

CITY OF BRISTOL, VIRGINIA



AUDIT PRESENTATION

December 10, 2024

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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, 2020-2024. 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, 2020-2024. 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 10, 2024

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Engagement Objectives and Results

Independent Auditors' Report (pages 9-12 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
 - One emphasis of a matter - IDA debt service

Independent Auditors' Report on Compliance and Other Matters (Yellow Book opinion) (pages 129-130)

- 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 131-133)

- 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 the City of Bristol, Virginia for the year ended June 30, 2024. 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 April 23, 2024. 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 the 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 2024. 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 2024. 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 landfill closure and post closure care costs in Note 17 to the financial statements.

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. 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 21, 2024.

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 25 to the financial statements discusses this matter.

Restriction on Use

This information is intended solely for the use of City Council and management of the City of Bristol, Virginia and 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, 2024

City of Bristol, Virginia
Equity Analysis

Condensed Statement of Net Position Governmental Activities					
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Current Assets	39,322,979.00	48,544,510.00	83,439,662.00	74,080,400.00	75,582,382.00
Capital Asset	92,595,772.00	89,178,286.00	85,507,770.00	96,753,379.00	103,879,491.00
Total assets	131,918,751.00	137,722,796.00	168,947,432.00	170,833,779.00	179,461,873.00
Deferred Outflows	5,576,433.00	8,894,479.00	8,304,680.00	9,080,556.00	7,987,563.00
Current Liabilities	5,287,185.00	8,005,017.00	11,744,572.00	16,771,995.00	7,475,448.00
Long-term Liabilities	107,389,365.00	110,211,696.00	120,043,094.00	245,310,752.00	260,273,341.00
Total Liabilities	112,676,550.00	118,216,713.00	131,787,666.00	262,082,747.00	267,748,789.00
Deferred Inflows	13,710,712.00	13,292,151.00	25,984,926.00	20,297,393.00	17,881,436.00
Net Position					
Net Inv in Cap Assets	14,701,966.00	14,366,458.00	11,960,935.00	12,756,506.00	13,052,727.00
Restricted	326,955.00	510,695.00	306,509.00	852,646.00	1,069,655.00
Unrestricted	(3,920,999.00)	231,258.00	7,212,076.00	(116,074,957.00)	(112,303,171.00)
Total Net Position	11,107,922.00	15,108,411.00	19,479,520.00	(102,465,805.00)	(98,180,789.00)
	-	-	-	-	-
Condensed Balance Sheet Governmental Funds					
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Current Assets	39,311,669.00	48,575,626.00	83,439,662.00	74,067,803.00	75,567,469.00
Capital Asset	-	-	-	-	-
Total assets	39,311,669.00	48,575,626.00	83,439,662.00	74,067,803.00	75,567,469.00
Deferred Outflows	-	-	-	-	-
Current Liabilities	4,677,439.00	7,519,658.00	12,524,572.00	15,956,665.00	7,295,483.00
Long-term Liabilities	-	-	-	-	-
Total Liabilities	4,677,439.00	7,519,658.00	12,524,572.00	15,956,665.00	7,295,483.00
Deferred Inflows	11,850,147.00	12,292,424.00	13,333,182.00	14,678,625.00	15,116,838.00
Fund Balances					
Nonspendable	1,483,727.00	1,485,975.00	1,483,464.00	1,812,697.00	1,781,172.00
Restricted	326,955.00	510,695.00	24,977,681.00	13,583,183.00	13,454,453.00
Committed	3,455,036.00	4,493,347.00	4,528,572.00	4,708,341.00	4,965,178.00
Assigned	40,070.00	36,320.00	26,320.00	17,570.00	6,320.00
Unassigned	17,478,295.00	22,237,207.00	26,565,871.00	23,310,722.00	32,948,025.00
Total Fund Balances	22,784,083.00	28,763,544.00	57,581,908.00	43,432,513.00	53,155,148.00
	-	-	-	-	-
Net Governmental Exp	77,006,025.00	81,510,760.00	92,662,680.00	117,596,698.00	124,586,453.00
Total Fund Balance/Exp	30%	35%	62%	37%	43%
Unassigned Fund Bal/Exp	23%	27%	29%	20%	26%

