County of Floyd, Virginia

Annual Financial Report

June 30, 2025

BROWNEDWARDS
certified public accountants

County of Floyd, Virginia

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Introductory Section

County of Floyd, Virginia

Board of Supervisors

Joe D. Turman, Chair

Jerry W. Boothe, Vice Chair
Levi Cox
Linda DeVito Kuchenbuch
Walter Phillips

County School Board

James Ingram, Chair

Laura H. LeRoy, Vice Chair
C. Gene Bishop
Deborah M. Snellings
Kirsten Vest

County Social Services Board

John McEnhill, Chair

Jerry W. Boothe
Lisa Thompson
Jennifer Claytor
Kim Chiddo

Economic Development Authority (EDA)

Ryan Baker, Chair

Melissa Cox, Vice Chair
Draken Thompson, Secretary/Treasurer
Chris Borin
Marty Holliday
Jim Newlin
Matt Sebas

Other Officials

Clerk of the Circuit Court .... Rhonda Vaughn
Commonwealth's Attorney .... William Eric Branscom
Commissioner of the Revenue .... Lisa D. Baker
Treasurer .... Melissa M. Keith
Sheriff .... Brian Craig
Superintendent of Schools .... Jessica Cromer
Director of Social Services .... J. Chad Alls
EDA Director .... Lydeana Martin
County Administrator & CFO .... Kim Chiddo
Assistant County Administrator .... Jenny Tolbert
County Attorney .... Todd Prichard

Financial Section

BROWNEDWARDS
certified public accountants

Independent Auditor's Report

To the Honorable Members of the Board of Supervisors
County of Floyd, Virginia
Floyd, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Floyd (the "County") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2025, the County adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis, the budgetary comparison information, and pension and OPEB disclosures that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying discretely presented component units and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200*, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federl Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the discretely presented component units' financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2026, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
July 27, 2026

Basic Financial Statements

County of Floyd, Virginia

Exhibit 1

Statement of Net Position

June 30, 2025

	Governmental Activities	Component Units: School Board	Component Units: Economic Development Authority
ASSETS			
Cash and cash equivalents (Note 2)	$ 13,219,570	$ 2,146,573	$ 444,720
Receivables, net (Note 3)			
Taxes receivable	6,398,770	-	-
Accounts receivable	22,173	-	11,900
Inventory, held for resale	-	-	230,834
Prepaid items	-	224,422	-
Due from primary governments (Note 4)	-	2,228,344	8,279
Due from component units (Note 4)	1,605,087	-	-
Notes receivable - PSA	-	-	114,100
Leases receivable (Note 17) (Note 12)	53,774	-	292,740
Intergovernmental receivables (Note 3)	2,015,883	555,627	1,657,611
Cash and cash equivalents, restricted (Note 2)	11,629,666	-	223,009
Capital assets (Note 9)			
Nondepreciable	1,377,859	265,917	1,833,963
Depreciable, net	32,976,687	10,810,327	7,459,501
Total noncurrent assets	45,984,212	11,076,244	9,516,473
Total assets	69,299,469	16,231,210	12,276,657
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related items (Note 6)	1,669,795	4,059,274	-
OPEB-related items (Note 7)	98,749	371,097	-
Total deferred outflows of resources	1,768,544	4,430,371	-
LIABILITIES			
Accounts payable	507,117	-	7,923
Accrued liabilities	-	2,228,344	-
Health claims payable (Note 15)	-	297,692	-
Customers' deposits	-	-	12,969
Accrued interest payable	658,110	-	-
Due to primary government (Note 4)	-	-	1,605,087
Due to component unit (Note 4)	2,236,623	-	-
Unearned revenue - prepaid taxes (Note 12)	441,842	-	-
Unearned grant revenues (Note 12)	340,885	257,656	10,775
Long-term liabilities			
Net pension liability (Note 6)	3,046,565	11,982,041	-
Net OPEB liabilities (Note 7)	289,359	2,010,316	-
Due within one year (Note 5)	2,501,172	418,639	-
Due in more than one year (Note 5)	31,085,649	553,053	-
Total liabilities	41,107,322	17,747,741	1,636,754

The Notes to Financial Statements are an integral part of this statement.

County of Floyd, Virginia

Exhibit 1

Statement of Net Position

June 30, 2025

		Component Units	
	Governmental Activities	School Board	Economic Development Authority
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes (Note 12)	$ 6,395,870	$ -	$ -
Pension-related items (Note 6)	590,455	2,704,355	-
OPEB-related items (Note 7)	47,823	432,208	-
Lease-related items (Note 12)	53,774	-	292,740
Total deferred inflows of resources	7,087,922	3,136,563	292,740
NET POSITION (DEFICIT)			
Net investment in capital assets	15,027,669	10,950,303	9,293,464
Restricted for:			
Opioid settlements funds	133,012	-	-
Cafeteria	-	301,666	-
Asset forfeiture	152,505	-	-
Self insurance	-	974,172	-
Unrestricted	7,559,583	(12,448,864)	1,053,699
Total net position (deficit)	**$ 22,872,769**	**$ (222,723)**	**$ 10,347,163**

The Notes to Financial Statements are an integral part of this statement.

County of Floyd, Virginia

Exhibit 2

Statement of Activities

Year Ended June 30, 2025

Function	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Primary Government	Component Units: School Board	Component Units: Economic Development Authority
Primary Government							
Governmental activities							
General government administration	$ 2,455,986	$ -	$ 1,501,630	$ -	$ (954,356)		
Judicial administration	1,318,253	9,550	576,510	-	(732,193)		
Public safety	5,513,187	949,540	1,725,929	28,200	(2,809,518)		
Public works	3,097,394	221,300	-	-	(2,876,094)		
Health and welfare	4,493,008	1,255,039	2,126,751	-	(1,111,218)		
Education	8,919,983	-	-	-	(8,919,983)		
Parks, recreational, and cultural	717,491	90,621	-	-	(626,870)		
Community development	3,400,894	525,216	1,263,117	-	(1,612,561)		
Interest on long-term debt	1,474,097	-	-	-	(1,474,097)		
Total primary government	**$ 31,390,293**	**$ 3,051,266**	**$ 7,193,937**	**$ 28,200**	**(21,116,890)**		
Component Units							
School Board	$ 25,353,504	$ 160,692	$ 17,617,224	$ -		$ (7,575,588)	
Economic Development Authority	580,232	-	1,344,191	54,659			$ 818,618
Total component units	**$ 25,933,736**	**$ 160,692**	**$ 18,961,415**	**$ 54,659**		(7,575,588)	818,618
General revenues							
General property taxes					16,807,781	-	-
Other local taxes							
Local sales and use taxes					1,836,417	-	-
Personal property tax state share					925,741	-	-
Consumer utility taxes					438,178	-	-
Meals taxes					235,475	-	-
Motor vehicle licenses					422,181	-	-
Hotel and motel room taxes					155,740	-	-
Other local taxes					189,578	-	-
Interest income					805,010	-	6,414
Miscellaneous					2,161,409	1,118,949	409,424
Contributions from the County of Floyd					-	8,121,016	34,204
Intergovernmental, non-categorical aid					74,189	-	-
Total general revenues					24,051,699	9,239,965	450,042
Change in net position					2,934,809	1,664,377	1,268,660
NET POSITION (DEFICIT) - BEGINNING OF YEAR, as previously presented					19,937,960	(2,165,687)	9,078,503
RESTATEMENT (Note 19)					-	278,587	-
NET POSITION (DEFICIT) - BEGINNING, as restated					19,937,960	(1,887,100)	9,078,503
NET POSITION (DEFICIT)- ENDING					**$ 22,872,769**	**$ (222,723)**	**$ 10,347,163**

The Notes to Financial Statements are an integral part of this statement.

County of Floyd, Virginia

Exhibit 3

Balance Sheet – Governmental Funds

June 30, 2025

	General Fund	Fire and Rescue Fund	Asset Forfeiture Fund	Capital Improvement Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 11,771,622	$ -	$ 152,505	$ 1,295,443	$ 13,219,570
Receivables, net					
Taxes receivable	6,398,770	-	-	-	6,398,770
Accounts receivable	-	-	-	22,173	22,173
Lease receivable	53,774	-	-	-	53,774
Intergovernmental receivables	2,015,883	-	-	-	2,015,883
Due from component units	1,605,087	-	-	-	1,605,087
Due from other funds	1,565,617	-	-	-	1,565,617
Cash and cash equivalents, restricted	11,629,666	-	-	-	11,629,666
Total assets	**$ 35,040,419**	**$ -**	**$ 152,505**	**$ 1,317,616**	**$ 36,510,540**
LIABILITIES					
Liabilities					
Accounts payable	$ 507,117	$ -	$ -	$ -	$ 507,117
Due to component unit	2,236,623	-	-	-	2,236,623
Due to other funds	-	1,565,617	-	-	1,565,617
Unearned revenue - prepaid taxes (Note 12)	441,842				441,842
Unearned grant revenue	340,885	-	-	-	340,885
Total liabilities	3,526,467	1,565,617	-	-	5,092,084
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes (Note 12)	6,553,126	-	-	-	6,553,126
Unavailable revenue - opioid settlement	316,801	-	-	-	316,801
Lease-related items	53,774	-	-	-	53,774
	6,923,701	-	-	-	6,923,701
Fund balances (deficit)					
Restricted					
Unspent bond proceeds	11,629,666	-	-	-	11,629,666
Asset forfeiture	-	-	152,505	-	152,505
Opioid settlement	133,012	-	-	-	133,012
Assigned					
Law Library	67,661	-	-	-	67,661
School capital projects	-	-	-	546,077	546,077
County capital projects	-	-	-	771,539	771,539
Courts	117,499	-	-	-	117,499
Courthouse Maintenance	110,350	-	-	-	110,350
Unassigned	12,532,063	(1,565,617)	-	-	10,966,446
Total fund balances (deficit)	24,590,251	(1,565,617)	152,505	1,317,616	24,494,755
Total liabilities and fund balances	**$ 35,040,419**	**$ -**	**$ 152,505**	**$ 1,317,616**	**$ 36,510,540**

