

CITY OF BRISTOL, VIRGINIA



AUDIT PRESENTATION

December 12, 2023

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**INDEPENDENT AUDITORS' REPORT
ON FINANCIAL ANALYSIS**

**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, 2019-2023. 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, 2019-2023. 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 12, 2023

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Engagement Objectives and Results

Independent Auditors' Report (starts on pages 8-11 of financial report)

- Determination of whether the financial statements are materially correct in accordance with Generally Accepted Accounting Principles (GAAP)
- Report issued:
 - Unmodified
 - Believe that the financial statements fairly present financial results, position, and cash flows for the year indicated
 - Two emphasis of matters-IDA debt service and landfill closure

Independent Auditors' Report on Compliance and Other Matters (Yellow Book opinion) (pages 140-141)

- Audit procedures performed in accordance with *Government Auditing Standards (GAS)*
- Report issued:
 - No material compliance related matters to be disclosed
 - No internal control deficiencies disclosed

Independent Auditors' Report on Compliance for Each Major Program (pages 142-144)

- Required if federal funds received and expended exceed \$750,000 during the year
- Auditor procedures performed in accordance with the Uniform Guidance (UG)
- Testing over compliance and internal controls related to UG requirements and specific program requirements for major programs selected
- Report issued:
 - Unmodified
 - No internal control deficiencies or material weaknesses noted
 - No material compliance related matters to be disclosed



Communication with Those Charged with Governance

**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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Bristol, Virginia for the year ended June 30, 2023. 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 May 1, 2023. 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. No new accounting policies were adopted and the application of existing policies was not changed during 2023. 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 were:

Management's estimate of closure and post-closure landfill liability is based on information provided The City's engineers plus balances to finish current projects started during fiscal year 2023. We evaluated the methods, assumptions and data used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation/amortization expense is based on estimated useful lives of assets. We evaluated the methods, assumptions and data used to develop the depreciation estimate 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 the methods, assumptions and data 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.

Management's estimates of lease liability(ies) and related intangible right-to-use asset(s) are based on information provided by the client. We evaluated the methods, assumptions and data used to develop estimates in determining if such estimates are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Discontinued Landfill Operations and Asset Impairment in Note 23 to the financial statements describes amounts transferred to the General Fund as of July 1, 2022 and information regarding impairment of assets that were being used in the operations of the landfill.

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

Our audit procedures were tailored to address the following significant risk of material misstatement identified as part of our audit process:

- Management override of controls and revenue recognition are considered significant risks in nearly all audit engagements.
- Recognition and reporting of amounts related to the closure of operations at the landfill and the impairment of assets used in the operations of the landfill.

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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 28, 2023.

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 the 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 the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Going Concern

The Independent Auditors' Report included an emphasis of matter paragraph concerning the Bristol Industrial Development Authority (the IDA), a component unit of the City of Bristol, Virginia, and its ability to continue as a going concern. Note 26 to the financial statements discusses this matter.