City of Bristol, Virginia
Equity Analysis

	Condensed Statement of Net Position Business-Type Activities (Transit)				
	2020	2021	2022	2023	2024
Current Assets	205,231.00	258,888.00	296,622.00	470,657.00	684,888.00
Capital Asset	378,888.00	344,208.00	295,744.00	251,317.00	335,970.00
Total assets	584,119.00	603,096.00	592,366.00	721,974.00	1,020,858.00
Deferred Outflows	346,125.00	143,952.00	92,653.00	67,026.00	52,405.00
Current Liabilities	11,221.00	24,742.00	1,120.00	7,278.00	23,178.00
Long-term Liabilities	614,225.00	507,613.00	262,938.00	325,566.00	303,220.00
Total Liabilities	625,446.00	532,355.00	264,058.00	332,844.00	326,398.00
Deferred Inflows	34,049.00	18,854.00	277,745.00	127,184.00	53,962.00
Net Position					
Net Inv in Cap Assets	378,888.00	344,208.00	295,744.00	251,317.00	335,970.00
Unrestricted	(108,139.00)	(148,369.00)	(152,528.00)	77,655.00	356,933.00
Total Net Position	270,749.00	195,839.00	143,216.00	328,972.00	692,903.00

**City of Bristol, Virginia
General Fund Summary
Fiscal Years 2020-2024**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<i>Annualized Growth Rate from 20</i>
Revenues:						
General property taxes	\$ 18,328,904	\$ 18,668,997	\$ 18,898,411	\$ 19,846,694	\$ 21,807,432	4.44%
Other local taxes	13,906,812	14,844,720	17,285,025	19,316,339	24,614,824	15.34%
Permits, privilege fees, and regulatory licenses	101,844	122,478	159,200	198,733	174,017	
Fines and forfeitures	109,154	164,299	150,502	206,445	368,887	
Revenue from the use of money and property	295,974	215,311	226,943	1,957,007	2,665,676	
Charges for services	1,351,419	1,339,643	1,478,016	4,879,900	5,274,999	40.56%
Miscellaneous	951,617	1,069,561	1,098,549	1,478,236	3,059,874	
Recovered costs	354,440	512,083	368,308	967,018	1,072,157	
Intergovernmental revenues	20,190,085	23,290,749	19,118,957	31,114,777	21,720,646	1.84%
Total Revenues	55,590,249	60,227,841	58,783,911	79,965,149	80,758,512	9.79%
Expenditures						
General government administration	3,740,263	3,919,062	3,618,355	6,283,698	7,104,712	17.40%
Judicial administration	1,795,551	1,769,796	1,876,846	2,069,127	2,110,034	4.12%
Public safety	14,659,057	16,146,382	14,547,180	16,491,477	18,263,844	5.65%
Public works	6,867,810	5,336,052	5,853,494	28,334,636	28,667,931	42.94%
Health and welfare	9,458,347	8,548,814	8,727,865	9,373,677	9,904,186	1.16%
Education	6,380,093	7,314,122	6,622,419	7,462,750	7,908,031	5.51%
Parks, recreation, and cultural	2,814,939	2,300,637	2,555,846	3,181,829	2,984,432	1.47%
Community and economic development	3,261,815	3,557,952	3,688,403	4,565,716	4,205,515	6.56%
Nondepartmental	-	-	259,086	-	-	
Total operating expenditures	48,977,875	48,892,817	47,749,494	77,762,910	81,148,685	13.45%
Capital projects	806,482	544,068	292,867	12,064,823	10,272,890	
Debt Service:						
Principal retirement (net of refundings)	1,450,899	2,306,182	2,332,302	4,937,605	4,660,976	
Interest and other fiscal charges (net of refundings)	3,157,538	2,923,312	2,852,373	4,631,049	5,392,178	
Issuance costs (net of refundings)	1,414	914	1,650	1,477	601,185	
Total Debt Service	4,609,851	5,230,408	5,186,325	9,570,131	10,654,339	23.30%
Debt Refinancing	-	17,348	-	-	-	
Total Expenditures	54,394,208	54,649,945	53,228,686	99,397,864	102,075,914	
Other financing sources uses (net of refundings)	836,814	(126,116)	23,236,607	5,283,320	31,040,037	
Change in Fund Balance	2,032,855	5,451,780	28,791,832	(14,149,395)	9,722,635	
Beginning Fund Balance	20,751,228	23,311,764	28,790,076	57,581,908	43,432,513	(2)
Ending Fund Balance	\$ 22,784,083	\$ 28,763,544	\$ 57,581,908	\$ 43,432,513	\$ 53,155,148	
Ending Cash Balance (unrestricted)	\$ 19,284,647	\$ 24,402,607	\$ 28,861,048	\$ 31,977,959	\$ 35,957,294	(1)

(1). Excludes ARPA cash balance

(2). Any restatements due to accounting changes have not been applied retroactively.

