

# CITY OF BRISTOL, VIRGINIA



AUDIT PRESENTATION

December 14, 2021

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

**INDEPENDENT AUDITORS' REPORT  
ON FINANCIAL ANALYSIS**

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**To the Honorable Members of City Council  
City of Bristol, Virginia**

We have audited in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Bristol, Virginia for the years ended June 30, 2017-2021. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. In our reports and reports of other auditors, an unmodified opinion was expressed for the years ended June 30, 2017-2021. The financial analysis set forth in this section is presented for purposes of additional analysis and is not a required part of the basic financial statements. However, this financial analysis was derived from, and should be read in conjunction with, the basic financial statements and the reports thereon. Any information which is of non-accounting nature has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and we express no opinion on it.

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
December 14, 2021

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**CONTACT:**  
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Member  
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**Communication with Those Charged with Governance**

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**To the Honorable Members of City Council  
City of Bristol, Virginia**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Bristol, Virginia for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 31, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Bristol, Virginia are described in Note 1 to the financial statements. As described in Note 27 to the financial statements, City of Bristol, Virginia changed accounting policies by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements was (were):

Management's estimate of the depreciation is based on straight line method. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts is based on historical information. We evaluated key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of deferred inflows, outflows, and liabilities related to pension plans and other post-employment plans (OPEB) in which the City of Bristol, Virginia participates are based on actuarial information provided by the Virginia Retirement System and actuary consultants and include certain long-term assumptions used to develop these estimates in determining that they are reasonable to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 21, 2021.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

We applied certain limited procedures to management's discussion and analysis and the schedules related to pension and OPEB funding, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI. Our responsibility with respect to the budgetary comparison information, which also supplements the basic financial statements, is to evaluate the presentation of schedules in relation to the financial statements as a whole and to report on whether it is fairly stated, in all material respects, in relation to the financial statements as a whole.

We were engaged to report on other supplementary information and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section and statistical information, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of City Council and management of City of Bristol, Virginia is not intended to be, and should not be, used by anyone other than these specified parties.

*Polina, Fane, Cox Associates*

Blacksburg, Virginia  
November 21, 2021



# ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

Date: November 21, 2021

Memorandum to: Randall C. Eads, City Manager  
Tamrya Spradlin, Chief Financial Officer

From: Robinson, Farmer, Cox Associates

Regarding: FY21 Audit

In planning and performing our audit of the financial statements of the City of Bristol, Virginia for the year ended June 30, 2021, we considered the City's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience.

**City:**

**Statements of Economic Interest:**

Our review of statements of economic interest and other disclosure forms in accordance with the Auditor of Public Accounts' *Specifications for Audits of Counties, Cities and Towns*, showed that one real estate disclosure form was not filed timely. We recommend that all forms be completed in their entirety and submitted by the due date of each year.

**City of Bristol, Virginia**  
**Equity Analysis**

Condensed Statement of Net Position Governmental Activities					
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Current Assets	28,628,035.00	32,584,390.00	36,704,881.00	39,322,979.00	48,544,510.00
Capital Asset	90,376,279.00	88,935,271.00	93,632,728.00	92,595,772.00	89,178,286.00
Total assets	119,004,314.00	121,519,661.00	130,337,609.00	131,918,751.00	137,722,796.00
Deferred Outflows	4,570,809.00	3,336,157.00	3,861,125.00	5,576,433.00	8,894,479.00
Current Liabilities	3,947,216.00	5,675,060.00	4,706,615.00	5,287,185.00	8,005,017.00
Long-term Liabilities	110,500,843.00	107,288,013.00	105,517,591.00	107,389,365.00	110,211,696.00
Total Liabilities	114,448,059.00	112,963,073.00	110,224,206.00	112,676,550.00	118,216,713.00
Deferred Inflows	10,646,309.00	12,457,853.00	13,652,556.00	13,710,712.00	13,292,151.00
Net Position					
Net Inv in Cap Assets	15,361,661.00	11,265,975.00	15,682,112.00	14,701,966.00	14,366,458.00
Restricted	461,041.00	394,934.00	263,848.00	326,955.00	510,695.00
Unrestricted	(17,341,947.00)	(12,226,017.00)	(5,623,988.00)	(3,920,999.00)	231,258.00
Total Net Position	(1,519,245.00)	(565,108.00)	10,321,972.00	11,107,922.00	15,108,411.00
	-	-	-	-	-
Condensed Balance Sheet Governmental Funds					
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Current Assets	28,628,035.00	32,598,030.00	36,725,576.00	39,311,669.00	48,575,626.00
Capital Asset	-	-	-	-	-
Total assets	28,628,035.00	32,598,030.00	36,725,576.00	39,311,669.00	48,575,626.00
Deferred Outflows	-	-	-	-	-
Current Liabilities	3,649,560.00	5,160,196.00	4,033,915.00	4,677,439.00	7,519,658.00
Long-term Liabilities	-	-	-	-	-
Total Liabilities	3,649,560.00	5,160,196.00	4,033,915.00	4,677,439.00	7,519,658.00
Deferred Inflows	12,011,583.00	11,862,777.00	11,778,029.00	11,850,147.00	12,292,424.00
Fund Balances					
Nonspendable	707,275.00	693,895.00	405,187.00	1,483,727.00	1,485,975.00
Restricted	3,828,772.00	688,350.00	1,132,610.00	326,955.00	510,695.00
Committed	-	-	3,053,823.00	3,455,036.00	4,493,347.00
Assigned	4,025.00	23,820.00	18,820.00	40,070.00	36,320.00
Unassigned	8,426,820.00	14,168,992.00	16,303,192.00	17,478,295.00	22,237,207.00
Total Fund Balances	12,966,892.00	15,575,057.00	20,913,632.00	22,784,083.00	28,763,544.00
	-	-	-	-	-
Net Governmental Exp	71,464,210.00	68,470,471.00	72,669,501.00	77,006,025.00	81,510,760.00
Total Fund Balance/Exp	18%	23%	29%	30%	35%
Unassigned Fund Bal/Exp	12%	21%	22%	23%	27%

