REPORT TO AUDIT COMMITTEE

MUNICIPALITY OF ANCHORAGE, ALASKA

AUDIT PLANNING:
YEAR ENDING DECEMBER 31, 2022

Contents

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The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors and Audit Committee) and, if appropriate, management of the Company, and is not intended and should not be used by anyone other than these specified parties.

Welcome

March 9, 2023

Audit Committee

Municipality of Anchorage, Alaska

Professional standards require us to communicate with you regarding matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. This document provides an overview of our plan for the audit of the financial statements, schedule of expenditures of federal awards and schedule of state financial assistance of Municipality of Anchorage, Alaska ("Municipality" or "MOA") as of and for the year ended December 31, 2022, including a summary of the nature, scope, and timing of the planned audit work. Our audit of the financial statements includes the separate stand-alone financial statements of CIVICVentures, Port of Alaska, Anchorage Water Utility, Anchorage Wastewater Utility, and Solid Waste Services – Refuse and Disposal Utilities. In addition, we are also engaged to perform agreed-upon procedures related to the Anchorage Solid Waste Services and Public Transportation.

We are pleased to be of service to the Municipality and look forward to discussing our audit plan, as well as other matters that may be of interest to you, during our meeting on March 9, 2023.

Respectfully,

BDO USA, LLP

Executive Summary

Responsibilities

BDO USA, LLP, as your auditor, is responsible for forming and expressing an opinion(s) about whether the financial statements, the schedule of expenditures of federal awards and schedule of state financial assistance that have been prepared by management, with your oversight, are prepared, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

In addition, our audit will be conducted in accordance with standards for financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) *and State of Alaska Audit Guide and Compliance Supplement for State Single Audits* (State Audit Guide).

The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. The engagement letter, a copy of which has been provided to you, includes specific details regarding the auditor’s and management’s responsibilities.

Audit Strategy

Overall, our audit strategy is to assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design further audit procedures responsive to assessed risks. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In connection with our audit, we will obtain a sufficient understanding of the Municipality's internal control to plan the audit of the financial statements. However, such understanding is required for the purposes of determining our audit procedures and not to provide any assurance concerning such internal control.

In addition, *Government Auditing Standards* require that we also plan and perform the audit to obtain reasonable assurance about whether the Municipality has complied with applicable laws, regulations and the terms and conditions of the federal and state awards that may have a direct and material effect on each of Municipality's major federal and state programs.

We focus on areas with higher risk of material misstatement (whether due to error or fraud). Our audit strategy includes consideration of:

- prior year audit results together with current year preliminary analytical review, including discussions with management and those charged with governance regarding the Municipality's operations,
- inherent risk within the Municipality,
- recent developments within the industry, regulatory environment and general economic conditions,
- recently issued and effective accounting and financial reporting guidance,
- the Municipality's significant accounting policies and procedures, including those requiring significant management judgments and estimates and those related to significant unusual transactions,
- the control environment and the possibility that the control system and procedures may fail to prevent or detect a material error or fraud,
- Information about systems and the computer environment in which the related systems operate, and
- a continual assessment of materiality thresholds based upon qualitative and quantitative factors affecting the Municipality.
- Internal control over compliance with requirements that could have a direct and material effect on major federal and state program in order to determine our auditing procedures.

Planned Scope

Based upon our initial assessment, our planned scope for the audit is described below:

- We will plan and perform the audit of the financial statements for the year ended December 31, 2022, in accordance with *Government Auditing Standards* (GAS).

- The areas indicated below relate to significant risks identified during our risk assessment procedures and include a brief description of how we propose to address them:

- Fraud Risk / Management Override of Controls
  - Substantive procedures will be performed addressing manual journal entries prepared by management, management's use of accounting estimates, and significant unusual transactions occurring in the fiscal year.

- Revenue Recognition
  - Substantive procedures will be performed to gain assurance over the existence of revenue recognized in the fiscal year.
  - Additional procedures, including a combination of transactional and data-analytic-driven tests, will be performed on revenue cycles and transactions with a higher risk profile.

