

**NOTE: THIS IS THE FINAL LETTER AS REVIEWED BY SAO & BARS  
SUBCOMMITTEE**

August 18, 2002

Port Executives and  
Port Finance Directors

Dear Colleagues:

I am the Chair of the WPPA Finance Committee's BARS Subcommittee. The BARS Subcommittee was formed in January to review the new BARS manual and to prepare and give a presentation to the WPPA Finance Committee Seminar & Meeting in June. Over the last few months, the BARS Subcommittee has been working with the State Auditor's Office ("SAO") to make the sample Government Accounting Standards Board ("GASB") 34 – 38 compliant financial statements as accurate and up to date as possible. The enclosed financial statement sample includes the most current thinking of the Subcommittee, and it has been reviewed by the State Auditor's Office ("SAO").

While the changes in the financial statement sample may seem small, the Subcommittee feels it is in your interest to use this updated version of the sample financial statement as a guideline when you prepare your GASB 34 – 38 compliant financial statements. We also recommend that you refer to the new BARS manual for additional guidance you may need when preparing your financial statements.

**Which Ports Must Use the new Financial Statement Model?**

Port Districts with less than \$2,000,000 in gross annual operating revenue ("unclassified Ports") can elect **never** to adopt the new financial statement model. The State Auditor's office will issue an opinion stating that your Port District is using an Other Comprehensive Basis of Accounting ("OCBOA") – and not a Generally Accepted Accounting Principles ("GAAP") opinion. [See AU Section 623.04a in the Codification of Statements on Auditing Standards for more information on an OCBOA audit opinion.]

Port Districts with over \$2,000,000 in gross operating revenue per year must adopt the new financial statement model **if** the Port District wants to receive a "GAAP" opinion from the State Auditor. These Ports will have to complete a financial statement similar to the sample we have enclosed in this packet. For Ports, the required *General Purpose External Financial Statements* include Management's Discussion and Analysis, the Basic Financial Statements (the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Fund Net Assets), the Required Supplementary Information, and the Notes to the

Financial Statements. If a Port wishes to disclose other information, it can be shown as “Other Supplementary Information” after the Required Supplementary Information.

The GASB Codification of GAAP calls an annual report consisting of *General Purpose External Financial Statements a Comprehensive Annual Financial Report* (“CAFR”). The Government Finance Officer’s Association also operates a Certification program for CAFR’s. When we used the term CAFR in our presentation we were referring to the preparation of the *Comprehensive Annual Financial Report* consisting of *General Purpose External Financial Statements*. We were not implying that any Port either should or should not participate in the GFOA’s Certificate program.

#### Implementation Schedule – New Reporting Model

If any Ports have total revenue in excess of \$100,000,000, adoption would be required for the year 2002.

For Ports with total revenue in excess of \$10,000,000, adoption is required for the year 2003.

For Ports with revenue in excess of \$2,000,000, and other Ports with less than \$2,000,000 in annual total operating revenue that choose to remain in compliance with GAAP, adoption is required for the year 2004.

#### Fund Financial Statements & Entity-Wide Financial Statements

The Ports are a “Special Purpose” government, not a “General Purpose” government like a City or a County. Therefore, all of the Port’s transactions should be reported in a “Proprietary” fund. This is true even if a Port has multiple funds – all of the funds are some type of proprietary fund. The Statement of Revenues, Expenses, and Changes in Fund Net Assets and the Statement of Net Assets are considered to be **both** the Fund financial statement **and** the general government statement for Ports. Ports should not prepare separate government-wide financial statements.

#### Budgetary Reporting

Ports adopt budgets as directed by State law (See RCW Ch. 53.35). However, these budgets do not, themselves, have the force and effect of law. This is different than the budget for a City or a County.

GASB 34 – 38 require a budgetary variance statement to be included either as a part of the basic financial statements or as a part of required supplementary information. However, this requirement applies to entities such as Cities and Counties whose budget takes on the full force and effect of law.

Because Port's budgets do not have the full force and effect of law, the budget variance report is considered to be an **optional** report by the State Auditor's Office. Ports are not required to prepare and include this schedule in their General Purpose External Financial Statements.

If a Port chooses to provide this information as part of its basic financial statements, it will be audited by the SAO. If a Port chooses to provide this information as a part of RSI, it will be subject to limited auditing procedures by the SAO. In either case, including the report will increase the time and expense of your Port's audit. The sample statement shows a variance report as part of RSI.

### Management's Discussion & Analysis

Certain items of information must be discussed in this section, and there is a great deal of latitude given to management to talk about things that will affect the Port's financial situation in the future.

You should keep in mind that the information presented must be **factual** in nature. The SAO will apply limited auditing procedures to ensure that all of the information in the MD&A section is verified.

### Comparative Financial Statements

The financial statement sample we have enclosed shows two years in comparison to each other. Comparative financial statements are not required. However, they are allowable and they often present information useful to the user of the financial statements.

If your Port chooses to provide comparative financial statements for the year of transition to the new Reporting Model, it will have to restate the prior period accounts to conform to the new Reporting Model.

Many Ports will find it more useful to provide a stand-alone financial statement for the transition year and to return to a comparative financial statement in the future.

Note that some professional guidance suggests that if your Port provides comparative financial statements, your MD&A discussion will need to cover the current year, the comparative year, and data from the year before as well.

### Sample Statement

Please note that the Statement is as complete and accurate as we can make it. It does contain an alternate presentation of the Statement of Revenues, Expenses, and Changes in Fund Net Assets on pages 13 and 14. The first optional statement on page 13 shows you how a Port with separate funds would present its financial data. The second optional statement on page 14 shows you how a Port with one fund would present its financial data.

Most Ports will use the sample on page 14 – the “one fund” sample.

If your Port uses separate funds, and follows the sample on page 13, you should also describe your Port’s “Major funds” in Note One to your financial statement as well.

### BARS Manual

The new GASB 34 – 38 compliant BARS Manual is set for release in September. The new BARS Manual contains a list of all of the Notes to the Financial Statements. Your Port should review this list to ensure that you are making all of the proper disclosures in your Financial Statements.

### Questions

The BARS Subcommittee of the WPPA Finance Committee has spent hundreds of hours working on the new GASB 34 – 38 Model. We have prepared and reviewed the sample financial statement, which we have enclosed. We have worked extensively with the SAO throughout this process.

The SAO has an entire team of people who are working on making the implementation of the new BARS manual as easy as possible for the Ports and for other governments.

We encourage you to direct questions on the new BARS manual to any member of the BARS Subcommittee or to the SAO advisors to the BARS Subcommittee.

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We hope the new BARS manual and the sample financial statement will be useful to you in the coming years.

Sincerely,

George Fox, CPA  
Chair of the BARS Subcommittee  
WPPA Finance Committee