Restriction on Use

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

Polinson, Fauer, Cox Associates

Blacksburg, Virginia
November 28, 2023

City of Bristol, Virginia
Equity Analysis

Condensed Statement of Net Position Governmental Activities					
	2019	2020	2021	2022	2023
Current Assets	36,704,881.00	39,322,979.00	48,544,510.00	83,439,662.00	74,080,400.00
Capital Asset	93,632,728.00	92,595,772.00	89,178,286.00	85,507,770.00	96,753,379.00
Total assets	130,337,609.00	131,918,751.00	137,722,796.00	168,947,432.00	170,833,779.00
Deferred Outflows	3,861,125.00	5,576,433.00	8,894,479.00	8,304,680.00	9,080,556.00
Current Liabilities	4,706,615.00	5,287,185.00	8,005,017.00	11,744,572.00	16,771,995.00
Long-term Liabilities	105,517,591.00	107,389,365.00	110,211,696.00	120,043,094.00	245,310,752.00
Total Liabilities	110,224,206.00	112,676,550.00	118,216,713.00	131,787,666.00	262,082,747.00
Deferred Inflows	13,652,556.00	13,710,712.00	13,292,151.00	25,984,926.00	20,297,393.00
Net Position					
Net Inv in Cap Assets	15,682,112.00	14,701,966.00	14,366,458.00	11,960,935.00	12,756,506.00
Restricted	263,848.00	326,955.00	510,695.00	306,509.00	852,646.00
Unrestricted	(5,623,988.00)	(3,920,999.00)	231,258.00	7,212,076.00	(116,074,957.00)
Total Net Position	10,321,972.00	11,107,922.00	15,108,411.00	19,479,520.00	(102,465,805.00)
	-	-	-	-	-
Condensed Balance Sheet Governmental Funds					
	2019	2020	2021	2022	2023
Current Assets	36,725,576.00	39,311,669.00	48,575,626.00	83,439,662.00	74,067,803.00
Capital Asset	-	-	-	-	-
Total assets	36,725,576.00	39,311,669.00	48,575,626.00	83,439,662.00	74,067,803.00
Deferred Outflows	-	-	-	-	-
Current Liabilities	4,033,915.00	4,677,439.00	7,519,658.00	12,524,572.00	15,956,665.00
Long-term Liabilities	-	-	-	-	-
Total Liabilities	4,033,915.00	4,677,439.00	7,519,658.00	12,524,572.00	15,956,665.00
Deferred Inflows	11,778,029.00	11,850,147.00	12,292,424.00	13,333,182.00	14,678,625.00
Fund Balances					
Nonspendable	405,187.00	1,483,727.00	1,485,975.00	1,483,464.00	1,812,697.00
Restricted	1,132,610.00	326,955.00	510,695.00	24,977,681.00	13,583,183.00
Committed	3,053,823.00	3,455,036.00	4,493,347.00	4,528,572.00	4,708,341.00
Assigned	18,820.00	40,070.00	36,320.00	26,320.00	17,570.00
Unassigned	16,303,192.00	17,478,295.00	22,237,207.00	26,565,871.00	23,310,722.00
Total Fund Balances	20,913,632.00	22,784,083.00	28,763,544.00	57,581,908.00	43,432,513.00
	-	-	-	-	-
Net Governmental Exp	72,669,501.00	77,006,025.00	81,510,760.00	92,662,680.00	117,596,698.00
Total Fund Balance/Exp	29%	30%	35%	62%	37%
Unassigned Fund Bal/Exp	22%	23%	27%	29%	20%

City of Bristol, Virginia
Equity Analysis

	Condensed Statement of Net Position				
	Business-Type Activities (Transit)				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Current Assets	-	205,231.00	258,888.00	296,622.00	470,657.00
Capital Asset	-	378,888.00	344,208.00	295,744.00	251,317.00
Total assets	-	584,119.00	603,096.00	592,366.00	721,974.00
Deferred Outflows	-	346,125.00	143,952.00	92,653.00	67,026.00
Current Liabilities	-	11,221.00	24,742.00	1,120.00	7,278.00
Long-term Liabilities	-	614,225.00	507,613.00	262,938.00	325,566.00
Total Liabilities	-	625,446.00	532,355.00	264,058.00	332,844.00
Deferred Inflows	-	34,049.00	18,854.00	277,745.00	127,184.00
Net Position					
Net Inv in Cap Assets	-	378,888.00	344,208.00	295,744.00	251,317.00
Unrestricted	-	(108,139.00)	(148,369.00)	(152,528.00)	77,655.00
Total Net Position	-	270,749.00	195,839.00	143,216.00	328,972.00
	-	-	-	-	-