County of Floyd, Virginia

Exhibit 4

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

June 30, 2025

Amounts reported for governmental activities in this statement of net position are different because:		
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		$ 24,494,755
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	$ 1,234,999	
Construction in progress	142,860	
Buildings and improvements	36,388,536	
Machinery and equipment	16,750,293	
Lease assets - machinery and equipment	437,331	
Less accumulated depreciation and amortization	(20,599,473)	
Net capital assets		34,354,546
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, are not reported as revenue in the funds.		
Property taxes	157,256	
Opioid settlements	316,801	
		474,057
Financial statement elements related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to:		
Pensions	1,669,795	
Other postemployment benefits	98,749	
Deferred inflows related to:		
Pensions	(590,455)	
Other postemployment benefits	(47,823)	
Net pension liability	(3,046,565)	
Other postemployment benefit liability	(289,359)	
		(2,205,658)
Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Loans and bonds payable	(29,791,308)	
Bond premiums	(1,068,604)	
Lease liabilities	(96,631)	
Compensated absences	(498,024)	
Interest payable	(658,110)	
Arbitrage liability	(486,362)	
Landfill closure/post-closure liability	(1,645,892)	
		(34,244,931)
Net position of governmental activities		**$ 22,872,769**

County of Floyd, Virginia

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2025

	General Fund	Fire and Rescue Fund	Asset Forfeiture Fund	Capital Improvement Fund	Total Governmental Funds
REVENUES					
General property taxes	$ 16,814,217	$ -	$ -	$ -	$ 16,814,217
Other local taxes	2,983,607	-	-	235,475	3,219,082
Permits, privilege fees, and regulatory licenses	176,628	-	-	-	176,628
Fines and forfeitures	7,989	-	-	-	7,989
Revenue from use of money and property	1,161,720	-	-	-	1,161,720
Charges for services	1,222,677	-	-	-	1,222,677
Miscellaneous	1,972,886	-	-	-	1,972,886
Intergovernmental					
Commonwealth	5,399,486	95,662	62,633	-	5,557,781
Federal	3,869,458	-	-	-	3,869,458
Total revenues	33,608,668	95,662	62,633	235,475	34,002,438
EXPENDITURES					
Current					
General government administration	2,359,408	-	-	-	2,359,408
Judicial administration	1,337,443	-	-	-	1,337,443
Public safety	4,965,994	279,328	35,306	-	5,280,628
Public works	2,748,754	-	-	-	2,748,754
Health and welfare	4,531,148	-	-	-	4,531,148
Education	7,951,282	-	-	-	7,951,282
Parks, recreation, and cultural	650,875	-	-	-	650,875
Community development	3,408,540	-	-	-	3,408,540
Capital projects	228,928	-	-	-	228,928
Debt service					
Principal retirement	2,021,097	-	-	-	2,021,097
Interest and other fiscal charges	973,376	-	-	-	973,376
Total expenditures	31,176,845	279,328	35,306	-	31,491,479
Excess (deficiency) of revenues over (under) expenditures	2,431,823	(183,666)	27,327	235,475	2,510,959
OTHER FINANCING SOURCES					
Issuance of lease liabilities	46,392	-	-	-	46,392
Issuance of lease revenue bonds	410,000	-	-	-	410,000
Total other financing sources	456,392	-	-	-	456,392
Net change in fund balances	2,888,215	(183,666)	27,327	235,475	2,967,351
FUND BALANCES (DEFICIT) AT JULY 1,	21,702,036	(1,381,951)	125,178	1,082,141	21,527,404
FUND BALANCES (DEFICIT) AT JUNE 30	**$ 24,590,251**	**$ (1,565,617)**	**$ 152,505**	**$ 1,317,616**	**$ 24,494,755**

County of Floyd, Virginia

Exhibit 6

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities

Year Ended June 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances – total governmental funds		$ 2,967,351
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.		
Expenditure for capital assets	$ 214,379	
Donated assets	1,593,200	
Book value of assets disposed	(69,903)	
Reversion of assets	(1,282,674)	
Less: depreciation and amortization expense	(1,660,325)	
Excess of depreciation and amortization over capital outlay		(1,205,323)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue - property taxes	(6,438)	
Change in unavailable revenue - Opioid settlement funds	18,576	
		12,138
The issuance of long-term debt provides current financial resources to governmental funds, while the repayments of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Issuance of lease liability	(46,392)	
Issuance of lease revenue bonds	(410,000)	
Principal payments:		
Loans and bonds	1,952,904	
Lease liabilities	68,193	
		1,564,705
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditure in governmental funds.		
Change in compensated absences	(113,965)	
Change in net pension liability and related deferred items	227,386	
Change in net OPEB and related deferred items	17,278	
Change in accrued interest payable	(193,362)	
Change in bond premium	179,003	
Change in landfill closure/post-closure liability	(34,040)	
Change in arbitrage liability	(486,362)	
		(404,062)
Change in net position of governmental activities		**$ 2,934,809**

County of Floyd, Virginia

Exhibit 7

Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2025

	Custodial Fund	Custodial Fund	
	Special Welfare Fund	**Evidence Fund**	**Total Custodial Funds**
ASSETS			
Cash and cash equivalents	**$ 47,446**	**$ 8,232**	**$ 55,678**
NET POSITION			
Restricted			
Welfare recipients	**$ 47,446**		47,446
Evidence funds		**$ 8,232**	8,232
Net Position			**$ 55,678**

County of Floyd, Virginia

Exhibit 8

Statement of Changes in Fiduciary Net Position – Fiduciary Funds

Year Ended June 30, 2025

	Special Welfare Fund	Evidence Fund	Total Custodial Funds
ADDITIONS			
Contributions			
Miscellaneous	$ 3	$ -	$ 3
Intergovernmental - Social Security payments	55,967	-	55,967
Total contributions	55,970	-	55,970
Transfer from General Fund	-	15,189	15,189
Total additions	55,970	15,189	71,159
DEDUCTIONS			
Checks for SS and SSI recipients	39,773	-	39,773
Return of funds	-	6,957	6,957
Total deductions	39,773	6,957	46,730
Net increase in fiduciary net position	16,197	8,232	24,429
Net position - beginning	31,249	-	31,249
Net position - ending	**$ 47,446**	**$ 8,232**	**$ 55,678**

The Notes to Financial Statements are an integral part of this statement.

Note 1 – Summary of Significant Accounting Policies

The financial statements of the County of Floyd, Virginia (the “County”) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the County’s significant policies:

A – Financial Reporting Entity

The County is a municipal corporation governed by an elected five-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization’s governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization, which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Floyd, Virginia (the primary government) and its component units. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

Discretely Presented Component Units

Floyd County School Board

The Floyd County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type and does not issue separate financial statements.

Economic Development Authority

The Economic Development Authority of Floyd County, Virginia (EDA) was created to encourage and provide financing for economic development in the County. The EDA’s directors are appointed by the Board of Supervisors and the County is financially accountable for the EDA in that it provides local funding for the EDA’s activities. The EDA is authorized to acquire, own, lease, develop, and dispose of properties to the extent that such activities foster and stimulate economic development. The EDA is presented as a proprietary fund type and does not issue separate financial statements.

Related Organizations

The County is also responsible for appointing the members of the boards of other organizations; however, the County’s accountability to these organizations does not extend beyond making the appointments.

Jointly Governed Organizations

Floyd-Floyd County Public Service Authority

The Floyd-Floyd County Public Service Authority (PSA) was created by the County and the Town of Floyd to operate local water and sewer systems. All obligations of the Authority are payable from and secured by revenues derived from the operation of the water and sewer systems.

Floyd-Floyd County Tourism Authority

The County, along with the Town of Floyd, provides support to the Floyd-Floyd County Tourism Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The County contributed $40,000 to the Authority for the current year.

Montgomery-Floyd Regional Library

The County, in conjunction with Montgomery County, participates in the Montgomery-Floyd Regional Library. The governing board is composed of members from each of the participating localities. The County contributed $126,380 to the library for the current year.

New River Valley Community Services

The County, the Counties of Montgomery, Giles, Pulaski, and the City of Radford participate in supporting New River Valley Community Services (NRVCS). The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The County contributed $47,000 to NRVCS for the current year.

New River Valley Regional Jail Authority

The County, in conjunction with the Counties of Bland, Carroll, Giles, Grayson, and Pulaski, and the City of Radford, participates in the New River Valley Regional Jail Authority. Each member jurisdiction pays a per-diem charge for each day that one of its prisoners is at the regional jail facility. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-diem charge is based upon an assumed number of prisoner days, and is subject to adjustment at the end of each fiscal year. The County paid the Authority $340,865 for the current year.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net position is designed to display the financial position of the primary government (governmental activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide statement of net position and report depreciation expense – the cost of “using up” capital assets – in the statement of activities. The net position of a government is broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the GASB. The principles prescribed by GASB represent GAAP applicable to governmental units.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits, and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.).