**City of Bristol, Virginia**  
**Equity Analysis**

Condensed Statement of Net Position					
Business-Type Activities (Solid Waste)					
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Current Assets	2,439,694.00	2,400,876.00	3,973,763.00	3,734,617.00	4,595,284.00
Capital Asset	23,439,040.00	21,921,229.00	17,967,998.00	17,783,785.00	16,331,939.00
Total assets	25,878,734.00	24,322,105.00	21,941,761.00	21,518,402.00	20,927,223.00
Deferred Outflows	926,184.00	1,659,566.00	1,422,239.00	1,273,202.00	2,825,758.00
Current Liabilities	1,507,134.00	611,722.00	755,287.00	361,673.00	264,565.00
Long-term Liabilities	43,117,434.00	45,494,030.00	47,665,196.00	47,716,365.00	49,626,022.00
Total Liabilities	44,624,568.00	46,105,752.00	48,420,483.00	48,078,038.00	49,890,587.00
Deferred Inflows	20,932.00	183,378.00	314,499.00	265,280.00	149,548.00
Net Position					
Net Inv in Cap Assets	(9,882,306.00)	(11,240,766.00)	(14,938,806.00)	(15,437,826.00)	(16,889,544.00)
Unrestricted	(7,958,276.00)	(9,066,693.00)	(10,432,176.00)	(10,113,888.00)	(9,397,610.00)
Total Net Position	(17,840,582.00)	(20,307,459.00)	(25,370,982.00)	(25,551,714.00)	(26,287,154.00)
	-	-	-	-	-

**City of Bristol, Virginia**  
**Equity Analysis**

Condensed Statement of Net Position					
Business-Type Activities (Transit)					
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Current Assets	-	-	-	205,231.00	258,888.00
Capital Asset	-	-	-	378,888.00	344,208.00
Total assets	-	-	-	584,119.00	603,096.00
Deferred Outflows	-	-	-	346,125.00	143,952.00
Current Liabilities	-	-	-	11,221.00	24,742.00
Long-term Liabilities	-	-	-	614,225.00	507,613.00
Total Liabilities	-	-	-	625,446.00	532,355.00
Deferred Inflows	-	-	-	34,049.00	18,854.00
Net Position					
Net Inv in Cap Assets	-	-	-	378,888.00	344,208.00
Unrestricted	-	-	-	(108,139.00)	(148,369.00)
Total Net Position	-	-	-	270,749.00	195,839.00
	-	-	-	-	-