**City of Bristol, Virginia
General Fund Summary
Fiscal Years 2019-2023**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Annualized Growth Rate from 19</u>
Revenues:						
General property taxes	\$ 18,096,902	\$ 18,328,904	\$ 18,668,997	\$ 18,898,411	\$ 19,846,694	2.33%
Other local taxes	14,928,744	13,906,812	14,844,720	17,285,025	19,316,339	6.65%
Permits, privilege fees, and regulatory licenses	137,486	101,844	122,478	159,200	198,733	
Fines and forfeitures	257,255	109,154	164,299	150,502	206,445	
Revenue from the use of money and property	389,118	295,974	215,311	226,943	1,957,007	
Charges for services	1,179,029	1,351,419	1,339,643	1,478,016	4,879,900	42.63%
Miscellaneous	1,021,619	951,617	1,069,561	1,098,549	1,478,236	
Recovered costs	890,990	354,440	512,083	368,308	967,018	
Intergovernmental revenues	24,757,376	20,190,085	23,290,749	19,118,957	31,114,777	5.88%
Total Revenues	61,658,519	55,590,249	60,227,841	58,783,911	79,965,149	6.72%
Expenditures						
General government administration	3,362,096	3,740,263	3,919,062	3,618,355	6,283,698	16.92%
Judicial administration	1,675,642	1,795,551	1,769,796	1,876,846	2,069,127	5.41%
Public safety	15,432,576	14,659,057	16,146,382	14,547,180	16,491,477	1.67%
Public works	5,833,148	6,867,810	5,336,052	5,853,494	28,334,636	48.46%
Health and welfare	7,801,390	9,458,347	8,548,814	8,727,865	9,373,677	4.70%
Education	6,624,370	6,380,093	7,314,122	6,622,419	7,462,750	3.02%
Parks, recreation, and cultural	2,994,958	2,814,939	2,300,637	2,555,846	3,181,829	1.52%
Community and economic development	3,465,180	3,261,815	3,557,952	3,688,403	4,565,716	7.14%
Nondepartmental	505,113	-	-	259,086	-	-100.00%
Total operating expenditures	47,694,473	48,977,875	48,892,817	47,749,494	77,762,910	13.00%
Capital projects	5,488,638	806,482	544,068	292,867	12,064,823	
Debt Service:						
Principal retirement (net of refundings)	865,417	1,450,899	2,306,182	2,332,302	4,937,605	
Interest and other fiscal charges (net of refundings)	2,876,388	3,157,538	2,923,312	2,852,373	4,631,049	
Issuance costs (net of refundings)	3,139	1,414	914	1,650	1,477	
Total Debt Service	3,744,944	4,609,851	5,230,408	5,186,325	9,570,131	26.44%
Debt Refinancing	-	-	17,348	-	-	
Total Expenditures	56,928,055	54,394,208	54,649,945	53,228,686	99,397,864	
Other financing sources uses (net of refundings)	608,111	836,814	(126,116)	23,236,607	5,283,320	
Change in Fund Balance	5,338,575	2,032,855	5,451,780	28,791,832	(14,149,395)	
Beginning Fund Balance	15,575,057	20,751,228	23,311,764	28,790,076	57,581,908	
Ending Fund Balance	\$ 20,913,632	\$ 22,784,083	\$ 28,763,544	\$ 57,581,908	\$ 43,432,513	
Ending Cash Balance (unrestricted)	\$ 17,373,586	\$ 19,284,647	\$ 24,402,607	\$ 28,861,048	\$ 31,977,959	(1)

(1) Excludes ARPA cash balance

Summarized from Financial Reports for the fiscal years listed above.

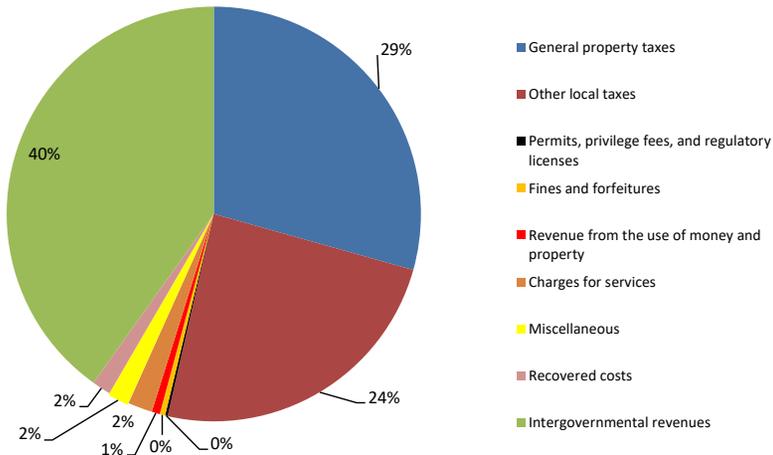
City of Bristol, Virginia
Calculation of Operating Reserve
Fiscal Years 2019-2023