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including lease and subscription liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease and subscription assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts.

Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The County's fiduciary funds are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The government reports the following major governmental funds:

The *General Fund* is the County's primary operating fund of the County. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues are used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for reporting purposes.

The *Fire and Rescue Fund* is a special revenue fund that accounts for and reports the proceeds of specific revenue sources, (other than those derived from special assessments, expendable trusts, of dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions. The Fire and Rescue Fund accounts for tax collections earmarked for fire and rescue services and related expenses. This fund is considered a major special revenue fund.

The *Asset Forfeiture Fund* reports financial resources that are restricted to expenditure for the County's seized assets. This fund is considered a major special revenue fund.

The *Capital Improvement Fund* reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays. This fund is considered a major capital project fund.

Additionally, the government reports the following fund types:

Fiduciary Funds account for assets held by the County in a trustee capacity or as a custodian for individuals, private organizations, other governmental units, or other funds. The Evidence Fund and the Special Welfare Fund are reported as custodial funds. These funds utilize the accrual basis of accounting described in the governmental fund presentation. Fiduciary funds are not included in the government-wide financial statements.

The School Board reports the following major governmental fund:

This *School Operating Fund* is the primary operating fund of the School Board and accounts and reports for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Floyd, and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

The *School Activity Fund* accounts for the activities of the bank accounts held at the individual schools under the direction of each corresponding principal. This fund is considered a non-major governmental fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D – Budgets and Budgetary Accounting

The following procedures are used by the County in establishing the budgetary data:

1. Prior to May 1, the County Administrator submits to the County Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, Fire and Rescue, Asset Forfeiture, Capital Improvement, and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the County Board of Supervisors can change the appropriation by function at the County or category at the School Board. The County Administrator is authorized to transfer budgeted amounts within general government activities or departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Operating Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with GAAP.
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate capital projects by project.

E – Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

   Cash and cash equivalents include amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the government.

2. Restricted Cash and Cash Equivalents

   Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments, and external investment pools are presented as restricted cash. Restricted cash consists of unspent bond proceeds.

3. Receivables and Payables

   Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e., the noncurrent portion of interfund loans).

4. Property Taxes

   Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5th and June 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

   The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $277,497 for property taxes for the year ended June 30, 2025.

6. Use of Estimates

   The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Prepaid Items

   Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

8. Capital Assets

   Capital assets are tangible and intangible assets, defined by the County, School Board, and EDA as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years.

   As the County and Component Unit School Board constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease and subscription assets, the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

   Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, subscription assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years of Service
Buildings	40 years
Building and improvements	40 years
Machinery and equipment	4-30 years
Lease – Machinery and equipment	Term of Lease
Lease – Buildings and improvements	Term of Lease
Subscription assets	Term of Subscription

9. Compensated Absences

   Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The County implemented GASB Standard No. 101, *Compensated Absences*, during 2025, which updates how governments recognize and measure liabilities for leave benefits. In accordance with the standard, liabilities are accrued when earned.

10. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

11. Fund Balance

In the governmental funds, the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources is called "fund balance." The County's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- Nonspendable fund balance – amounts that are either not in spendable form (such as inventory and prepaid expenditures) or are legally or contractually required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

The Board of Supervisors is the County's highest level of decision-making authority and the formal action that is required to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board of Supervisors. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources, represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expenditure/expense) until then. Certain items related to pension and OPEB are deferred outflows.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable and opioid receivable are reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments are levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as unearned revenue liabilities. In addition, certain items related to pension, OPEB, leases, and the opioid settlement are reported as deferred inflows of resources.

13. Net Position

For government-wide reporting, the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes, the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

14. Pension

For purposes of measuring the net Virginia Retirement System (VRS) pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's and School Board's Retirement Plan and the additions to/deductions from the County's and School Board's Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS-related OPEB liabilities, deferred outflows and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, Teacher HIC, and School Nonprofessional HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. Leases and Subscription-Based IT Arrangements

The County and Component Units have various lease assets and subscription-based IT arrangements (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Lessee

The County and Component Units recognize lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of $5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor

The County and Component Unit - EDA recognize leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Subscriptions

The County and Component Units recognize intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of $5,000, in individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Key Estimates and Judgments

Lease and subscription-based IT arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease and subscription payments to present value, (2) lease and subscription term, and (3) lease and subscription payments.

- The County and Component Units use the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the County and Component Units use its estimated incremental borrowing rate as the discount rate for leases and subscriptions.

- The lease and subscription term includes the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments, as well as lease or subscription incentives and certain other payments are included in the measurement of the lease receivable (lessor), lease liability (lessee) or subscription liability.

The County and Component Units monitor changes in circumstances that would require a remeasurement or modification of its leases and subscriptions. The County and Component Units will remeasure the lease receivable and deferred inflows of resources (lessor), the lease asset and liability (lessee), or the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease receivable, lease liability, or subscription liability.

17. Transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

18. Negative Fund Balances / Net Position

The Fire and Rescue fund has a negative $(1,565,617) unassigned fund balance as of June 30, 2025. The County's Board of Supervisors is considering the future of this fund and how to reduce the deficit.

The School Board has a negative $(12,448,864) unrestricted net position due to a $12.0M net pension liability, which fluctuates from year to year and is determined by the VRS actuary.

19. General Fund Appropriations

The County's Board of Supervisors approves additional General Fund appropriations during the fiscal year, primarily for grant funds and capital projects.

Note 2 – Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States of America or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes; bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP), the Virginia State Non-Arbitrage Program (SNAP), and the VML/VACO Investment Pool.

Custodial Credit Risk (Deposits)

This is the risk, in the event of a bank failure, the County's deposits may not be returned to the County. The County requires all deposits to comply with the Virginia Security for Public Deposits Act. At year-end, none of the County's or the Component Unit – School Board's deposits are exposed to custodial credit risk.

Concentration of Credit Risk

At June 30, 2025, the County did not have any investments meeting the definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Investments

The Deputy County Administrator for the County is responsible for administering its investments and ensuring compliance with the County's policies and statutory requirements.

In accordance with the laws of the Commonwealth and County policy, investments authorized to be held by the County are:

1. Certificates of Deposit

   Certificates of deposit maturing within one year and issued by domestic banks that have received at least two of the following ratings: (i) at least rated P-1 by Moody's; (ii) at least A-1 by Standard & Poor's; or (iii) at least F-1 by Fitch Ratings.

   At year-end, the County has $6.66 million in certificates of deposit.

2. Virginia Local Government Investment Pool (LGIP)

   The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The carrying value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of $1 per share in accordance with GASB 79. The LGIP has been assigned an "AAAm" rating by Standard & Poor's.

3. Virginia State Non-Arbitrage Program (SNAP)

   Investment in the Virginia State Non-Arbitrage Program (SNAP) is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Sections 2.2-4700 through 2.2-4705 of the *Code of Virginia*, the Government Non-Arbitrage Investment Act authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities of any combination of the foregoing ("Virginia governments") in the management of and accounting for their bond funds, including, without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof. The Virginia SNAP has been assigned an "AAAm" rating by Standard & Poor's. The SNAP Fund is managed to maintain a dollar-weighted average portfolio maturity of 90 days or less, seeks to maintain a constant net value (NAV) per share of $1, and is stated at amortized cost in accordance with GASB 79. The Commonwealth of Virginia's Treasury Board has contracted with PFM Asset Management, LLC, M&T Bank, and U.S. Bank, N.A. to provide professional services and regulating oversight to the SNAP Program.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2025, the County's investments in LGIP and SNAP are rated "AAAm." All credit ratings presented in this paragraph are S&P Global ratings. The County does not have a policy that addresses investment credit risk.

County's Rated Debt Investments' Value

Rated Debt Investments	Fair Quality Ratings
	AAAm
SNAP	$ 9,570,382
LGIP	2,059,284
	$ 11,629,666

External Investment Pools

The value of the positions in the external investment pools is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from increasing interest rates and to comply with the laws of the Commonwealth, the County's policy limits the investment of funds to investments with a stated maturity of no more than five years from the date of purchase.

Investment Maturities (in years)

Investment Type	Fair Value	Less Than 1 Year
SNAP	$ 9,570,382	$ 9,570,382
LGIP	2,059,284	2,059,284
	$ 11,629,666	**$ 11,629,666**

The County categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Reconciliation to Exhibit 1:

	County	School Board	EDA	Total
Restricted Cash				
LGIP	$ 2,059,284	$ -	$ -	$ 2,059,284
SNAP	9,570,382	-	-	9,570,382
Cash	-	-	223,009	223,009
Total restricted cash	11,629,666	-	223,009	11,852,675
Cash and cash equivalents				
Certificates of deposit	6,659,701	-	101,997	6,761,698
Cash	6,559,869	2,146,573	342,723	9,049,165
Total cash and cash equivalents	13,219,570	2,146,573	444,720	15,810,863
Total cash	**$ 24,849,236**	**$ 2,146,573**	**$ 667,729**	**$ 27,663,538**

Note 3 – Receivables

Taxes and Accounts Receivables

Receivables, other than leases, at June 30, 2025, including the applicable allowances for uncollectible accounts, are as follows:

	County General Fund	County Capital Improvement Fund	EDA	Totals
Taxes, including penalties	$ 6,676,267	$ -	$ -	$ 6,676,267
Accounts	-	22,173	11,900	34,073
Gross receivables	6,676,267	22,173	11,900	6,710,340
Less allowance for uncollectable accounts	277,497	-	-	277,497
Net receivables	**$ 6,398,770**	**$ 22,173**	**$ 11,900**	**$ 6,432,843**