**City of Bristol, Virginia  
General Fund Summary  
Fiscal Years 2017-2021**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Annualized Growth Rate from 17</u>
<b>Revenues:</b>						
General property taxes	\$ 18,202,398	\$ 17,771,748	\$ 18,096,902	\$ 18,328,904	\$ 18,668,997	0.85%
Other local taxes	14,235,420	14,275,193	14,928,744	13,906,812	14,844,720	1.41%
Permits, privilege fees, and regulatory licenses	175,884	125,243	137,486	101,844	122,478	
Fines and forfeitures	150,338	216,163	257,255	109,154	164,299	
Revenue from the use of money and property	146,719	145,466	389,118	295,974	215,311	
Charges for services	967,360	990,322	1,179,029	1,351,419	1,339,643	11.46%
Miscellaneous	997,357	1,309,203	1,021,619	951,617	1,069,561	
Recovered costs	438,714	452,792	890,990	354,440	512,083	
Intergovernmental revenues	20,176,521	22,517,165	24,757,376	20,190,085	23,290,749	4.90%
<b>Total Revenues</b>	<b>55,490,711</b>	<b>57,803,295</b>	<b>61,658,519</b>	<b>55,590,249</b>	<b>60,227,841</b>	<b>2.77%</b>
<b>Expenditures</b>						
General government administration	3,679,300	3,268,460	3,362,096	3,740,263	3,919,062	2.13%
Judicial administration	1,473,001	1,520,878	1,675,642	1,795,551	1,769,796	6.31%
Public safety	14,676,295	14,139,809	15,432,576	14,659,057	16,146,382	3.23%
Public works	4,812,644	4,696,700	5,833,148	6,867,810	5,336,052	3.50%
Health and welfare	7,447,964	7,752,125	7,801,390	9,458,347	8,548,814	4.70%
Education	6,505,637	6,868,446	6,624,370	6,380,093	7,314,122	3.98%
Parks, recreation, and cultural	3,126,275	2,758,116	2,994,958	2,814,939	2,300,637	-9.72%
Community and economic development	4,861,145	2,866,600	3,465,180	3,261,815	3,557,952	-9.88%
Nondepartmental	610,391	414,294	505,113	-	-	-100.00%
<b>Total operating expenditures</b>	<b>47,192,652</b>	<b>44,285,428</b>	<b>47,694,473</b>	<b>48,977,875</b>	<b>48,892,817</b>	<b>1.19%</b>
<b>Capital projects</b>	<b>3,496,319</b>	<b>6,507,261</b>	<b>5,488,638</b>	<b>806,482</b>	<b>544,068</b>	
<b>Debt Service:</b>						
Principal retirement (net of refundings)	1,205,528	1,566,285	865,417	1,450,899	2,306,182	
Interest and other fiscal charges (net of refundings)	2,855,623	2,064,506	2,876,388	3,157,538	2,923,312	
Issuance costs (net of refundings)	127,015	29,768	3,139	1,414	914	
<b>Total Debt Service</b>	<b>4,188,166</b>	<b>3,660,559</b>	<b>3,744,944</b>	<b>4,609,851</b>	<b>5,230,408</b>	<b>7.69%</b>
<b>Debt Refinancing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,348</b>	
<b>Total Expenditures</b>	<b>54,877,137</b>	<b>54,453,248</b>	<b>56,928,055</b>	<b>54,394,208</b>	<b>54,649,945</b>	
Other financing sources uses (net of refundings)	3,714,357	(741,882)	608,111	836,814	(126,116)	
<b>Change in Fund Balance</b>	<b>4,327,931</b>	<b>2,608,165</b>	<b>5,338,575</b>	<b>2,032,855</b>	<b>5,451,780</b>	
<b>Beginning Fund Balance</b>	<b>8,638,961</b>	<b>12,966,892</b>	<b>15,575,057</b>	<b>20,751,228</b>	<b>23,311,764</b>	
<b>Ending Fund Balance</b>	<b>\$ 12,966,892</b>	<b>\$ 15,575,057</b>	<b>\$ 20,913,632</b>	<b>\$ 22,784,083</b>	<b>\$ 28,763,544</b>	
<b>Ending Cash Balance (unrestricted)</b>	<b>\$ 7,048,567</b>	<b>\$ 13,281,055</b>	<b>\$ 17,373,586</b>	<b>\$ 19,284,647</b>	<b>\$ 24,402,607</b>	<b>(1)</b>

(1) Excludes ARPA cash balance

Summarized from Financial Reports for the fiscal years listed above.