Summarized from Financial Reports for the fiscal years listed above.

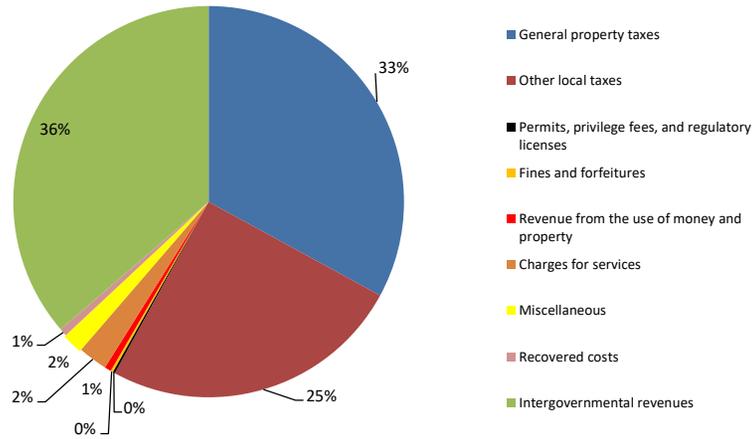
City of Bristol, Virginia
Calculation of Operating Reserve
Fiscal Years 2020-2024

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Ending General Fund Balance	\$ 22,784,083	\$ 28,763,544	\$ 57,581,908	\$ 43,432,513	\$ 53,155,148
Ending General Fund Cash Balance (unrestricted)	\$ 19,284,647	\$ 24,402,607	\$ 28,861,048	\$ 31,977,959	\$ 35,957,294
Total City operating expenditures and debt service	\$ 53,587,726	\$ 54,123,225	\$ 52,935,819	\$ 87,333,041	\$ 91,803,024
School Board operating expenditures	29,764,632	33,775,739	39,014,995	37,665,582	40,628,610
Less: City contribution to school board included in gross	(6,346,333)	(6,388,204)	(6,590,815)	(7,401,925)	(7,845,181)
Net Government Operating Expenditures	\$ 77,006,025	\$ 81,510,760	\$ 85,359,999	\$ 117,596,698	\$ 124,586,453
Ending Fund Balance as a % of Operating Expenditures	29.6%	35.3%	67.5%	36.9%	42.7%
Ending Cash Balance as a % of Operating Expenditures	25.0%	29.9%	33.8%	27.2%	28.9%

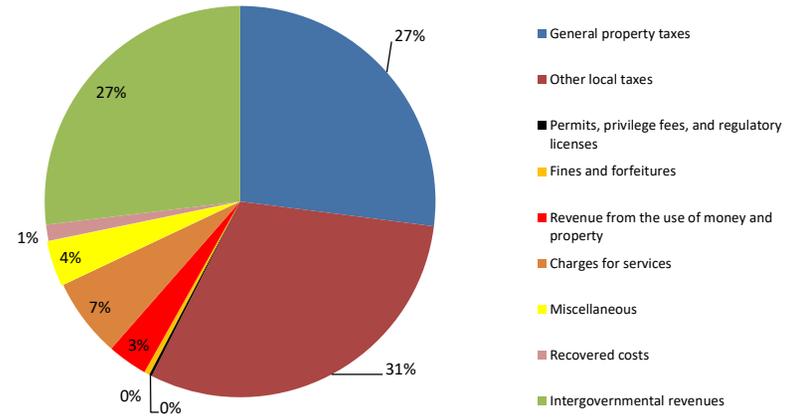
Summarized from Financial Reports for the fiscal years listed above.