Intergovernmental Receivables

The following amounts represent receivables from other governments at year-end:

	County	School Board	Economic Development Authorty
Commonwealth of Virginia			
Sales tax	$ 311,818	$ 484,969	$ -
Communications tax	64,232	-	-
Categorical aid – LASER	83,286	-	-
Categorical aid – CSA	278,301	-	-
Wireless 911	105,325	-	-
Opioid settlement	316,801	-	-
Public Service Corporation	714,284	-	-
TRCC			53,069
VDOT			272,226
Federal Government			
Categorical aid - LASER	141,836	-	-
USEDA	-	-	1,332,316
School federal programs	-	70,658	-
Total	**$ 2,015,883**	**$ 555,627**	**$ 1,657,611**

Note 4 –Component-Unit Obligations

At year-end, due to or due from obligations between the primary government and component units consisted of the following:

Fund	Primary Government	School Board	Economic Development Authority
Due from Primary Government	$ -	$ 2,228,344	$ 8,279
Due from EDA	1,605,087	-	-
Total due from obligations	**$ 1,605,087**	**$ 2,228,344**	**$ 8,279**
Due to Primary Government	$ -	$ -	$ 1,605,087
Due to School Board	2,228,344	-	-
Due to EDA	8,279	-	-
Total due to obligations	**$ 2,236,623**	**$ -**	**$ 1,605,087**

Note 5 – Long-Term Obligations

Primary Government – Governmental Activities Indebtedness

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2025:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Due in One Year
Direct borrowings and direct placements					
General obligation bonds	$ 14,310,728	$ -	$ (690,420)	$ 13,620,308	$ 835,308
Bond premiums	1,247,607	-	(179,003)	1,068,604	-
Lease revenue bonds	16,831,000	410,000	(1,070,000)	16,171,000	1,242,000
Financed purchases	192,484	-	(192,484)	-	-
Lease liabilities	118,432	46,392	(68,193)	96,631	50,347
Landfill closure/post-closure liability	1,611,852	34,040	-	1,645,892	-
Arbitrage liability	-	486,362	-	486,362	-
Compensated absences*	384,059	113,965	-	498,024	373,517
Total	**$ 34,696,162**	**$ 1,087,410**	**$ (2,200,100)**	**$ 33,586,821**	**$ 2,501,172**

*The change in the compensated absences liability is presented as a net change.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	General Obligation Bonds		Lease Revenue Bonds		Lease Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 835,308	$ 455,797	$ 1,242,000	$ 441,640	$ 50,347	$ 3,043
2027	605,000	411,553	1,444,000	408,164	22,669	2,377
2028	635,000	379,485	1,480,000	369,305	9,446	1,744
2029	670,000	345,650	1,521,000	329,384	9,446	1,744
2030	705,000	310,048	1,414,000	288,425	4,723	872
2031-2035	4,055,000	1,003,730	7,431,000	846,349	-	-
2036-2040	5,040,000	345,173	1,229,000	71,998	-	-
2041-2045	1,075,000	-	410,000	441,640	-	-
Total	**$ 13,620,308**	**$ 3,251,436**	**$ 16,171,000**	**$ 3,196,905**	**$ 96,631**	**$ 9,780**

Details of Long-Term Indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Total Amount
Direct Borrowings and Direct Placements					
General Obligation Bonds					
General obligation bonds (VPSA)	4.60-5.10%	11/10/2005	07/15/2025	$ 10,259,045	$ 595,308
General obligation bonds (VPSA)	Varies	11/16/2020	07/15/2040	13,150,000	13,025,000
Total general obligation bonds					13,620,308
Lease Revenue Bonds					
Lease revenue bond	2.40%	08/04/2016	01/31/2038	903,000	604,000
Lease revenue bond	2.30%	07/16/2020	02/01/2035	6,849,000	5,282,000
Lease revenue bond	2.28%	07/16/2020	02/01/2029	820,000	649,000
Lease revenue bond	2.83%	07/16/2020	02/01/2034	845,000	558,000
Lease revenue bond	2.43%	05/21/2021	02/01/2036	4,980,000	4,429,000
Lease revenue bond	3.07%	05/21/2021	02/01/2036	1,877,000	1,498,000
Lease revenue bond	2.89%	05/21/2021	02/01/2036	361,000	277,000
Lease revenue bond	1.85%	05/21/2021	02/01/2026	434,000	375,000
Lease revenue bond	2.74%	05/21/2021	02/01/2031	598,000	89,000
Lease revenue bond	5.22%	06/30/2023	08/01/2037	2,000,000	2,000,000
Lease revenue bond	4.32%	08/01/2025	08/01/2030	410,000	410,000
Total lease revenue bonds					16,171,000
Total direct borrowings and direct placements subtotal					**$ 29,791,308**
Lease Liabilities					
County Enterprise vehicle leases	2.58-13.83%	Varies	Varies	Varies	**$ 96,631**

Events of Default

The County's general obligation and lease revenue bonds are subject to the state aid intercept program. Under terms of the program, the County's State aid is redirected to bond holders to cure any event(s) of default.

Discretely Presented Component Unit – School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2025:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Due in One Year
Compensated absences, as restated*	$ 883,059	$ -	$ (37,308)	$ 845,751	$ 355,755
Lease liabilities	29,760	183,155	(86,974)	125,941	62,884
Subscription liabilities	14,393	-	(14,393)	-	-
Total	**$ 927,212**	**$ 183,155**	**$ (138,675)**	**$ 971,692**	**$ 418,639**

*The change in the compensated absences liability is presented as a net change.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending	Lease Liabilities	
June 30,	Principal	Interest
2026	$ 62,884	$ 4,321
2027	63,057	2,304
	$ 125,941	**$ 6,625**

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Total Amount
Lease Liabilities					
School touchless water system lease	2.00%	08/01/2020	07/01/2025	$ 47,664	$ 1,841
School copier lease	4.48%	07/01/2024	07/01/2027	183,155	124,100
Total lease liabilities					**$ 125,941**

Discretely Presented Component Unit – EDA-Indebtedness

The EDA has a line of credit that it renews in August each year in the amount of $100,000 with an interest rate of Prime plus 0.25% or 5.75%. The EDA renewed the agreement during fiscal year 2025 but did not draw on the line and had a zero balance at year-end.

Note 6 – Pension Plans

Plan Description

All full-time, salaried permanent employees of the County of Floyd and Nonprofessional employees of the school division are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System ("VRS" or the "System") along with plans for other employer groups in the Commonwealth of Virginia. However, the Floyd County Public Service Authority, whose information is not included in the primary government report, participate in the VRS plan through the County and report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- https://www.varetire.org/retirement-plans/defined-benefit/plan1/
- https://www.varetire.org/retirement-plans/defined-benefit/plan2/
- https://www.varetire.org/retirement-plans/hybrid/

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	County	PSA
Inactive members or their beneficiaries currently receiving benefits	90	-
Inactive members		
Vested inactive members	30	-
Non-vested inactive members	49	-
Inactive members active elsewhere in VRS	41	-
Total inactive members	120	-
Active members	111	5
Total covered employees	**321**	**5**

County

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to County by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The County's contractually required contribution rate for the year ended June 30, 2025, was 14.22% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $934,946 and $838,320 for the years ended June 30, 2025 and 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $35,937 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $40,786 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $3,626,617 for the year ended June 30, 2025.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the County, the net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023 rolled forward to the measurement date of June 30, 2024.

In order to allocate the net pension liability to all employers included in the Plan, the County is required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2024 and 2023, was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2024 and 2023, the County's proportion was 95.41%.

Actuarial Assumptions – General Employees

The total pension liability for General Employees (County and Schools) and Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Teacher Cost Sharing Plan – Salary increases, including inflation	3.50 – 5.95%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service-related. Public Safety Employees – 45% to 70% of deaths are assumed to be service-related. Mortality is projected using the applicable Pub-2010 Mortality Table and a Modified MP-2020 Improvement Scale with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates to better fit experience; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rate to better fit experience and increased final retirement age to 70; decreased rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00	5.40	0.86
Credit Strategies	16.00	8.10	1.30
Real Assets	15.00	7.20	1.08
Private Equity	15.00	8.70	1.31
PIP – Private Investment Partnership	1.00	8.00	0.08
Diversifying Strategies	6.00	5.80	0.35
Cash	2.00	3.00	0.06
Leverage	(3.00)	3.50	(0.11)
Total	100.00%		7.07%
*Expected arithmetic nominal return			**7.07%**

* The above allocation provides for a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

The table below reflects the total amounts of the Plan, including PSA employees.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2023	$ 23,879,667	$ 21,010,237	$ 2,869,430
Changes for the year:			
Service cost	777,701	-	777,701
Interest	1,621,934	-	1,621,934
Differences between expected and actual experience	1,136,728	-	1,136,728
Contributions – employer	-	878,680	(878,680)
Contributions – employee	-	300,877	(300,877)
Net investment income	-	2,045,508	(2,045,508)
Benefit payments, including refunds	(1,257,435)	(1,257,435)	-
Administrative expenses	-	(12,952)	12,952
Other changes	-	447	(447)
Net changes	2,278,928	1,955,125	323,803
Balances at June 30, 2024	**$ 26,158,595**	**$ 22,965,362**	**$ 3,193,233**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County (excluding PSA employees) using the discount rate of 6.75%, as well as what the County's net pension liability would be if it was calculated using a discount rate that is one-percentage-point lower (5.75%) or one-percentage-point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
County's net pension liability	**$ 6,059,296**	**$ 3,046,565**	**$ 545,851**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, the County recognized pension expense of $741,624. At June 30, 2025, the County (excluding PSA employees) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 734,849	$ 23,470
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	566,985
Employer contributions subsequent to the measurement date	934,946	-
	$ 1,669,795	**$ 590,455**