Planned Scope, continued

ITEMS OF NOTE FOR 2022 AUDIT

In addition to identified significant risk, our planned scope for the audit includes procedures specifically designed to address events related to the following areas:

- Implementation of GASB 87: *Leases* - evaluation, calculation, estimate of discount rate, disclosures
- Impact of personnel changes to internal control, segregation of duties, and policies/procedures
- Debt and bond covenants and related impact to the General Fund
- Bond refunding and debt issuance
- Revenue recognition for grants (FEMA) and use of special revenue funds
- Final closeout of Municipal Light & Power balances
- Potential contingent liabilities
- Compliance with procurement standards under federal and state guidelines

PROCEDURES TO ADDRESS RISK

- We will consider the Municipality's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing our opinion(s) on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- We will perform tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions is not an objective of our audit.
- We will plan and perform and audit of the Schedule of Expenditures of Federal Awards (SEFA) for the year ended December 31, 2022, in accordance with GAS and the Uniform Guidance and will issue an in relation to opinion.
- We will plan and perform the audit of the Schedule of State Financial Assistance (SSFA) for the year ended December 31, 2022, in accordance with GAS and the State Audit Guide and will issue an in relation to opinion.
- We will consider internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance and State Audit Guide.

Overall Audit Timeline

The following represents our anticipated schedule with regard to our audit of the financial statements of the Municipality of Anchorage:

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
Planning	✓	✓	✓	✓					
Interim Fieldwork		✓	✓	✓					
Year-End Fieldwork				✓	✓	✓	✓	✓	
Release Reports on Financial Statements									✓

Independence

Our engagement letter to you dated January 5, 2023 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Municipality with respect to independence as agreed to by the Municipality. Please refer to that letter for further information.

Client Service Team

As a matter of policy, we attempt to provide continuity of service to our clients to the greatest extent possible. Where engagement team rotation is necessary, we will discuss this matter with you and determine the appropriate individual to be assigned to the engagement based on particular experience, expertise, and engagement needs.

We are pleased to be of service to the Municipality and look forward to answering questions you may have regarding our audit plan as well as other matters that may be of interest to you.

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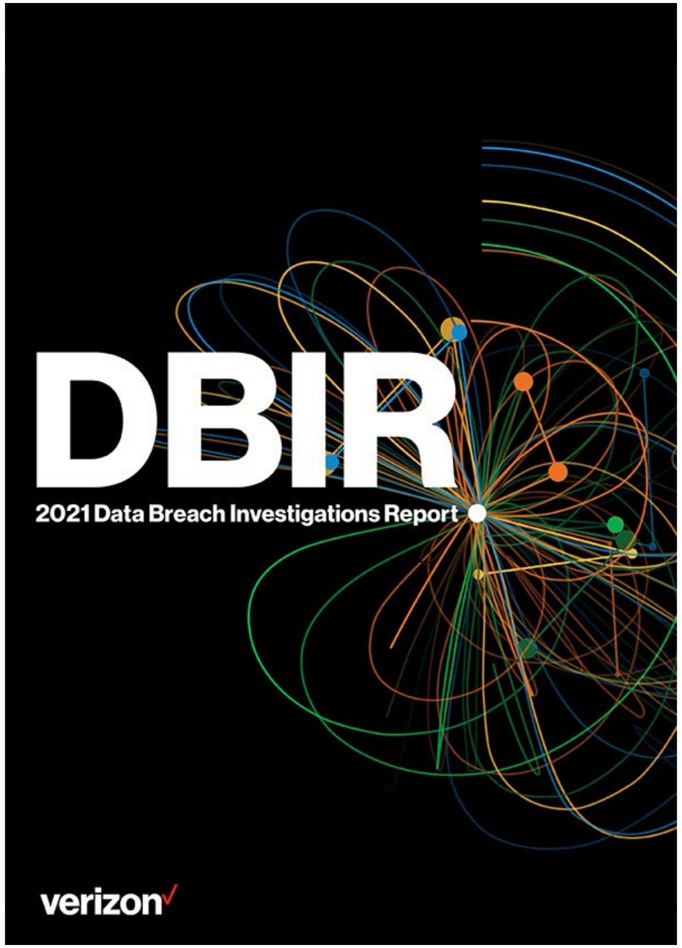
Appendix