BRISTOL, VIRGINIA

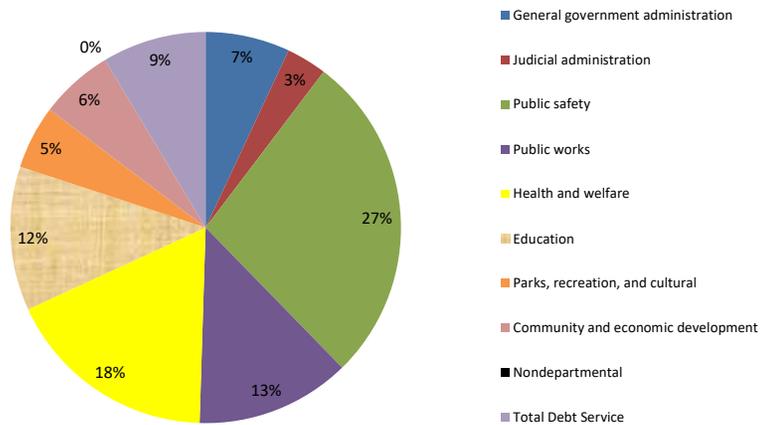
General Fund Revenues for Fiscal Year 2020



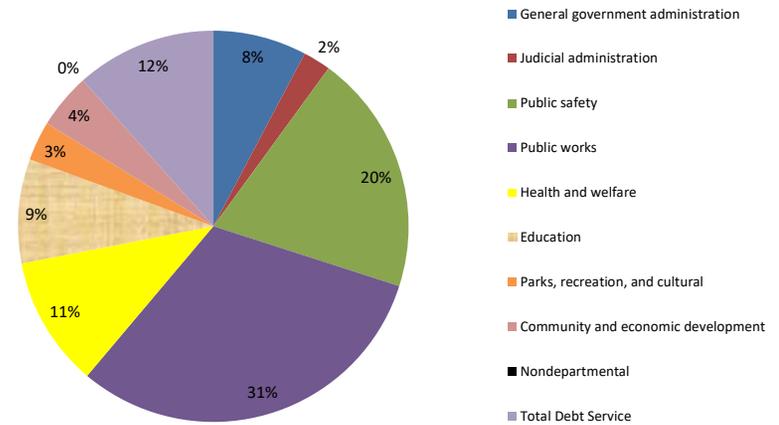
General Fund Revenues for Fiscal Year 2024