The $934,946 reported as deferred outflows of resources related to pensions resulting from the County's (excluding PSA employees) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense of Primary Government
2026	$ (94,246)
2027	469,720
2028	(110,796)
2029	(120,284)
2030	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Component Unit School Board (Nonprofessional)

Additional information related to the Plan description, Plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	86
Inactive members	
Vested inactive members	20
Non-vested inactive members	46
Inactive members active elsewhere in VRS	16
Total inactive members	82
Active members	70
Total covered employees	**238**

Contributions

The Component Unit School Board's contractually required employer contribution rate for Nonprofessional employees for the year ended June 30, 2024 was 10.51% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

Contributions to the pension plan from the Floyd County School Board's Nonprofessional employees were $203,267 and $223,165 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $11,343 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $10,721 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $1,195,806 for the year ended June 30, 2025.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balance, June 30, 2023	$ 8,794,121	$ 7,369,324	$ 1,424,797
Changes for the year			
Service cost	149,806	-	149,806
Interest	584,177	-	584,177
Differences between expected and actual experience	(104,980)	-	(104,980)
Contributions – employer	-	224,738	(224,738)
Contributions – employee	-	84,502	(84,502)
Net investment income	-	705,904	(705,904)
Benefit payments, including refunds of employee contributions	(578,903)	(578,903)	-
Administrative expenses	-	(4,883)	4,883
Other changes	-	93	(93)
Net changes	50,100	431,451	(381,351)
Balance, June 30, 2024	**$ 8,844,221**	**$ 7,800,775**	**$ 1,043,446**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Floyd County School Board (Nonprofessional) using the discount rate of 6.75%, as well as what the Floyd County School Board's (Nonprofessional) net pension liability would be if it was calculated using a discount rate that is one-percentage-point lower (5.75%) or one-percentage-point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	**Current Discount Rate (6.75%)**	**1.00% Increase (7.75%)**
Component Unit School Board (Nonprofessional) Net Pension Liability	**$ 1,907,352**	**$ 1,043,446**	**$ 307,894**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, the Component Unit School Board (Nonprofessional) recognized pension expense of $48,212. At June 30, 2025, the Component Unit School Board (Nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit – School Board (Nonprofessional)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 48,539
Net difference between projected and actual earnings on pension plan investments	-	209,359
Employer contributions subsequent to the measurement date	203,267	-
	$ 203,267	**$ 257,898**

The $203,267 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (Nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30,	Effect on Pension Expense for Component Unit School Board (Nonprofessional)
2026	$ (236,712)
2027	61,652
2028	(39,292)
2029	(43,546)
2030	-
Thereafter	-

Component Unit School Board (Professional)

Plan Description

All full-time, salaried permanent (Professional) employees of Virginia public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple-employer plan administered by the VRS.

Additional information regarding the Plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2025 was 14.21% of covered employee compensation. This was the General Assembly approved rate, which was based an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were $1,758,515 and $1,965,423 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $46,746 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $56,400 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $5,223,278 for the year ended June 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the School Division reported a liability of $10,938,595 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2024 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The school division's proportion of the Net Pension Liability was based on the School Division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the School Division's proportion was 0.10847% as compared to 0.11612% at June 30, 2023.

For the year ended June 30, 2025, the School Division recognized pension expense of $745,250. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2023 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2025, the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (Professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,897,692	$ 225,233
Change in assumptions	198,550	-
Net difference between projected and actual earnings on pension plan investments	-	1,505,704
Change in proportion and differences between employer contributions and proportionate share of contributions	1,250	715,520
Employer contributions subsequent to the measurement date	1,758,515	-
	$ 3,856,007	**$ 2,446,457**

The $1,758,515 reported as deferred outflows of resources related to pensions resulting from the School Division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2026	$ (945,335)
2027	711,432
2028	64,336
2029	(179,400)
2030	-
Thereafter	-

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2024, NPL amounts for the VRS Teacher Employee Retirement Plan are as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	$ 60,622,260
Plan Fiduciary Net Position	51,235,326
Employers' Net Pension Liability	**$ 9,386,934**
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	**84,52%**

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net pension liability would be if it was calculated using a discount rate that is one-percentage-point lower (5.75%) or one-percentage-point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	**$ 20,321,765**	**$ 10,938,595**	**$ 3,254,077**

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Unit School Board

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	**Deferred Inflows**	**Net Pension Liability**	**Pension Expense**	**Deferred Outflows**	**Deferred Inflows**	**Net Pension Liability**	**Pension Expense**
VRS Pension Plans								
Primary Government	$ 1,669,795	$ 590,455	$ 3,046,565	$ 741,624	$ -	$ -	$ -	$ -
School Board Nonprofessional	-	-	-	-	203,267	257,898	1,043,446	48,212
School Board Professional	-	-	-	-	3,856,007	2,446,457	10,938,595	745,250
Total	**$ 1,669,795**	**$ 590,455**	**$ 3,046,565**	**$ 741,624**	**$ 4,059,274**	**$ 2,704,355**	**$ 11,982,041**	**$ 793,462**

Note 7 – Other Postemployment Benefits – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the VRS, the County and School Board also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Plan upon employment.

In addition to the Basic GLI Benefit, members are also eligible to elect additional coverage for themselves, as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at https://www.varetire.org/benefits-and-programs/benefits/life-insurance/.

Teacher Employee Health Insurance Credit Program

All full time, salaried permanent (professional) employees of public-school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Specific information about the Teacher HIC is available at
https://www.varetire.org/retirees/insurance/healthinscredit/index.html.

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple-employer, cost-sharing plans.

General Employee Health Insurance Credit Program – School Board (Nonprofessionals)

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer, agent defined benefit plan.

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program (School Board – Nonprofessional):

	Number
Inactive members or their beneficiaries currently receiving benefits	14
Vested inactive members	1
Active members	83
Total covered employees	**98**

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2023. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability, with the exception of GLI, which was also combined with employee contributions. Specific details related to the contributions for the VRS OPEB programs are as follows:

<u>Group Life Insurance Program</u>

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2025 Contribution – County	$33,591
June 30, 2024 Contribution – County	$35,959
June 30, 2025 Contribution – School Board (Nonprofessional)	$9,090
June 30, 2024 Contribution – School Board (Nonprofessional)	$10,371
June 30, 2025 Contribution – School Board (Professional)	$58,163
June 30, 2024 Contribution – School Board (Professional)	$67,098

<u>Teacher Health Insurance Credit Program</u>

Governed by	*Code of Virginia* 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate	1.21% of covered employee compensation.
June 30, 2025 Contribution	$149,740
June 30, 2024 Contribution	$150,349

<u>General Employee Health Insurance Credit Program – School Board (Nonprofessional)</u>

Governed by	*Code of Virginia* 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate	1.05% of covered employee compensation.
June 30, 2025 Contribution	$20,307
June 30, 2024 Contribution	$20,165

OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2024, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers.

<u>Group Life Insurance Program – County</u>

June 30, 2025 proportionate share of liability	$289,359
June 30, 2024 proportion	0.02593%
June 30 2023 proportion	0.02494%
June 30, 2025 expense	$16,311

<u>Group Life Insurance Program – School Board (Professional)</u>

June 30, 2025 proportionate share of liability	$539,995
June 30, 2024 proportion	0.04839%
June 30 2023 proportion	0.05081%
June 30, 2025 expense	$(2,788)

Group Life Insurance Program – School Board (Nonprofessional)

June 30, 2025 proportionate share of liability	$83,471
June 30, 2024 proportion	0.00748%
June 30 2023 proportion	0.00775%
June 30, 2025 expense	$55

Teacher Health Insurance Credit Program

June 30, 2025 proportionate share of liability	$1,340,321
June 30, 2024 proportion	0.00116%
June 30 2023 proportion	0.12003%
June 30, 2025 expense	$73,362

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

General Employee Health Insurance Credit Program – School Board (Nonprofessional)

Changes in net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a) – (b)**
Balance, June 30, 2023	$ 115,273	$ 41,445	$ 73,828
Changes for the year			
Service cost	1,632	-	1,632
Interest	7,700	-	7,700
Differences between expected and actual experience	(11,703)	-	(11,703)
Contributions – employer	-	20,166	(20,166)
Net investment income	-	4,836	(4,836)
Benefit payments	(5,650)	(5,650)	-
Administrative expenses	-	(73)	73
Other changes	-	(1)	1
Net changes	(8,021)	19,278	(27,299)
Balance, June 30, 2024	**$ 107,252**	**$ 60,723**	**$ 46,529**

In addition, for the year ended June 30, 2024, the School Board recognized OPEB income of ($24,985) related to the General Employee Health Insurance Credit Program.