**City of Bristol, Virginia  
Calculation of Operating Reserve  
Fiscal Years 2017-2021**

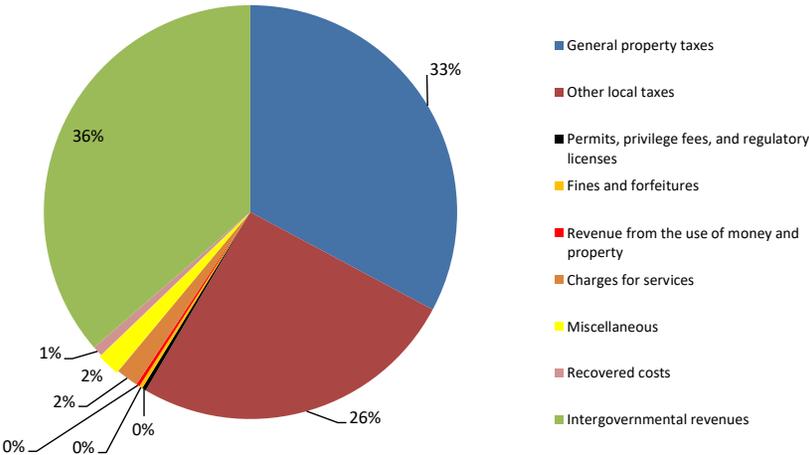
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	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Ending General Fund Balance	\$ 12,966,892	\$ 15,575,057	\$ 20,913,632	\$ 22,784,083	\$ 28,763,544
Ending General Fund Cash Balance (unrestricted)	\$ 7,048,567	\$ 13,281,055	\$ 17,373,586	\$ 19,284,647	\$ 24,402,607
Total City operating expenditures and debt service	\$ 51,380,818	\$ 47,945,987	\$ 51,439,417	\$ 53,587,726	\$ 54,123,225
School Board operating expenditures	27,006,171	27,314,423	27,820,694	29,764,632	33,775,739
Less: City contribution to school board included in gross	(6,471,877)	(6,789,939)	(6,590,610)	(6,346,333)	(6,388,204)
Net Government Operating Expenditures	\$ 71,915,112	\$ 68,470,471	\$ 72,669,501	\$ 77,006,025	\$ 81,510,760
Ending Fund Balance as a % of Operating Expenditures	18.0%	22.7%	28.8%	29.6%	35.3%
Ending Cash Balance as a % of Operating Expenditures	9.8%	19.4%	23.9%	25.0%	29.9%

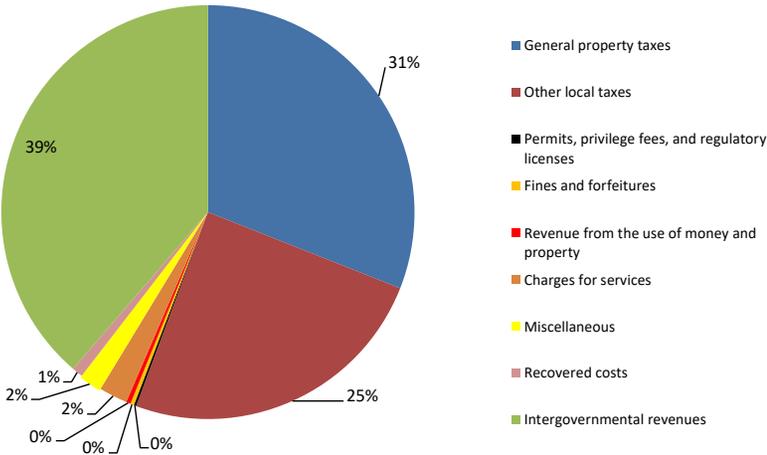
Summarized from Financial Reports for the fiscal years listed above.

# BRISTOL, VIRGINIA

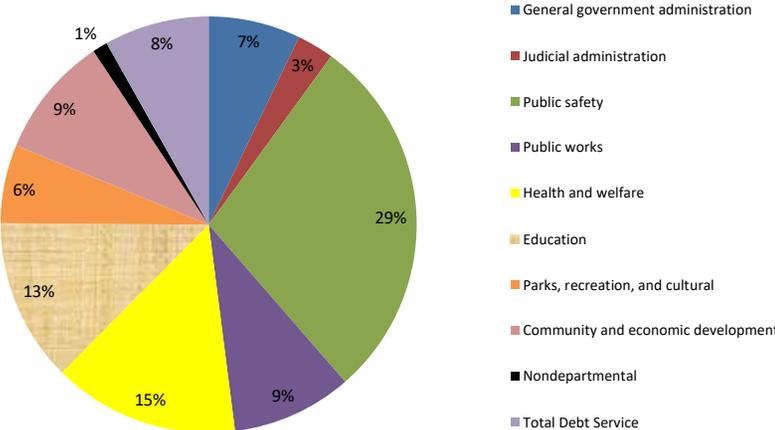
**General Fund Revenues for Fiscal Year 2017**