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Ending General Fund Balance	\$ 20,913,632	\$ 22,784,083	\$ 28,763,544	\$ 57,581,908	\$ 43,432,513
Ending General Fund Cash Balance (unrestricted)	\$ 17,373,586	\$ 19,284,647	\$ 24,402,607	\$ 28,861,048	\$ 31,977,959
Total City operating expenditures and debt service	\$ 51,439,417	\$ 53,587,726	\$ 54,123,225	\$ 52,935,819	\$ 87,333,041
School Board operating expenditures	27,820,694	29,764,632	33,775,739	39,014,995	37,665,582
Less: City contribution to school board included in gross	(6,590,610)	(6,346,333)	(6,388,204)	(6,590,815)	(7,401,925)
Net Government Operating Expenditures	\$ 72,669,501	\$ 77,006,025	\$ 81,510,760	\$ 85,359,999	\$ 117,596,698
Ending Fund Balance as a % of Operating Expenditures	28.8%	29.6%	35.3%	67.5%	36.9%
Ending Cash Balance as a % of Operating Expenditures	23.9%	25.0%	29.9%	33.8%	27.2%

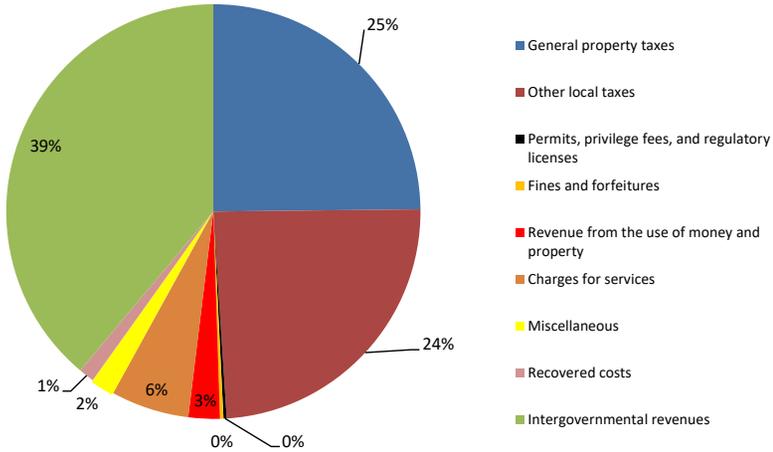
Summarized from Financial Reports for the fiscal years listed above.

BRISTOL, VIRGINIA

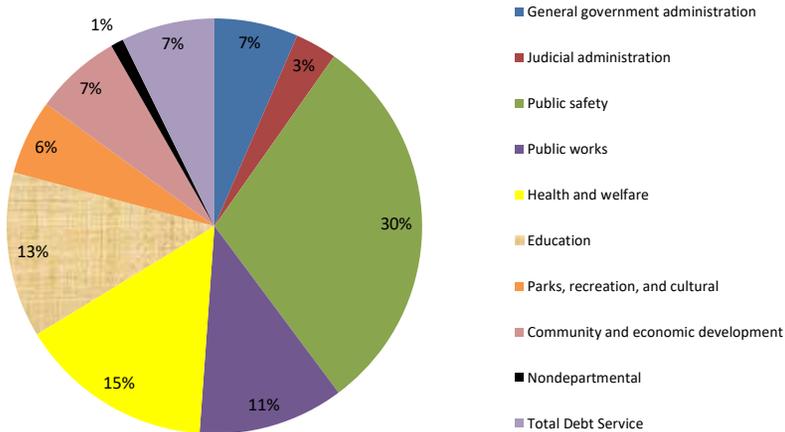
General Fund Revenues for Fiscal Year 2019