At June 30, 2025, the County and School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program – County

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 45,639	$ 7,068
Change in assumptions	1,649	14,340
Net difference between projected and actual earnings on OPEB plan investments	-	24,390
Change in proportion	17,870	2,025
Employer contributions subsequent to the measurement date	33,591	-
	$ 98,749	**$ 47,823**

Group Life Insurance Program – School Board (Professional)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 85,170	$ 13,190
Change in assumptions	3,078	26,761
Net difference between projected and actual earnings on OPEB plan investments	-	45,516
Change in proportion	696	62,369
Employer contributions subsequent to the measurement date	58,163	-
	$ 147,107	**$ 147,836**

Group Life Insurance Program – School Board (Nonprofessional)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,165	$ 2,039
Change in assumptions	476	4,137
Net difference between projected and actual earnings on OPEB plan investments	-	7,036
Change in proportion	295	6,177
Employer contributions subsequent to the measurement date	9,090	-
	$ 23,026	**$ 19,389**

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 63,501
Change in assumptions	23,090	-
Net difference between projected and actual earnings on OPEB plan investments	-	4,768
Change in proportion	5,636	128,689
Employer contributions subsequent to the measurement date	149,740	-
	$ 178,466	**$ 196,958**

General Employee Health Insurance Credit Program – School Board (Nonprofessional)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 67,150
Change in assumptions	2,191	-
Net difference between projected and actual earnings on OPEB plan investments	-	875
Employer contributions subsequent to the measurement date	20,307	-
	$ 22,498	**$ 68,025**

The deferred outflows of resources related to OPEB resulting from the County's and School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program – County

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2026	$ (6,884)
2027	9,499
2028	3,599
2029	4,832
2030	6,289
Thereafter	-

Group Life Insurance Program – School Board (Nonprofessional)

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2026	$ (5,221)
2027	263
2028	(1,182)
2029	(119)
2030	808
Thereafter	-

Group Life Insurance Program – School Board (Professional)

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2026	$ (41,930)
2027	(5,022)
2028	(11,455)
2029	(4,490)
2030	4,005
Thereafter	-

Teacher Health Insurance Credit Program

Year Ending June 30,	Reduction to OPEB Expense
2026	$ (36,326)
2027	(35,853)
2028	(35,875)
2029	(31,399)
2030	(20,739)
Thereafter	(8,400)

General Employee Health Insurance Credit Program – School (Nonprofessional)

Year Ending June 30,	Reduction to OPEB Expense
2026	$ (31,817)
2027	(29,204)
2028	(3,487)
2029	(1,326)
2030	-
Thereafter	-

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2023, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Locality – hazardous duty employees	3.50 – 4.75%
• Teachers	3.50 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.25%
• Ages 65 and older	6.50 – 4.25%
Investment rate of return, net of expenses, including inflation	GLI, HIC: 6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 6.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan
Total OPEB liability	$ 4,196,055	$ 1,478,105
Plan fiduciary net position	3,080,133	322,457
Employers' net OPEB liability	**$ 1,115,922**	**$ 1,155,648**
	73.41%	**21.82%**

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

Group Life Insurance, Health Insurance Credit Programs, and Virginia Local Disability Programs

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in Note 7.

Discount Rate

The discount rate used to measure the GLI, HIC, and VLDP OPEB liabilities was 6.75%. The discount rate used to measure the LODA OPEB liability was 3.97%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2024, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2024 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liabilities to Changes in the Discount Rate

The following presents the net OPEB liabilities of the County and School Board, as well as what the County's and School Board's net OPEB liabilities would be if it was calculated using a discount rate that is one-percentage-point lower (5.75% HIC; GLI) or one-percentage-point higher (7.75% HIC; GLI) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability – County	$ 449,990	$ 289,359	$ 159,589
GLI Net OPB liability – School Board (Nonprofessional)	$ 129,808	$ 83,471	$ 46,307
GLI Net OPEB liability – School Board (Professional)	$ 839,762	$ 539,995	$ 297,822
Teacher HIC Net OPEB liability	$ 1,524,279	$ 1,340,321	$ 1,184,399
General Employee HIC Net OPEB liability – School Board (Nonprofessional)	$ 57,229	$ 46,529	$ 37,380

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Summary of Other Post-Employment Benefits (OPEB)

	Primary Government				Component Unit School Board			
	Deferred Outflows	**Deferred Inflows**	**Net OPEB Liability**	**OPEB Expense**	**Deferred Outflows**	**Deferred Inflows**	**Net OPEB Liability**	**OPEB Expense**
VRS OPEB Plans								
GLI Plan								
County	$ 98,749	$ 47,823	$ 289,359	$ 16,311	$ -	$ -	$ -	$ -
School Board Nonprofessional	-	-	-	-	23,026	19,389	83,471	55
School Board Professional	-	-	-	-	147,107	147,836	539,995	(2,788)
Teacher HIC Plan	-	-	-	-	178,466	196,958	1,340,321	73,362
School Board Nonprofessional HIC Plan	-	-	-	-	22,498	68,025	46,529	(24,985)
Total	**$ 98,749**	**$ 47,823**	**$ 289,359**	**$ 16,311**	**$ 371,097**	**$ 432,208**	**$ 2,010,316**	**$ 45,644**

Note 8 – Line of Duty Act (LODA) (OPEB)

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by Title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County’s LODA coverage is fully covered or “insured” through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County’s LODA premium for the year ended June 30, 2025 was $51,460.

Note 9 – Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated/amortized:				
Land	$ 1,249,768	$ -	$ (14,769)	$ 1,234,999
Construction in progress	-	142,860	-	142,860
Total capital assets not being depreciated/amortized	1,249,768	142,860	(14,769)	1,377,859
Capital assets, being depreciated/amortized:				
Buildings and improvements	8,154,599	1,593,200	-	9,747,799
Buildings and improvements – Schools	29,783,387	-	(3,142,650)	26,640,737
Machinery and equipment	10,885,342	25,127	(51,328)	10,859,141
Machinery and equipment	6,126,727	-	(235,575)	5,891,152
Right-to-use lease machinery and equipment	508,563	46,392	(117,624)	437,331
Total capital assets being depreciated/amortized	55,458,618	1,664,719	(3,547,177)	53,576,160
Accumulated depreciation/amortization				
Buildings and improvements	(3,668,873)	(241,768)	-	(3,910,641)
Buildings and improvements –Schools	(7,893,727)	(666,018)	1,859,976	(6,699,769)
Machinery and equipment	(8,583,052)	(393,659)	51,328	(8,925,383)
Machinery and equipment – Schools	(612,734)	(294,557)	174,531	(732,760)
Right-to-use lease machinery and equipment	(390,131)	(64,323)	123,534	(330,920)
Total accumulated depreciation/amortization	(21,148,517)	(1,660,325)	2,209,369	(20,599,473)
Total capital assets being depreciated/amortized, net	34,310,101	4,394	(1,337,808)	32,976,687
Governmental Activities capital assets, net	**$ 35,559,869**	**$ 147,254**	**$ (1,352,577)**	**$ 34,354,546**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities		
General government administration	$	28,415
Public works		336,200
Public safety		260,653
Health and welfare		4,600
Education		960,575
Parks, recreation, and cultural		69,260
Community development		622
Total depreciation/amortization expense governmental activities	**$**	**1,660,325**

Discretely Presented Component Unit – School Board

Capital asset activity for the School Board for the year ended June 30, 2025, was as follows:

	Beginning Balance, Restated	**Increases**	**Decreases**	**Ending Balance**
Discretely Presented Component Unit - School Board				
Capital assets, not being depreciated/amortized:				
Land	$ 265,917	$ -	$ -	$ 265,917
Total capital assets not being depreciated/amortized	265,917	-	-	265,917
Capital assets, being depreciated/amortized:				
Buildings and improvements	6,846,436	3,142,650	-	9,989,086
Machinery and equipment	13,271,495	408,926	(22,500)	13,657,921
Subscription assets	84,675	-	-	84,675
Right-to-use lease machinery and equipment	157,081	183,155	-	340,236
Total capital assets being depreciated/amortized	20,359,687	3,734,731	(22,500)	24,071,918
Accumulated depreciation/amortization				
Buildings and improvements	(4,333,289)	(2,098,479)	-	(6,431,768)
Machinery and equipment	(5,637,970)	(915,383)	22,500	(6,530,853)
Subscription assets	(70,282)	(14,393)	-	(84,675)
Right-to-use lease machinery and equipment	(127,321)	(86,974)	-	(214,295)
Total accumulated depreciation/amortization	(10,168,862)	(3,115,229)	22,500	(13,261,591)
Total capital assets being depreciated/amortized, net	10,190,825	619,502	-	10,810,327
Discretely Presented Component Unit - School Board's capital assets, net	**$ 10,456,742**	**$ 619,502**	**$ -**	**$ 11,076,244**

During the year ended June 30, 2025, 4 debt funded elementary school additions reverted from the County to the School Board after their related notes were paid off. The assets had a cost of $3,142,650 and accumulated depreciation of $1,859,976, which are included in the table above.