Cyber Risk

Cyber risk remains a persistent threat to organizations and preparedness and response is critical. Specifically:

- Ransomware threats are receiving considerable attention. A Verizon report found that the percentage of data breaches involving ransomware doubled from 2020 to 2021.
- Managing cybersecurity requires a layered, risk-based approach, and boards need to take an active role in ensuring organizations have response plans in place
- Theft of crypto assets is a growing problem
  - $14 billion+ was stolen in 2021
- Consider taking BDO's Cyber Risk Assessment



ACCESS THE REPORT

What You Need to Know about Cybersecurity in 2022

An estimated 48% of the board are involved in cybersecurity strategy discussions. Business leaders need to ensure they are getting the “right” information about cyber vulnerabilities and management’s cyber protection programs. As the year progresses, we are seeing a rise of a variety of cybersecurity trends, threats, and other concerns.

Top three cybersecurity concerns in 2022:

1. **REMOTE WORKFORCE:** As offices gradually re-open their doors, employees are pushing to continue a work from home or hybrid work model. While businesses want to adapt to employee needs, having a remote workforce carries a variety of security concerns.

2. **INCREASE IN CYBERATTACKS:** Today, there is a new attack somewhere on the internet every 39 seconds. These attacks can be extremely harmful to a business, costing millions or even billions of dollars in remediation.

3. **LACK OF RESOURCES AND TOOLS:** The Great Reshuffle has further depleted already stretched cybersecurity resources, bringing a lack of modern security tools, in-house security experts, and/or bandwidth to support these processes.

BDO Digital recommends that you take the following steps to help combat cybersecurity concerns:

1. Adopt a zero-trust strategy
2. Secure your remote workforce
3. Multi-factor authentication protections
4. Address any lack of resources or tools

READ THE ARTICLE

BDO ESG Center of Excellence

Today, every business has a responsibility - and an opportunity - to address the significant environmental, social and governance (ESG) challenges we face as an interconnected, global society.

Not only is it the right thing to do, it is the only thing to do to contribute to a better planet, a better society and a better – and more sustainable – business. At BDO, ESG is a top firm priority and a key component of our strategic vision for the future. We invite you to learn more about BDO's approach to ESG and visit our BDO ESG Center of Excellence.