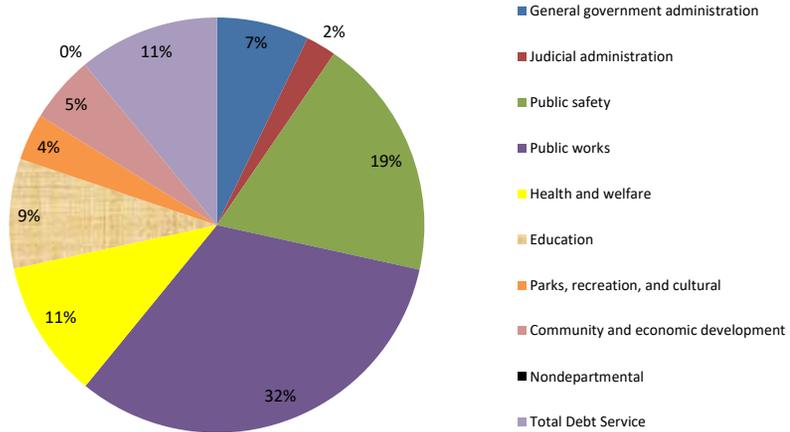
General Fund Revenues for Fiscal Year 2023



General Fund Expenditures for Fiscal Year 2019

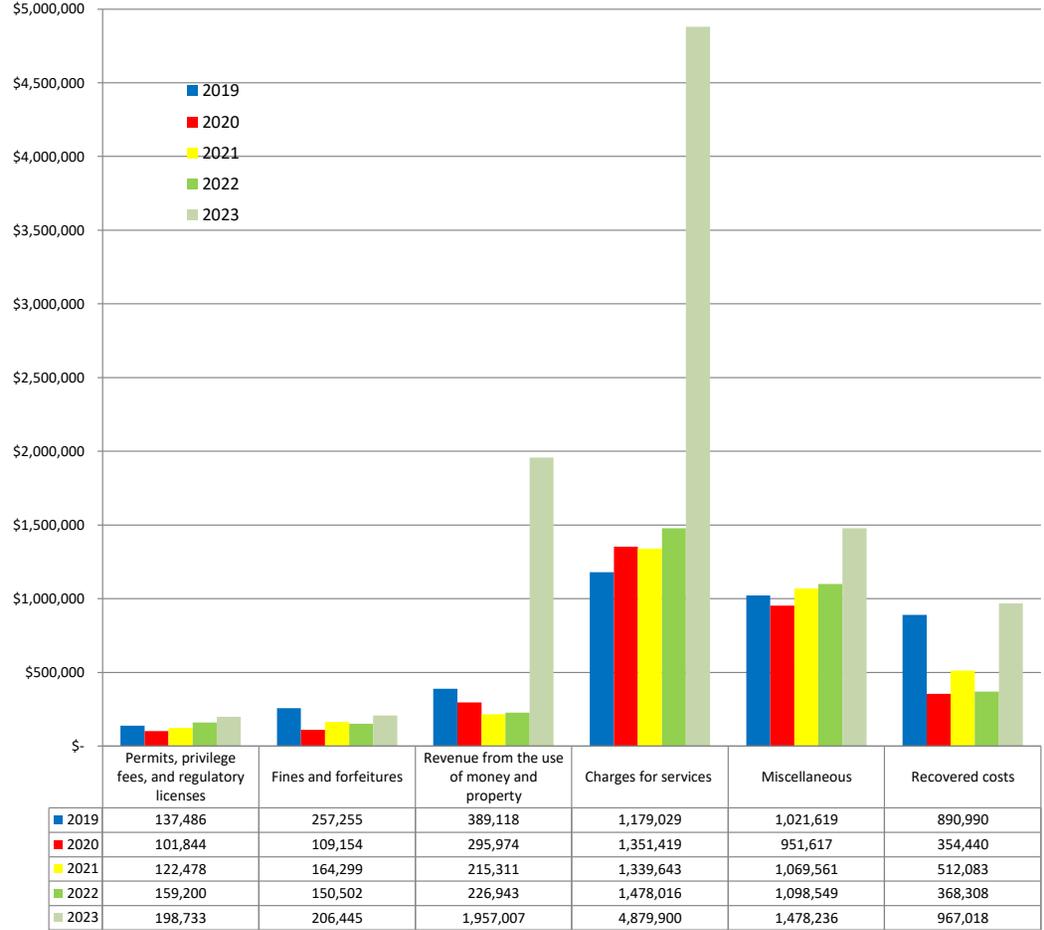
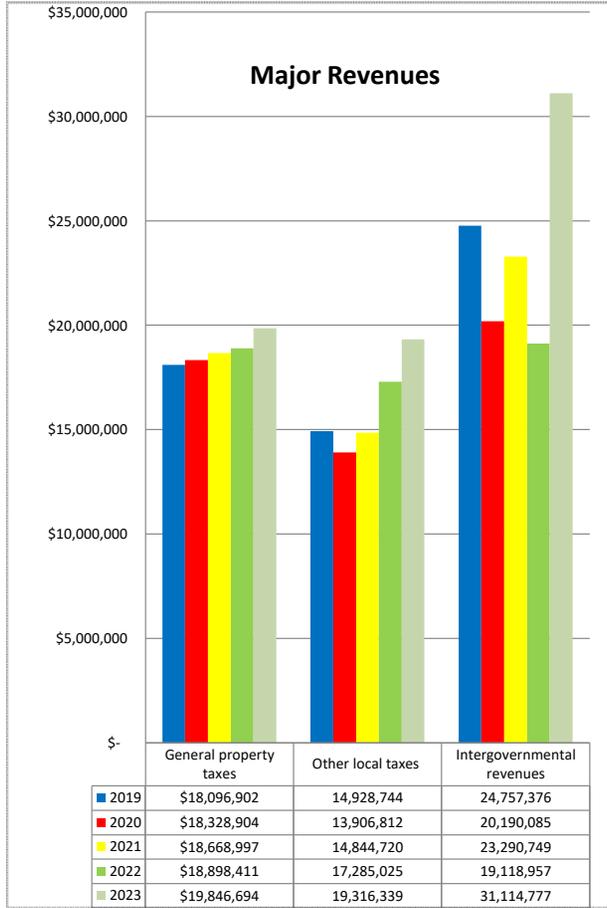