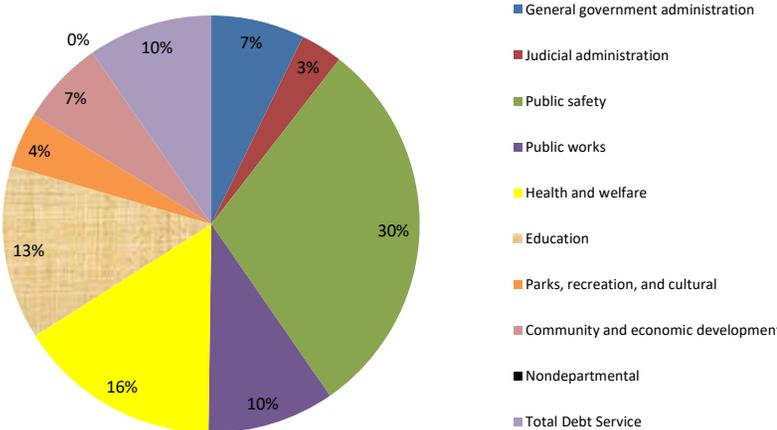
**General Fund Revenues for Fiscal Year 2021**



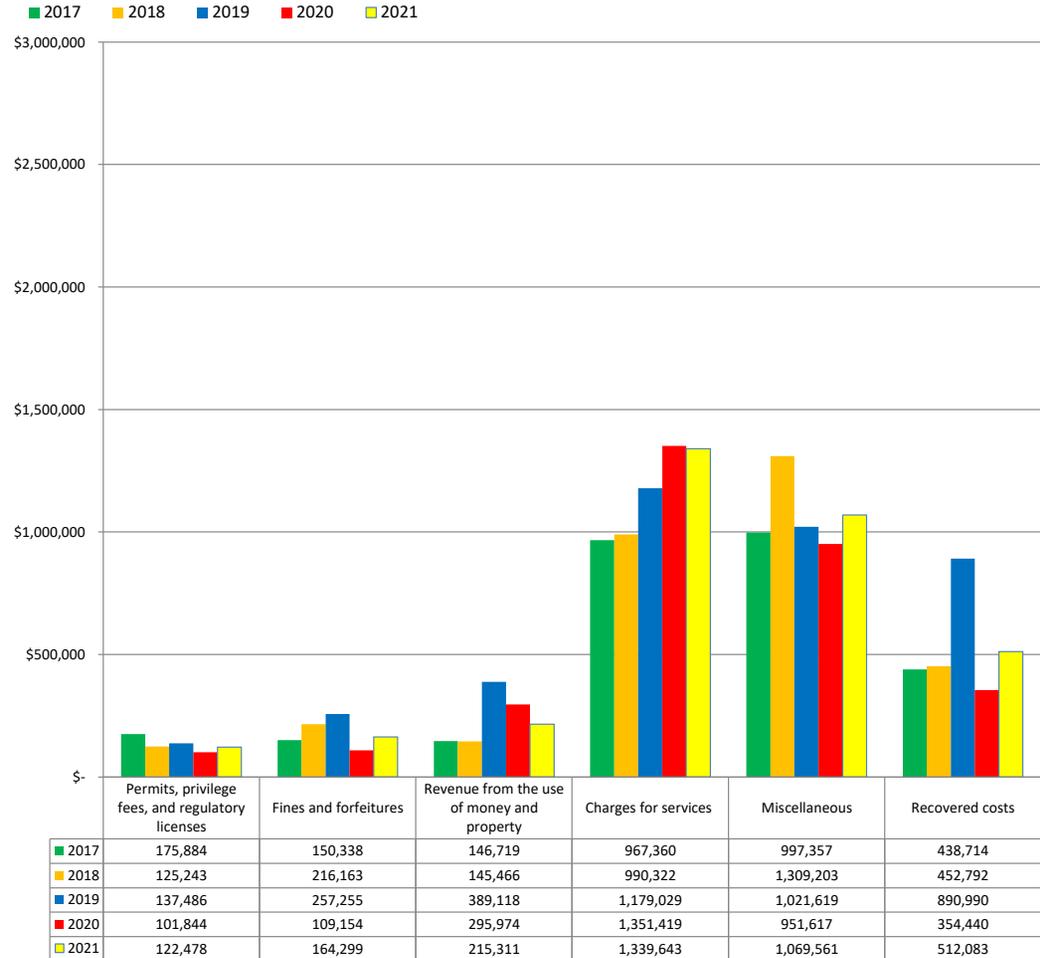
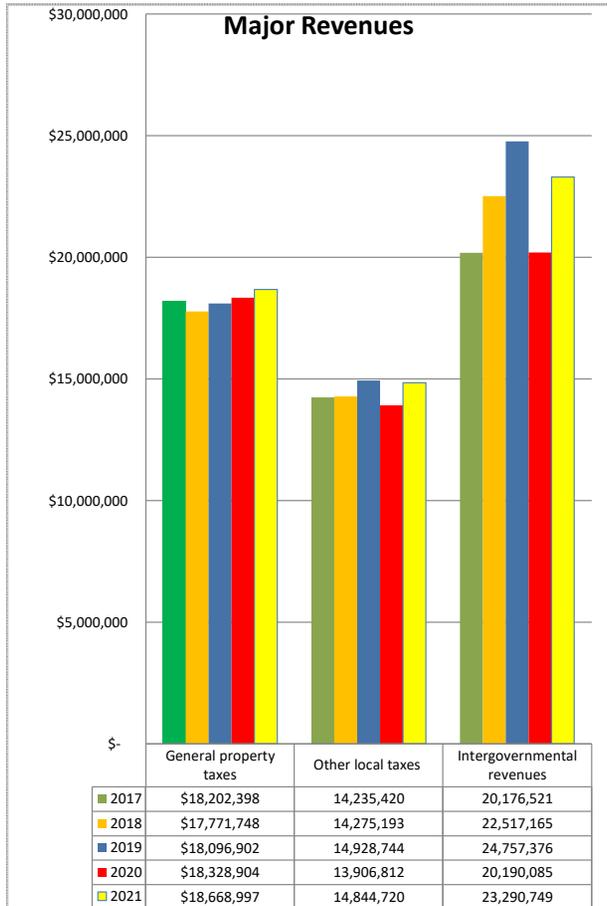
**General Fund Expenditures for Fiscal Year 2017**



