS Manual mock-ups, scheduled for release in January 2018. The changes address several issues based on user feedback.

The PowerPoint presentation highlighted:

- HTML format versus individual PDF's, which enables the information to read more like a manual
- Better search function within HTML format
- Better printing capability (with date-stamping)
- Footnotes are easily visible and will print when manual PDF is uploaded
- Significant changes will be marked throughout the manual and will include the description from the Overview of Significant Changes (Committee members suggested this include more detailed information as to "why" the change took place)
- HelpDesk button is being added to the main manuals

The PowerPoint presentation highlighted the My BARS function:

- Ability to save and flag sections and make notes throughout the manual
- Manual will mirror the external facing manuals and all updates will be real-time
- Any updated/deleted information on a saved section or note will remain, and will reflect that it was updated and/or deleted.
- Notes can be edited at any time and will have versioning to reflect set up and editing dates
- HelpDesk button has been added for convenience
- Ability to define roles to other staff (via Audit Liaison) so they can view all notes/sections

Online Tree-Testing will take place starting June 13th and there is a plan to demonstrate the manual, with all the styling features, at the Fall Roundtable events. Additional feedback can be directed through Christy Raske.

Local Government Performance Center/LGFRS

Sherrie Ard stated that the newly updated Local Government Financial Reporting System (LGFRS) has now been launched on the SAO website. She showed where it can be found on the website landing page with a button labeled “Financial Data.” The application was demonstrated at the last meeting and therefore no demo was presented in this meeting. We are continuing to improve and develop data tools and would appreciate LGAC members testing it out and sending their feedback to the Performance Center.

There are two new resources on the SAO Internet page Resource Database; “Best Practices for Internal Controls over Small and Attractive Assets” and a newly revised “Checklist for Preparing Cash Basis Financial Statements.” The checklist updates reflect the recently changed guidance on fiduciary funds, increased emphasis on pension and other debt reporting, expanded SEFA review section, and other updates based on recent issues or concerns.

The Performance Center continues to develop resources to help local governments. Please submit any topics for resources that you would like the Performance Center to consider for development.

Membership Changes

Christy explained she has been trying to find the entity Washington County Administrators Association (WCAA). She has not been able to find this entity for several years.

After discussion, Milene Henley moved and Vicky Dalton seconded a motion to remove WCAA and add another WACO membership. Motion carried.

Meeting adjourned at 11:30 am. The next meeting will occur in November.