General Fund Expenditures for Fiscal Year 2023



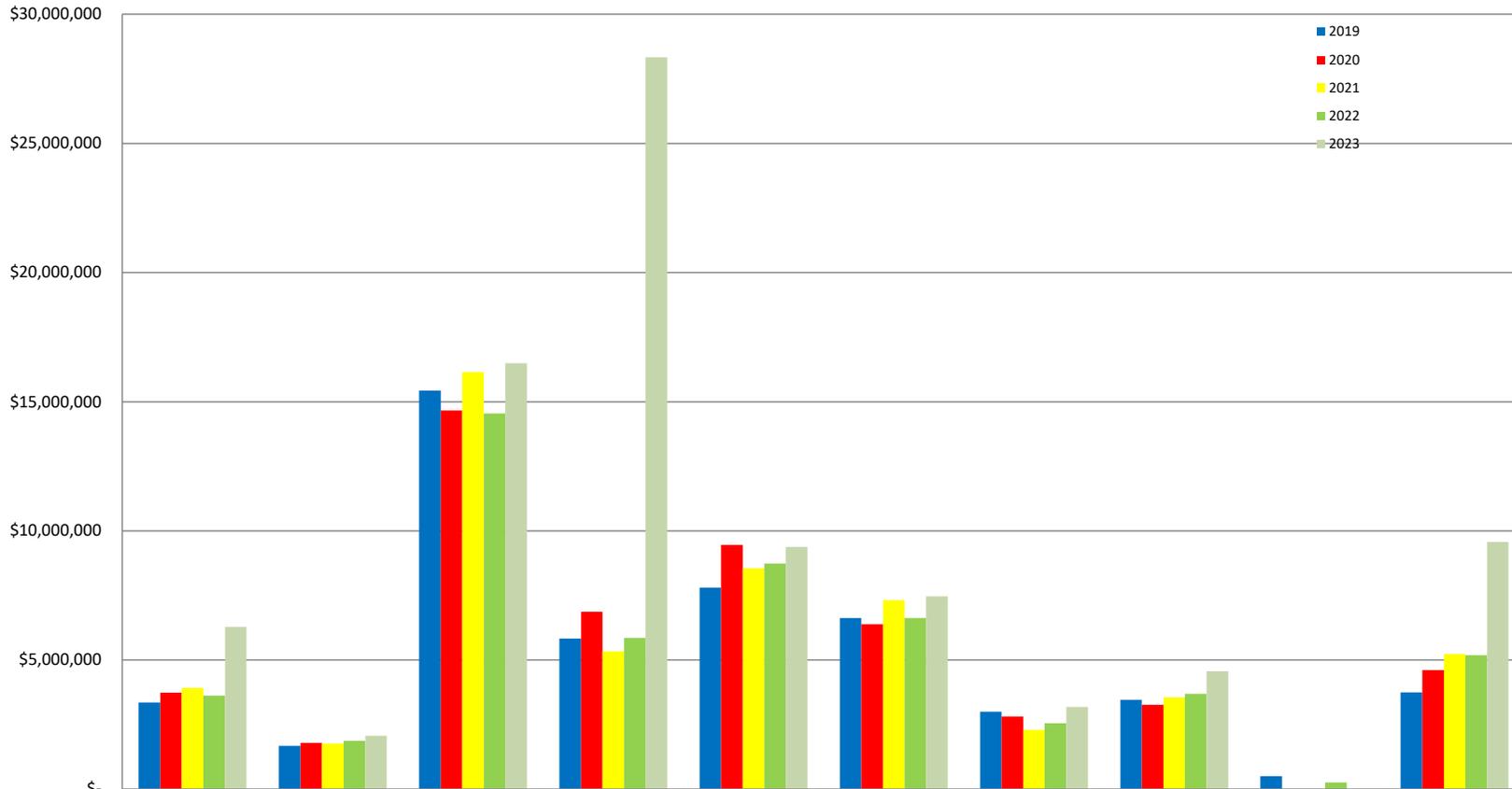
BRISTOL, VIRGINIA General Fund Revenues by Fiscal Year

Major Revenues



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
■ 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
■ 2022	3,618,355	1,876,846	14,547,180	5,853,494	8,727,865	6,622,419	2,555,846	3,688,403	259,086	5,186,325
■ 2023	6,283,698	2,069,127	16,491,477	28,334,636	9,373,677	7,462,750	3,181,829	4,565,716	-	9,570,131