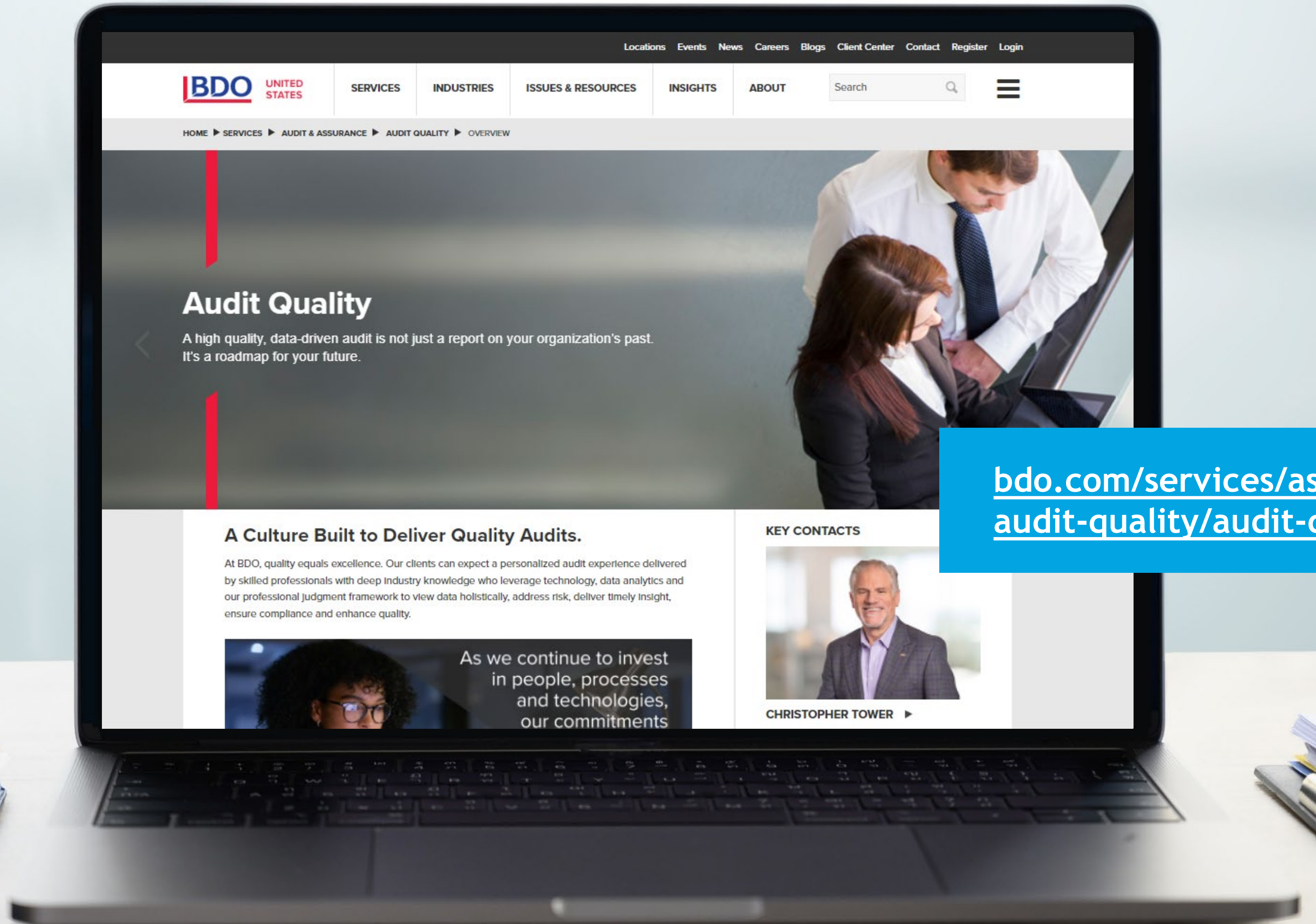
WITH YOU AT EVERY STAGE OF YOUR JOURNEY:

- ESG Strategy & Program Development
- ESG Reporting & Attestation
- Tax Transparency & ESG Tax Strategy
- Human Capital Management Strategy
- Supply Chain Sustainability & Resilience
- **Climate Risk**
- **Sustainable Finance & Investing**
- **Community Resilience**
- **ESG Value Creation & Innovation**

Visit our BDO CoE for evolving ESG related insights and learning opportunities:

- Publications
- Alerts
- Practice Aids
- Podcasts
- Webinars

Learn About BDO's Culture Built to Deliver Audit Quality



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Implementation of New GASB Standards

New GASB Standards

In light of the COVID-19 Pandemic, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to provide relief to governments. This Statement, which was effective upon the issuance date of May 8, 2020, postponed the effective dates of certain provisions in Statements that were first effective for reporting periods beginning after June 15, 2018. The effective dates of certain provisions contained in the following pronouncements were postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective date of Statement No. 87, Leases, has been postponed by 18 months.

Earlier application of the standards is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

New GASB Standards

Additional new GASB pronouncements include:

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32
- Statement No. 98, *The Annual Comprehensive Financial Report*
- Statement No. 99, *Omnibus 2022*
- Statements No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*
- Statements No. 101, *Compensated Absences*

GASB Statement No. 87, *Leases*

Effective Dates	Date per Pronouncement	Date as amended per GASB Statement No. 95
	Fiscal Years Beginning After 12/15/2019	Fiscal Years Beginning After 6/15/2021

- Requires recognition of certain lease assets and liabilities for leases that are currently classified as operating leases.
- New definition of a lease - a contract that conveys the right to use another entity's nonfinancial asset for a period in an exchange or exchange-like transaction.
- Eliminates the distinction between operating and capital leases.
- Excludes short-term leases, leases that transfer ownership and service concession arrangements that are covered by GASB Statement No. 60.
- Lessees would recognize a lease liability and an intangible right-to-use lease asset which would be amortized in a systematic and reasonable manner over the shorter of the lease term or the useful life of the underlying asset.
- Lessors would recognize a lease receivable and deferred inflow of resources which would be recognized as revenue in a systematic and rational manner over the term of the lease.