General Fund Expenditures for Fiscal Year 2020

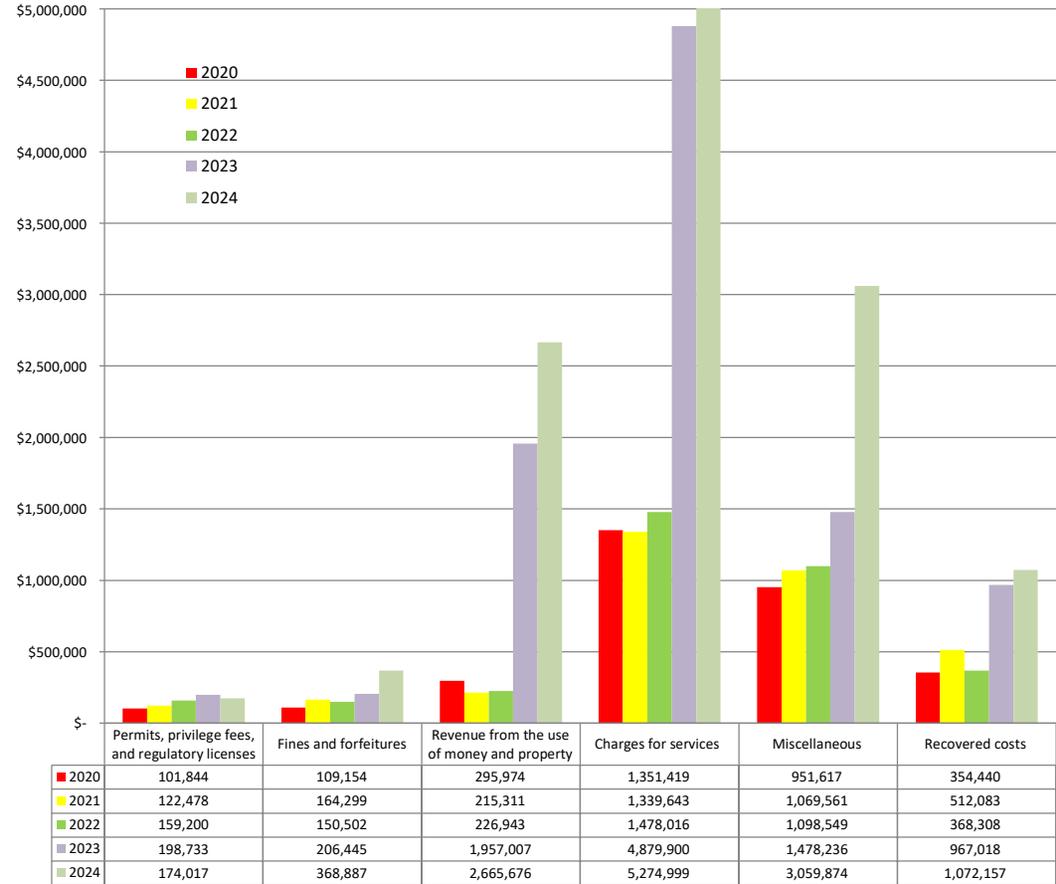
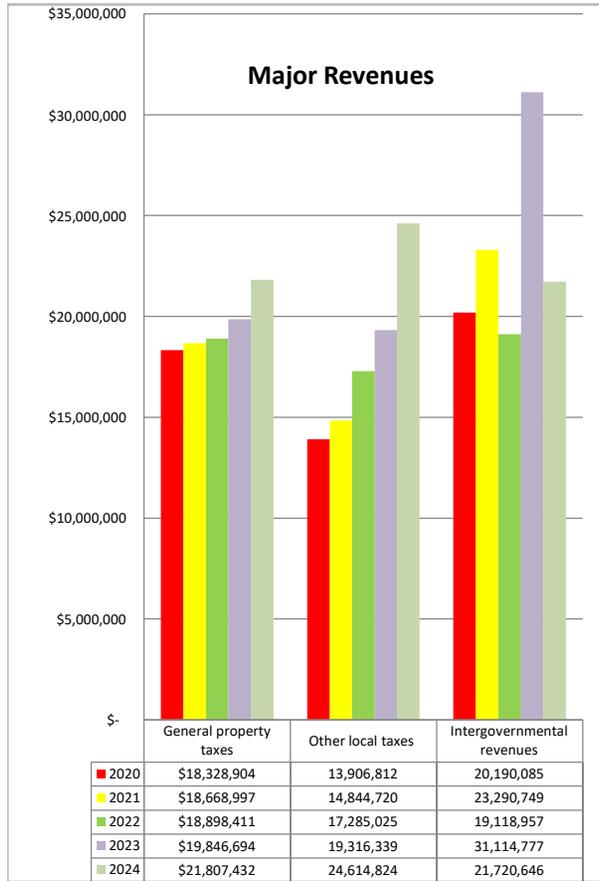