**City of Bristol, Virginia
Debt Summary**

	2019 (1)	2020	2021	2022 (2)	2023 (3)
Governmental Acts Long-term Obligations					
Interest bearing debt:					
Lease Revenue Note (includes premium)	\$ -	\$ -	\$ -	\$ 25,016,838	\$ 24,953,073
General Obligation Debt	73,836,635	73,739,125	73,042,660	71,222,580	102,224,000
Lease Liabilities	-	-	-	2,721,538	2,800,200
Capital Leases/Loans payable	3,695,125	3,874,902	3,328,674	630,298	1,250,358
Total interest bearing debt:	77,531,760	77,614,027	76,371,334	99,591,254	131,227,631
Other long-term liabilities:					
Compensated Absences	1,993,454	1,759,051	1,791,460	1,643,883	1,863,493
Landfill Closure-Post-closure Estimate	-	-	-	-	90,816,109
Net Pension Liability	17,988,626	20,373,310	24,396,880	10,217,705	15,219,871
Net OPEB Liability	6,149,811	6,592,977	6,952,022	6,873,966	6,183,648
Revenue Sharing Agreement	1,400,000	1,050,000	700,000	350,000	-
Total other long-term liabilities	27,531,891	29,775,338	33,840,362	19,085,554	114,083,121
General Long-term Obligations	\$ 105,063,651	\$ 107,389,365	\$ 110,211,696	\$ 118,676,808	\$ 245,310,752
Business-Type Long-term Obligations					
Interest bearing debt (solid waste):					
General Obligation Debt	\$ 34,568,183	\$ 33,956,617	\$ 35,002,728	\$ 34,197,769	\$ -
Lease Liabilities	-	-	-	812,610	-
Capital Leases/Loans payable	131,317	311,747	735,993	1,048,934	-
Total interest bearing debt:	34,699,500	34,268,364	35,738,721	36,059,313	-
Other long-term liabilities (solid waste):					
Landfill Closure Liability	11,604,295	11,983,288	12,285,473	12,859,631	-
Compensated Absences	116,786	128,485	118,063	86,556	-
Net Pension Liability	1,051,150	1,147,186	1,307,175	561,895	-
Net OPEB Liability	193,465	189,042	176,590	167,950	-
Total other long-term liabilities	12,965,696	13,448,001	13,887,301	13,676,032	-
Business-Type Long-term Obligations (solid waste)	\$ 47,665,196	\$ 47,716,365	\$ 49,626,022	\$ 49,735,345	\$ -
Other long-term liabilities (transit):					
Compensated Absences	\$ 33,688	\$ 26,097	\$ 35,390	\$ 38,732	\$ 32,011
Net Pension Liability	354,975	504,923	417,370	172,235	250,471
Net OPEB Liability	65,332	83,205	54,853	51,971	43,084
Total other long-term liabilities	453,995	614,225	507,613	262,938	325,566
Business-Type Long-term Obligations (transit)	\$ 453,995	\$ 614,225	\$ 507,613	\$ 262,938	\$ 325,566
Business-Type Long-term Obligations	\$ 48,119,191	\$ 48,330,590	\$ 50,133,635	\$ 49,998,283	\$ 325,566

**City of Bristol, Virginia
Debt Summary**

	2019 (1)	2020	2021	2022	2023
School Board:					
Other Long-term Obligations	\$ 453,177	\$ 495,081	\$ 495,750	\$ 508,500	\$ 460,209
Energy Lease/Financed Purchases	2,414,406	2,208,435	1,996,559	3,735,569	3,402,634
Lease liabilities	-	-	-	151,559	164,874
Net Pension Liability-VRS	18,119,431	20,144,297	22,678,718	12,500,020	14,704,077
Net OPEB Liability	5,177,400	5,272,869	4,745,446	4,530,362	4,143,369
School Board Long-term Obligations	\$ 26,164,414	\$ 28,120,682	\$ 29,916,473	\$ 21,426,010	\$ 22,875,163
IDA:					
Revenue Bonds	\$ 32,135,000	\$ 31,200,000	\$ 30,740,000	\$ 30,595,000	\$ 30,440,000
IDA Long-term Obligations	\$ 32,135,000	\$ 31,200,000	\$ 30,740,000	\$ 30,595,000	\$ 30,440,000
Total Long-term Obligations	\$ 211,482,256	\$ 215,040,637	\$ 221,001,804	\$ 220,696,101	\$ 298,951,481
Population	17,160	17,219	17,219	17,219	17,219
Debt per capita (interest bearing)	8,412.95	8,309.56	8,296.07	9,654.77	9,388.91
Debt per capita (other)	3,884.73	4,143.33	4,509.21	3,146.97	7,953.90
Debt per capita (total)	12,324.14	12,488.57	12,834.76	12,817.01	17,361.72
State Averages	7,484.00	7,256.00	7,398.00	7,199.00	not avail.

- (1) Transit Fund shown separately starting in 2019
(2) Adoption of GASB 87 in 2022
(3) Solid Waste Fund merged into the General Fund

Accounting Update – Summary of Upcoming Pronouncements by the Governmental Accounting Standards Board (GASB)¹

GASB STATEMENT NO. 99 – Omnibus 2022

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements.

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

Effective Date and Transition

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB STATEMENT NO. 101 – Compensated Absences

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.