**General Fund Expenditures for Fiscal Year 2021**

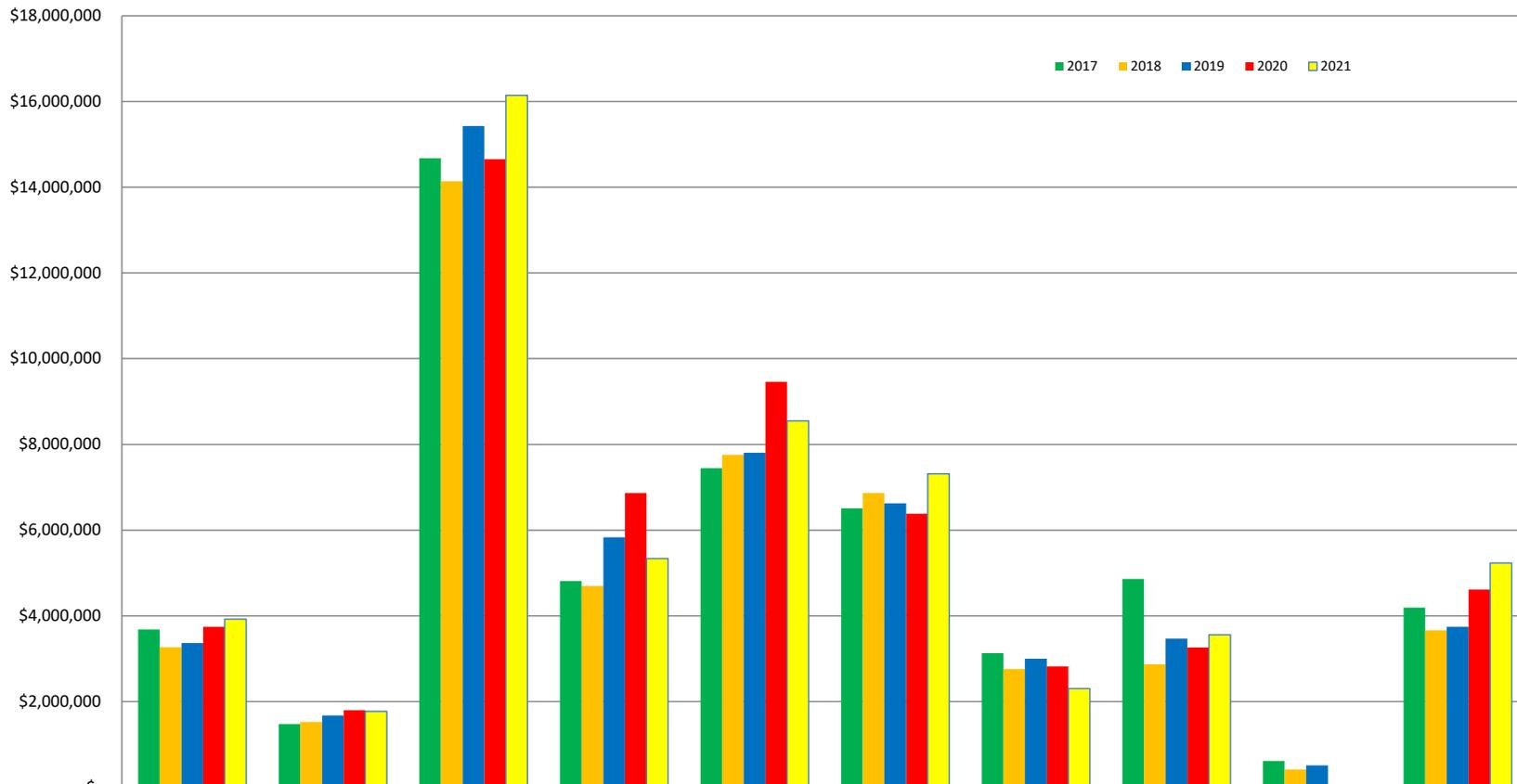


## BRISTOL, VIRGINIA General Fund Revenues by Fiscal Year



BRISTOL, VIRGINIA

**General Fund Expenditures by Fiscal Year**



	General government administration	Judicial administration	Public safety	Public works	Health and welfare	Education	Parks, recreation, and cultural	Community and economic development	Nondepartmental	Total Debt Service
2017	3,679,300	1,473,001	14,676,295	4,812,644	7,447,964	6,505,637	3,126,275	4,861,145	610,391	4,188,166
2018	3,268,460	1,520,878	14,139,809	4,696,700	7,752,125	6,868,446	2,758,116	2,866,600	414,294	3,660,559
2019	3,362,096	1,675,642	15,432,576	5,833,148	7,801,390	6,624,370	2,994,958	3,465,180	505,113	3,744,944
2020	3,740,263	1,795,551	14,659,057	6,867,810	9,458,347	6,380,093	2,814,939	3,261,815	-	4,609,851
2021	3,919,062	1,769,796	16,146,382	5,336,052	8,548,814	7,314,122	2,300,637	3,557,952	-	5,230,408

**City of Bristol, Virginia  
Debt Summary**

	2017	2018	2019 (1)	2020	2021
<b>Governmental Acts Long-term Obligations</b>					
<b>Interest bearing debt:</b>					
Bond Anti Notes	\$ 47,530,000	\$ -	\$ -	\$ -	\$ -
General Obligation Debt	25,048,145	74,220,358	73,836,635	73,739,125	73,042,660
Literary Loans	240,000	-	-	-	-
Capital Leases	3,979,839	3,055,373	3,695,125	3,874,902	3,328,674
Total interest bearing debt:	76,797,984	77,275,731	77,531,760	77,614,027	76,371,334
<b>Other long-term liabilities:</b>					
Compensated Absences	1,709,492	1,976,468	1,993,454	1,759,051	1,791,460
Net Pension Liability	23,340,462	19,960,501	17,988,626	20,373,310	24,396,880