General Fund Expenditures for Fiscal Year 2024



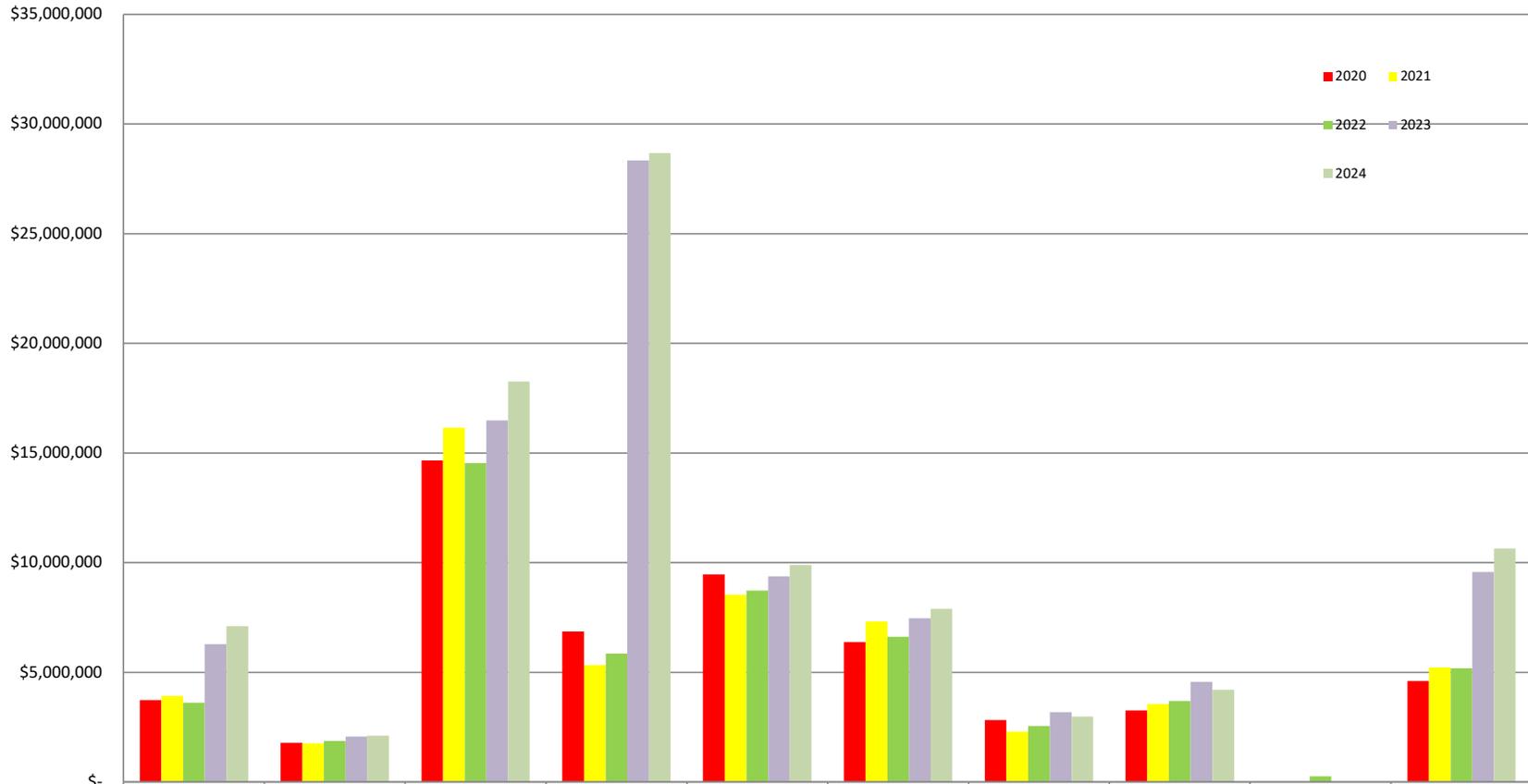
BRISTOL, VIRGINIA General Fund Revenues by Fiscal Year

Minor 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
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
2024	7,104,712	2,110,034	18,263,844	28,667,931	9,904,186	7,908,031	2,984,432	4,205,515	-	10,654,339