Discretely Presented Component Unit – EDA

Capital asset activity for the Authority for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 430,419	$ -	$ -	$ 430,419
Construction in progress	157,702	1,245,842	-	1,403,544
Total capital assets not being depreciated	588,121	1,245,842	-	1,833,963
Capital assets, being depreciated:				
Buildings and improvements	8,369,227	-	-	8,369,227
Machinery and equipment	48,655	-	(48,655)	-
Total capital assets being depreciated	8,417,882	-	(48,655)	8,369,227
Accumulated depreciation:				
Buildings and improvements	(700,495)	(209,231)	-	(909,726)
Machinery and equipment	(48,655)	-	48,655	-
Total accumulated depreciation	(749,150)	(209,231)	48,655	(909,726)
Total capital assets being depreciated, net	7,668,732	(209,231)	-	7,459,501
Discretely Presented Component Unit – EDA's capital assets, net	**$ 8,256,853**	**$ 1,036,611**	**$ -**	**$ 9,293,464**

Note 10 – Risk Management

The County and its component units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component units participate with other localities in a public entity risk pool for their coverage of general liability, property, crime and auto insurance with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and its component units pay the Risk Pool contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit or depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its component units continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11 – Contingent Liabilities

Federal programs in which the County participates were audited in accordance with the provisions of Uniform Guidance. Pursuant to the provisions of this guidance all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 12 – Deferred/Unavailable Revenue and Unearned Revenue

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Unearned/unavailable revenue and unearned revenue are comprised of the following:

Unavailable Revenue

	Government-wide Statements	Balance Sheet	Component Unit	Component Unit
	Governmental Activities	Governmental Funds	EDA	Schools
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	$ -	$ 157,256	$ -	$ -
Tax assessments due after June 30	5,681,586	5,681,586	-	-
Public Service Corporation	714,284	714,284	-	-
Opioid settlement	-	316,801	-	-
Lease related items	53,774	53,774	292,740	-
Total deferred/unavailable revenue	**$ 6,449,644**	**$ 6,923,701**	**$ 292,740**	**$ -**

Unearned Revenue

	Government-wide Statements	Balance Sheet	Component Unit	Component Unit
	Governmental Activities	Governmental Funds	EDA	Schools
Prepaid taxes relating to taxes due in a future period.	$ 441,842	$ 441,842	$ -	$ -
Unearned grant revenue	340,885	340,885	10,775	257,656
Total unearned revenue	**$ 782,727**	**$ 782,727**	**$ 10,775**	**$ 257,656**

Unearned Grant Revenue

On March 11, 2021, the American Rescue Plan Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of $290,885 are reported as unearned revenue as of June 30 for the County. The remaining $50,000 unearned grant revenue for the County is related to the Local Assistance and Tribal Consistency Funds (LATCF) received in 2023 but not yet spent. Unearned Revenue from the Schools is related to the Virginia Department of Education's All-In Initiative. The Schools received $678,778 and have $257,656 remaining. Unearned revenue of $10,775 for the EDA is related to grant revenue received but not yet spent

Note 13 – Landfill Closure and Post-Closure Care Cost

The County closed its former landfill site in 1995. In accordance with federal and state laws, the County placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure.

The presence of certain contaminants has been detected in the groundwater, which thereby extends the monitoring period in excess of the initial requirement. The estimated liability for post-closure care is based on the Virginia Department of Environmental Quality (DEQ) accepting the active remedy proposed by the County, as discussed below. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances. The cumulative amount of estimated post-closure care and corrective costs to date for this site, less cash paid for such costs to date, totals $1,642,543. This amount is included in the long-term liabilities in the primary government.

The County's current plan of remediation is monitored natural attenuation. This remedy consists of monitoring wells on the site for up to ten years. It is the County's and its external engineer's belief that during this period, the groundwater contaminants will decrease to an acceptable level and the County will be released by the DEQ from all other monitoring requirements.

The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 14 – Litigation

Various claims and lawsuits are pending against the County. It is the opinion of management, after consulting with legal counsel, that the potential loss, if any, on all claims and lawsuits will not materially affect the County's financial position due to adequate insurance coverage.

Note 15 – Self Health Insurance

The Floyd County School Board established a limited risk management program for health insurance. Premiums are paid into the Floyd County School Board FCPS Health Insurance Reserve Account from the School Board and are available to pay claims, reinsurance, and administrative costs of the program. During the fiscal year 2025, a total of $2,440,893 was paid in benefits and administrative costs. Claims for the fiscal year totaled $2,627,393. The risk assumed by the School Board is based on the number of participants in the program and is limited to $90,000 per participant. Incurred but not reported claims of $297,692 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Changes in the claims liability for the current and prior fiscal year are as follows:

Fiscal Year	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2025	$ 111,192	$ 2,627,393	$ (2,440,893)	$ 297,692
2024	470,804	718,086	(1,077,698)	111,192

Note 16 – Commitments

At June 30, 2025, the County had the following outstanding construction and capital commitments:

Project	Amount of Contract	Amount Outstanding
EDA – Regional Commerce Road	**$ 3,019,343**	**$ 1,868,658**

Note 17 – Lease Receivable

The following is a summary of leases receivable transactions of the County for the year ended June 30, 2025:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Interest Revenue
Leases receivable	**$ 57,475**	**$ 159,926**	**$ (163,627)**	**$ 53,774**	**$ 2,483**

Lease revenue recognized during the fiscal year was $166,110.

Details of lease receivable:

Lease Description	Start Date	End Date	Payment Frequency	Discount Rate	Ending Balance	Amount Due Within One Year
Hollingsworth & Vose – Building Lease II	10/24/2024	11/30/2025	Monthly	2.50%	$ 53,774	$ 53,774

There are no variable payments for the lease receivable above.

Year Ending June 30,	Lease Receivable	
	Principal	Interest
2026	$ 53,774	$ 393

The following is a summary of leases receivable transactions of the component unit EDA for the year ended June 30, 2025:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Interest Revenue
Leases receivable	**$ 314,756**	**$ 77,610**	**$ (99,626)**	**$ 292,740**	**$ 9,034**

Lease revenue recognized during the fiscal year was $108,660.

Details of lease receivables:

Lease Description	Start Date	End Date	Payment Frequency	Discount Rate	Ending Balance	Amount Due Within One Year
Tendergrass Farm storage lease	09/01/2021	08/31/2026	Monthly	3.00%	$ 3,583	$ 3,583
Tendergrass Farm building lease	09/01/2021	08/31/2026	Monthly	3.00%	17,560	17,560
Pragmatic Environment Solutions building lease	05/01/2023	04/30/2028	Monthly	3.00%	206,387	70,855
Growth Center Unit A	03/01/2025	02/28/2027	Monthly	3.00%	65,210	37,953
					$ 292,740	**$ 129,951**

There are no variable payments for the lease receivables above.

Year Ending June 30,	Lease Receivable Principal	Lease Receivable Interest
2026	$ 129,951	$ 7,089
2027	100,267	3,376
2028	62,522	863
	$ 292,740	**$ 11,328**

Note 18 – Economic Incentive Agreements

Hollingsworth and Vose

In December of 2022, the County and the Economic Development Authority entered into an agreement with Hollingsworth and Vose. Per the agreement, the County will provide Commonwealth Opportunity Funds up to $558,700 if Hollingsworth and Vose meet the Capital Investment requirement of at least $40.2 million, which consists of constructing, expanding, and operating a facility in concurrence with the creation and maintenance of 25 new jobs. Hollingsworth and Vose met the capital investment requirement but did not create 25 jobs. The County provided tax rebates associated with real estate and machinery and tools estimated at $650,538 to be paid over 5 years, in addition to an estimated $200,000 in-kind provision of stormwater.

Note 19 – Prior Period Adjustments

There were several prior period adjustments required for the School Board at the government wide level. A prior period adjustment was made to record previously omitted debt-related equipment. An additional adjustment was made to restate the beginning fund balance and net position to account for the change in compensated absence balance in association with the implementation of GASB Standard 101, *Compensated Absences.* More information regarding GASB 101 is available in Note 1.

	Schools – Governmental Activities
Beginning net position (deficit), previously stated	(2,165,687)
GASB 101 implementation	(408,719)
Capital assets	687,306
Beginning net position (deficit), restated	**$ (1,887,100)**

Note 20 – Subsequent Events

The County has evaluated Subsequent Events through the date which the report was available to be issued, July 27, 2026. The Economic Development Authority of Floyd County sold two tracts totaling approximately 10.575 acres to Hollingsworth & Vose Company for pursuant to a exercised purchase option following an 11-year lease purchase agreement totaling $1,787,500, with the property having a tax-assessed value of $3,427,300 at the time of sale.

Note 21 – Upcoming Pronouncements

In April 2024, the GASB issued **Statement No. 103**, Financial Reporting Model Improvements. This statement improves 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 as well as addressing certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

In September 2024, the GASB issued **Statement No. 104**, *Disclosure of Certain Capital Assets*. This statement requires certain information regarding capital assets to be presented by major class. Certain types of capital assets are to be disclosed separately in the capital assets note disclosures required by Statement No. 34. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

Supplementary Information

County of Floyd, Virginia

Exhibit 9

Discretely Presented Component Unit – School Board
Combining Balance Sheet
June 30, 2025

	School Operating Fund	Nonmajor Fund School Activity Fund	Total
ASSETS			
Cash and cash equivalents	$ 1,573,531	$ 573,042	$ 2,146,573
Due from primary government	2,228,344	-	2,228,344
Intergovernmental receivable	555,627	-	555,627
Prepaids	224,422	-	224,422
Total assets	**$ 4,581,924**	**$ 573,042**	**$ 5,154,966**
LIABILITIES			
Accrued payroll and related liabilities	$ 2,228,344	$ -	$ 2,228,344
Health claim payable	297,692	-	297,692
Unearned grant revenue	257,656	-	257,656
Total liabilities	2,783,692	-	2,783,692
FUND BALANCE			
Nonspendable			
Prepaid items	224,422	-	224,422
Restricted			
Cafeteria	301,666	-	301,666
Self insurance	974,172	-	974,172
Committed			
School activities	-	573,042	573,042
Unassigned	297,972	-	297,972
Total fund balance	1,798,232	573,042	2,371,274
Total liabilities and fund balance	**$ 4,581,924**	**$ 573,042**	**$ 5,154,966**

Adjustments for the Statement of Net Assets (Deficit) (Exhibit 1)