Net OPEB Liability	6,552,905	6,325,313	6,149,811	6,592,977	6,952,022
Revenue Sharing Agreement	2,100,000	1,750,000	1,400,000	1,050,000	700,000
Total other long-term liabilities	33,702,859	30,012,282	27,531,891	29,775,338	33,840,362
General Long-term Obligations	\$ 110,500,843	\$ 107,288,013	\$ 105,063,651	\$ 107,389,365	\$ 110,211,696
<b>Business-Type Long-term Obligations</b>					
<b>Interest bearing debt (solid waste):</b>					
General Obligation Debt	\$ 34,159,171	\$ 34,952,622	\$ 34,568,183	\$ 33,956,617	\$ 35,002,728
Capital Leases	311,929	239,728	131,317	311,747	735,993
Total interest bearing debt:	34,471,100	35,192,350	34,699,500	34,268,364	35,738,721
<b>Other long-term liabilities (solid waste):</b>					
Landfill Closure Liability	6,645,753	8,643,536	11,604,295	11,983,288	12,285,473
Compensated Absences	123,741	125,171	116,786	128,485	118,063
Net Pension Liability	1,637,713	1,299,244	1,051,150	1,147,186	1,307,175
Net OPEB Liability	239,127	233,729	193,465	189,042	176,590
Total other long-term liabilities	8,646,334	10,301,680	12,965,696	13,448,001	13,887,301
Business-Type Long-term Obligations (solid waste)	\$ 43,117,434	\$ 45,494,030	\$ 47,665,196	\$ 47,716,365	\$ 49,626,022
<b>Other long-term liabilities (transit):</b>					
Compensated Absences	-	-	33,688	26,097	35,390
Net Pension Liability	-	-	354,975	504,923	417,370
Net OPEB Liability	-	-	65,332	83,205	54,853
Total other long-term liabilities	-	-	453,995	614,225	507,613
Business-Type Long-term Obligations (transit)	\$ -	\$ -	\$ 453,995	\$ 614,225	\$ 507,613
Business-Type Long-term Obligations	\$ 43,117,434	\$ 45,494,030	\$ 48,119,191	\$ 48,330,590	\$ 50,133,635