**City of Bristol, Virginia
Debt Summary**

	<u>2020</u>	<u>2021</u>	<u>2022 (1)</u>	<u>2023 (2)</u>	<u>2024</u>
Governmental Acts Long-term Obligations					
Interest bearing debt:					
Lease Revenue Note (includes premium)	\$ -	\$ -	\$ 25,016,838	\$ 24,953,073	\$ 24,889,308
General Obligation Debt (includes premium)	73,739,125	73,042,660	71,222,580	102,224,000	129,472,268
Lease Liabilities	-	-	2,721,538	2,800,200	2,354,200
Capital Leases/Loans payable	3,874,902	3,328,674	630,298	1,250,358	816,882
Total interest bearing debt:	<u>77,614,027</u>	<u>76,371,334</u>	<u>99,591,254</u>	<u>131,227,631</u>	<u>157,532,658</u>
Other long-term liabilities:					
Compensated Absences	1,759,051	1,791,460	1,643,883	1,863,493	1,996,057
Landfill Closure-Post-closure Estimate	-	-	-	90,816,109	78,867,145
Net Pension Liability	20,373,310	24,396,880	10,217,705	15,219,871	16,340,214
Net OPEB Liability	6,592,977	6,952,022	6,873,966	6,183,648	5,537,267
Revenue Sharing Agreement	1,050,000	700,000	350,000	-	-
Total other long-term liabilities	<u>29,775,338</u>	<u>33,840,362</u>	<u>19,085,554</u>	<u>114,083,121</u>	<u>102,740,683</u>
General Long-term Obligations	<u>\$ 107,389,365</u>	<u>\$ 110,211,696</u>	<u>\$ 118,676,808</u>	<u>\$ 245,310,752</u>	<u>\$ 260,273,341</u>
Business-Type Long-term Obligations					
Interest bearing debt (solid waste):					
General Obligation Debt	\$ 33,956,617	\$ 35,002,728	\$ 34,197,769	\$ -	\$ -
Lease Liabilities	-	-	812,610	-	-
Capital Leases/Loans payable	311,747	735,993	1,048,934	-	-
Total interest bearing debt:	<u>34,268,364</u>	<u>35,738,721</u>	<u>36,059,313</u>	<u>-</u>	<u>-</u>
Other long-term liabilities (solid waste):					
Landfill Closure Liability	11,983,288	12,285,473	12,859,631	-	-
Compensated Absences	128,485	118,063	86,556	-	-
Net Pension Liability	1,147,186	1,307,175	561,895	-	-
Net OPEB Liability	189,042	176,590	167,950	-	-
Total other long-term liabilities	<u>13,448,001</u>	<u>13,887,301</u>	<u>13,676,032</u>	<u>-</u>	<u>-</u>
Business-Type Long-term Obligations (solid waste)	<u>\$ 47,716,365</u>	<u>\$ 49,626,022</u>	<u>\$ 49,735,345</u>	<u>\$ -</u>	<u>\$ -</u>
Other long-term liabilities (transit):					
Compensated Absences	\$ 26,097	\$ 35,390	\$ 38,732	\$ 32,011	\$ 29,495
Net Pension Liability	504,923	417,370	172,235	250,471	259,089
Net OPEB Liability	83,205	54,853	51,971	43,084	36,757
Total other long-term liabilities	<u>614,225</u>	<u>507,613</u>	<u>262,938</u>	<u>325,566</u>	<u>325,341</u>
Business-Type Long-term Obligations (transit)	<u>\$ 614,225</u>	<u>\$ 507,613</u>	<u>\$ 262,938</u>	<u>\$ 325,566</u>	<u>\$ 325,341</u>
Business-Type Long-term Obligations	<u>\$ 48,330,590</u>	<u>\$ 50,133,635</u>	<u>\$ 49,998,283</u>	<u>\$ 325,566</u>	<u>\$ 325,341</u>

**City of Bristol, Virginia
Debt Summary**

	2020	2021	2022	2023	2024
School Board:					
Other Long-term Obligations	\$ 495,081	\$ 495,750	\$ 508,500	\$ 460,209	\$ 464,579
Energy Lease/Financed Purchases	2,208,435	1,996,559	3,735,569	3,402,634	3,060,498
Lease liabilities	-	-	151,559	164,874	95,443
Net Pension Liability-VRS	20,144,297	22,678,718	12,500,020	14,704,077	15,793,049
Net OPEB Liability	5,272,869	4,745,446	4,530,362	4,143,369	4,106,025
School Board Long-term Obligations	\$ 28,120,682	\$ 29,916,473	\$ 21,426,010	\$ 22,875,163	\$ 23,519,594
IDA:					
Revenue Bonds	\$ 31,200,000	\$ 30,740,000	\$ 30,595,000	\$ 30,440,000	\$ 30,275,000
IDA Long-term Obligations	\$ 31,200,000	\$ 30,740,000	\$ 30,595,000	\$ 30,440,000	\$ 30,275,000
Total Long-term Obligations	\$ 215,040,637	\$ 221,001,804	\$ 220,696,101	\$ 298,951,481	\$ 314,393,276
Population	17,219	17,219	17,219	17,219	17,219
Debt per capita (interest bearing)	8,309.56	8,296.07	9,654.77	9,388.91	10,907.00
Debt per capita (other)	4,179.00	4,538.69	3,162.24	7,972.81	7,351.51
Debt per capita (total)	12,488.57	12,834.76	12,817.01	17,361.72	18,258.51
State Averages	7,256.00	7,398.00	7,199.00	7,853.00	not avail.

(1) Adoption of GASB 87 in 2022

(2) 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. 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.

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

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.

GASB STATEMENT NO. 102 – Certain Risk Disclosures

The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints.

This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or **other** reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government’s vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

GASB STATEMENT NO. 103 – Financial Reporting Model Improvements

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

Management's Discussion and Analysis

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

Unusual or Infrequent Items

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services

to the proprietary fund and (b) that are recoverable through the proprietary fund’s current or future pricing policies, and (3) all other transfers.

Major Component Unit Information

This Statement requires governments to present each major component unit separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

Budgetary Comparison Information

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

GASB STATEMENT NO. 104 – Disclosure of Certain Capital Assets

State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

Effective Date

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.