GASB Statement No. 91, *Conduit Debt Obligations*

Effective Dates	Date per Pronouncement	Date as amended per GASB Statement No. 95
	Reporting Periods Beginning After 12/15/2020	Reporting Periods Beginning After 12/15/2021

- Clearly defines the characteristics of a conduit debt obligation and establishes that a conduit debt obligation is not a liability of the issuer.
- An issuer should recognize a liability associated with an additional commitment or 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 the recognition criteria are met. An issuer that has only made a limited commitment should evaluate whether those recognition criteria are met when an event occurs that cause the issuer to evaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.
- Standard addresses accounting for arrangements where 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.
- Standard enhances note disclosures related to conduit debt.

GASB Statement No. 92, *Omnibus 2020*

Effective Dates	Date per Pronouncement	Date as amended per GASB Statement No. 95
	Key Provisions Effective as Noted Below	Except for Provisions Effective upon Statement Issuance, all other Provisions are Delayed One Year

Key Provisions of the Statement are as follows:

- Effective Upon Statement Issuance– February 2020:
  - The effective date for interim financial reporting of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, is for fiscal years beginning after December 15, 2019.
  - Clarifies that for public entity risk pools, amounts recoverable from reinsurers or excess insurers related to paid claims and claims adjustment expenses may be reported as a reduction of expenses.
  - The terms derivative and derivatives should be replaced with derivative instrument and derivative instruments, respectively.
- Effective for Fiscal Years Beginning After June 15, 2020:
  - Clarification of the reporting of intra-entity transfers of assets between a government employer or noncontributing entity to a defined benefit pension or other postemployment (OPEB) plan that are within the same reporting entity.
- Effective for Reporting Periods Beginning After June 15, 2020:
  - Clarification that a government that reports a fiduciary activity for assets that are accumulated for purposes of providing pension or OPEB through certain defined benefit plans should recognize liabilities in accordance with Statement No. 84.
- Effective for Government Acquisitions Occurring in Reporting Periods Beginning After June 15, 2020:
  - In a government acquisition, liabilities and assets related to the acquired entity's asset retirement obligations (AROs) should be measured using the accounting and financial reporting requirements of Statement No. 83, when the AROs fall within the scope of that standard.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

Effective Dates	Date per Pronouncement	Date as amended per GASB Statement No. 95
	Effective as Noted Below	Paragraphs 13 and 14 are Effective for Fiscal Years Beginning After June 15, 2021

- Effective for Reporting Periods Beginning After June 15, 2020:
  - Provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
  - Clarifies the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
  - Clarifies that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
  - Identifies a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
  - Clarifies the definition of reference rate, as it is used in Statement 53, as amended.
  - Provides an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. (paragraphs 13 and 14)
- Effective for Reporting Periods Ending After December 31, 2021:
  - Removes LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap (paragraph 11b).

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Effective Dates	Date per Pronouncement
	Fiscal Years Beginning After 6/15/2022

- For the Public-Private and Public-Public Partnerships (P3s) that meet the definition of a service concession arrangement (SCA), this Statement carries forward the financial reporting requirements for SCAs that were included in Statement 60, with modifications to apply the more extensive requirements related to recognition and measurement of leases to SCAs.
- For P3s that meet the definition of a lease, the guidance in Statement No. 87 should be applied, if existing assets of the transferor that are not required to be improved by the operator as part of the P3 arrangement are the only underlying P3 assets and the P3s do not meet the definition of an SCA.
- This Statement provides specific guidance for all other P3s from the perspective of both a government that transfers rights to another party and governmental operators that receive those rights.
- The Statement requires governments to account for Availability Payment Arrangement (APAs) in which ownership of the asset transfers by the end of the contract as a financed purchase of the underlying infrastructure or other nonfinancial asset. It also requires a government to report an APA that is related to operating or maintaining a nonfinancial asset as an outflow of resources (for example, expense) in the period to which payments relate