**City of Bristol, Virginia  
Debt Summary**

	2017	2018	2019 (1)	2020	2021
<b>School Board:</b>					
Other Long-term Obligations	\$ 386,429	\$ 445,240	\$ 453,177	\$ 495,081	\$ 495,750
Energy Lease	2,809,287	2,614,637	2,414,406	2,208,435	1,996,559
Net Pension Liability-VRS	22,947,755	19,687,653	18,119,431	20,144,297	22,678,718
Net OPEB Liability	5,793,400	5,643,600	5,177,400	5,272,869	4,745,446
<b>School Board Long-term Obligations</b>	<b>\$ 31,936,871</b>	<b>\$ 28,391,130</b>	<b>\$ 26,164,414</b>	<b>\$ 28,120,682</b>	<b>\$ 29,916,473</b>
<b>IDA:</b>					
Revenue Bonds	\$ 33,835,000	\$ 33,015,000	\$ 32,135,000	\$ 31,200,000	\$ 30,740,000
<b>IDA Long-term Obligations</b>	<b>\$ 33,835,000</b>	<b>\$ 33,015,000</b>	<b>\$ 32,135,000</b>	<b>\$ 31,200,000</b>	<b>\$ 30,740,000</b>
<b>Total Long-term Obligations</b>	<b>\$ 219,390,148</b>	<b>\$ 214,188,173</b>	<b>\$ 211,482,256</b>	<b>\$ 215,040,637</b>	<b>\$ 221,001,804</b>
Population	17,160	17,160	17,160	17,219	17,219
Debt per capita (interest bearing)	8,455.95	8,478.04	8,412.95	8,309.56	8,296.07
Debt per capita (other)	4,329.02	4,003.79	3,884.73	4,143.33	4,509.21
Debt per capita (total)	12,784.97	12,481.83	12,324.14	12,488.57	12,834.76
State Averages	7,546.00	7,572.00	7,484.00	7,256.00	not avail.

(1) Transit Fund shown separately starting in 2019

# Accounting Update – Summary of Upcoming Pronouncements by the Governmental Accounting Standards Board (GASB)<sup>1</sup>

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## GASB STATEMENT NO. 87 - Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

### Definition of a Lease

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

### Lease Term

The lease term is defined as the period during which a lessee has a noncancelable right to use an underlying asset, plus the following periods, if applicable:

- Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option
- Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option
- Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option
- Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

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<sup>1</sup> Source of information – Governmental Accounting Standards Board. Readers may obtain complete copies of these standards at: <http://www.gasb.org/>

A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised.

Lessees and lessors should reassess the lease term only if one or more of the following occur:

- The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option.
- The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option.
- An event specified in the lease contract that requires an extension or termination of the lease takes place.

## Short-Term Leases

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

## Lessee Accounting

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

## Lessor Accounting

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the

lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

### Contracts with Multiple Components and Contract Combinations

Generally, a government should account for the lease and nonlease components of a lease as separate contracts. If a lease involves multiple underlying assets, lessees and lessors in certain cases should account for each underlying asset as a separate lease contract. To allocate the contract price to different components, lessees and lessors should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment, or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining a best estimate is not practicable, multiple components in a lease contract should be accounted for as a single lease unit. Contracts that are entered into at or near the same time with the same counterparty and that meet certain criteria should be considered part of the same lease contract and should be evaluated in accordance with the guidance for contracts with multiple components.

### Lease Modifications and Terminations

An amendment to a lease contract should be considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it would be a partial or full lease termination. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss. A lease modification that does not qualify as a separate lease should be accounted for by remeasuring the lease liability and adjusting the related lease asset by a lessee and remeasuring the lease receivable and adjusting the related deferred inflows of resources by a lessor.

### Subleases and Leaseback Transactions

Subleases should be treated as transactions separate from the original lease. The original lessee that becomes the lessor in a sublease should account for the original lease and the sublease as separate transactions, as a lessee and lessor, respectively.

A transaction qualifies for sale-leaseback accounting only if it includes a sale. Otherwise, it is a borrowing. The sale and lease portions of a transaction should be accounted for as separate sale and lease transactions, except that any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be reported as a deferred inflow of resources or a deferred outflow of resources and recognized over the term of the lease.

A lease-leaseback transaction should be accounted for as a net transaction. The gross amounts of each portion of the transaction should be disclosed.

### Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

## GASB STATEMENT NO. 91 – Conduit Debt Obligations

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

### Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

## GASB STATEMENT NO. 94 – Public-Public Partnership and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

### Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

## GASB STATEMENT NO. 96 – Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will *not* exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.

- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government’s ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

### Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

## GASB STATEMENT NO. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of *all* Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

## Effective Date and Transition

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.