GASB Statement No. 96, *Subscription Based Information Technology Arrangements*

Effective Dates	Date per Pronouncement
	Fiscal Years Beginning After 6/15/2022

- Addresses accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. Standard is based on the standards established in Statement No. 87, *Leases*.
- Defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's 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.
- Requires governments with SBITAs to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability (with an exception for short-term SBITAs—those with a maximum possible term of 12 months).
- Provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans Deferred Compensation Plans*

Effective Dates	Date per Pronouncement
	Effective as Noted Below

- Effective Upon Statement Issuance – June 2020:
  - 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 performs.
  - Requires that the financial benefit burden criteria in Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension and OPEB plans administered through a trust.
- Effective for Fiscal Years Beginning After June 15, 2021
  - 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.
  - Requires that a Section 457 plan that meets the definition of a pension apply all accounting and financial reporting requirements relevant to pensions.
  - Clarifies that Statement 84, as amended, should be applied to all Section 457 plans to determine whether those arrangements should be reported as fiduciary activities.

GASB Statement No. 99, *Omnibus 2022*

Effective Dates	Date per Pronouncement
	Effective as Noted Below

- This Statement address practice issues identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees.
- Effective Upon Statement Issuance – April 2022:
  - Extension of the period during which 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 of benefits distributed 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 of Statement No. 34 related to the focus of the government-wide financial statements
  - Updates to terminology used in Statement No. 53 to refer to resource flow statements and to certain provisions in Statement No. 63
- Effective for Fiscal Years Beginning After June 15, 2022:
  - Determination of lease term and classification of leases as short-term in accordance with Statement No. 87
  - Clarification related to the determination of Public-Private Partnerships (PPP) term and recognition and measurement of installment payments and the transfer of PPP assets under Statement No. 94
  - Clarification of the provisions of Statement No. 96 related to Subscription Based Information Technology Arrangements (SBITA) term, classification of short-term SBITA, and recognition and measurement of a subscription liability
- Effective for Fiscal Years Beginning After June 15, 2023:
  - A government extending an exchange or exchange-like financial guarantee should recognize a liability and expense/expenditure related to the guarantee when qualitative factors and historical data indicate that it is more likely than not a government will be required to make a payment related to the guarantee. Statement No. 99 excludes guarantees related to special assessment debt, financial guarantee contracts within the scope of Statement No. 53, or guarantees related to conduit debt obligations.
  - Requirements related to the classification and reporting of derivative instruments within the scope of Statement No. 53 that do not meet the definition of an investment or hedging derivative instrument

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*

Effective Dates	Date per Pronouncement
	Fiscal Years Beginning After 6/15/2023

- This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes.
- As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability.
- This Statement also addresses corrections of errors in previously issued financial statements.
- This Statement requires that:
  - changes in accounting principles and error corrections be reported retroactively by restating prior periods,
  - changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and
  - changes in accounting estimates be reported prospectively by recognizing the change in the current period.
- The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement.
- Statement No. 100 requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.
- This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.
- Statement No. 100 also addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB Statement No. 101, *Compensated Absences*

Effective Dates	Date per Pronouncement
	Fiscal Years Beginning After 12/15/2023

- This Statement requires that liabilities for compensated absences be recognized for leave that as not been used and leave that has been used but not yet paid in cash or settled through noncash means.
- Requires recognition of a liability for leave that has not been used if:
  - the leave is attributable to services already rendered,
  - the leave accumulates, and
  - the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.
- 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.
- Statement No. 101 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.
- In addition, this Statement requires that for specific types of compensated absences, a liability 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, Statement No. 101 requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.
- Statement No. 101 amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.