Total fund balance		$ 2,371,274
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Nondepreciable	$ 265,917	
Depreciable, net	10,810,327	11,076,244
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension-related items	4,059,274	
OPEB-related items	371,097	4,430,371
Long-term liabilities, including compensate absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	(845,751)	
Lease liabilities	(125,941)	
Net pension liability	(11,982,041)	
Net OPEB liabilities	(2,010,316)	(14,964,049)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension-related items	(2,704,355)	
OPEB-related items	(432,208)	(3,136,563)
Net asset (deficit) of governmental activities		**$ (222,723)**

County of Floyd, Virginia

Exhibit 10

Discretely Presented Component Unit – School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2025

	School Operating Fund	Nonmajor Fund School Activity Fund	Total
REVENUES			
Charges for services	$ 160,692	$ -	$ 160,692
Miscellaneous	46,967	888,827	935,794
Recovered costs	178,032	-	178,032
Intergovernmental			
Local government	7,942,984	-	7,942,984
Commonwealth	15,312,137	-	15,312,137
Federal	2,305,087	-	2,305,087
Total revenues	25,945,899	888,827	26,834,726
EXPENDITURES			
Current			
Educational	26,313,057	869,088	27,182,145
Debt service			
Principal	101,367	-	101,367
Interest and other fiscal charges	6,562	-	6,562
Total expenditures	26,420,986	869,088	27,290,074
Excess (deficiency) of revenues over expenditures	(475,087)	19,739	(455,348)
OTHER FINANCING SOURCES			
Lease issuance	183,155	-	183,155
Total other financing sources	183,155	-	183,155
Net change in fund balances	(291,932)	19,739	(272,193)
FUND BALANCE AT JULY 1	2,090,164	553,303	2,643,467
FUND BALANCE AT JUNE 30	**$ 1,798,232**	**$ 573,042**	**$ 2,371,274**
Reconciliation to the Statement of Activities (Exhibit 2)			
Net change in fund balance – governmental fund			$ (272,193)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital asset additions		$ 592,081	
Reversion of assets to schools (net)		1,282,674	
Depreciation/expense amortization expense		(1,255,253)	619,502
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position.			
Lease issuance		(183,155)	
Principal payments:			
Subscription liabilities		14,393	
Lease liabilities		86,974	(81,788)
Governmental funds report employer contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions is reported as pension expense.			
Employer pension contributions		1,961,782	
Pension expense		(791,889)	1,169,893
Governmental funds report OPEB contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.			
Employer OPEB contributions		237,300	
OPEB expense		(45,645)	191,655
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.			
Change in compensated absences			37,308
Change in net assets of governmental activities			**$ 1,664,377**

County of Floyd, Virginia

Exhibit 11

Discretely Presented Component Unit – Economic Development Authority
Statement of Net Position – Proprietary Fund
June 30, 2025

	Enterprise Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 444,720
Accounts receivable	11,900
Due from federal government	1,332,316
Due from state government	325,295
Due from County	8,279
Note receivable - current	24,940
Lease receivable - current	87,225
Inventory, held for resale	230,834
Total current assets	2,465,509
Noncurrent assets	
Note receivable	89,160
Lease receivable	205,515
Cash and cash equivalents, restricted	223,009
Capital assets	
Land	430,419
Construction in progress	1,403,544
Buildings and improvements	8,369,227
Accumulated depreciation	(909,726)
Total capital assets	9,293,464
Total noncurrent assets	9,811,148
Total assets	12,276,657
LIABILITIES	
Current liabilities	
Accounts payable	7,923
Customers' deposits	12,969
Due to primary government	1,605,087
Unearned grant revenue	10,775
Total current liabilities	1,636,754
Total liabilities	1,636,754
DEFERRED INFLOWS OF RESOURCES	
Lease-related items	292,740
NET POSITION	
Net investment in capital assets	9,293,464
Unrestricted	1,053,699
Total net position	**$ 10,347,163**

County of Floyd, Virginia

Exhibit 12

Discretely Presented Component Unit – Economic Development Authority
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund

Year Ended June 30, 2025

		Enterprise Fund
OPERATING REVENUES		
Use of property	$	183,272
Miscellaneous revenue		179,798
Gain on sale of land held for sale		101,013
Intergovernmental		
Local government		34,204
Commonwealth		371,119
Federal		973,072
Total operating revenues		1,842,478
OPERATING EXPENSES		
Operations		371,001
Depreciation		209,231
Total operating expenses		580,232
Operating income		1,262,246
NONOPERATING REVENUES		
Interest income		6,414
Net nonoperating revenues		6,414
Change in net position		1,268,660
NET POSITION AT JULY 1		9,078,503
NET POSITION AT JUNE 30	**$**	**10,347,163**

County of Floyd, Virginia

Exhibit 13

Discretely Presented Component Unit – Economic Development Authority
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2025

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 536,893
Payments to suppliers	(375,950)
Net cash provided by operating activities	160,943
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(1,245,842)
Grants in aid of construction	1,251,852
Net cash provided by capital and related financing activities	6,010
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	6,414
Payments received on notes/loans receivable	4,294
Net cash provided by noncapital financing activities	10,708
Net increase in cash and cash equivalents	177,661
CASH AND CASH EQUIVALENTS	
Beginning at July 1	490,068
Ending at June 30	**$ 667,729**
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and cash equivalents	$ 444,720
Cash and cash equivalents, restricted	223,009
	$ 667,729
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 1,262,246
Adjustments to reconcile operating income to net cash provided operating activities	
Depreciation	209,231
Grants for construction	(1,344,191)
Decrease in accounts receivables	38,606
Increase (decrease) in accounts payables	(8,601)
Decrease in inventory	3,652
Net cash provided by operating activities	**$ 160,943**

Compliance Section

BROWN EDWARDS
certified public accountants

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Members of the Board of Supervisors
County of Floyd, Virginia
Floyd, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns,* and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Floyd, Virginia (the "County"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 27, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as Items 2025-001 through 2025-013 to be material weaknesses.**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as Items 2025-014 and 2025-015, to be significant deficiencies.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its 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 was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs, as Items 2025-019 and 2025-020.**

County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
July 27, 2026

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Members of the Board of Supervisors
County of Floyd, Virginia

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the County of Floyd, Virginia's (the "County") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2025. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Assistance Listing # 21.027, Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions Section of our report, the County of Floyd, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Coronavirus State Local Fiscal Recovery Fund for the year ended June 30, 2025.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County of Floyd, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2025.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County of Floyd, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the County of Floyd, Virginia's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Assistance Listing # 21.027, Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying schedule of findings and questioned costs, the County of Floyd, Virginia, did not comply with the requirements regarding Assistance Listing # 21.027, Coronavirus State and Local Fiscal Recover Funds as described in finding number 2025-017 for Activities Allowed/Unallowed.

Compliance with such requirements is necessary, in our opinion for the County to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County of Floyd, Virginia′s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County′s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the County′s compliance the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County of Floyd, Virginia′s compliance with the compliance

requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the County of Floyd, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County of Floyd, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Item 2025-016. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. **We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2025-018 to be a material weakness.**

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
July 27, 2026

County of Floyd, Virginia

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

Federal Grantor/Pass - Through Grantor/Grant Program	Assistance Listing Number	Grant Number	Cluster Amounts	Federal Expenditures	Passed to Subrecipients
Department of Health and Human Services:					
Pass-Through Payments:					
Virginia Department of Social Services:					
Temporary Assistance to Needy Families (TANF)	93.558	0400109/0400110		$ 121,707	
Refugee and Entrant Assistance - Discretionary Grants	93.566	0500109/0500110		137	
Low Income Home Energy Assistance	93.568	0600409/0600410		20,570	
Child Care Mandatory and Matching funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760109/0760110	$ 23,518	23,518	
Adoption and Legal Guardianship Incentive Payments	93.603	1130119/1130120		6,000	
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900121, 0900122		515	
Foster Care - Title IV-E	93.658	1100109/1100110		99,105	
Adoption Assistance	93.659	1120109/1120110		282,109	
Social Services Block Grant	93.667	1000109/1000110		106,139	
Chafee Foster Care Independence Program	93.674	9150108/9150109/9150110		1,422	
Elder Abuse Prevention Intervention Program	93.747	8000221		147	
Marylee Allen Promoting Safe and Stable Families Program	93.556	0950121/0950122/0950221		2,804	
Medical Assistance Program (Medicaid Cluster)	93.778	1200109/1200110	282,951	282,951	
State Administrative Matching Grants (SNAP Cluster)	10.561		476,079	476,079	
Total Department of Health and Human Services				1,423,203	
Department of Housing and Urban Development:					
Pass-Through Payments:					
Department of Housing and Community Development:					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228			603,985	
Total Department of Housing and Urban Development				603,985	
Department of Agriculture:					
Pass-Through Payments:					
Department of Education:					
National school breakfast program	10.553	APE40253	336,906		
National school lunch program	10.555	APE402540	873,326		
Summer food service program for children	10.559	APE603030	6,776		
Total Child Nutrition Cluster				1,217,008	
Total Department of Agriculture				1,217,008	
Department of Justice:					
Pass-Through Payments:					
Department of Criminal Justice Services:					
Violence Against Women Formula Grants	16.588	15JOVW21GG00568STOP		25,000	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA21GG00258MUMU		3,200	
Total Department of Justice				28,200	
Department of Economic Development Administration					
Direct Payments:					
Economic Development Cluster	11.307	ED24PHI0G0073	96,022		
Total Department of Economic Development Administration				96,022	
Department of the Interior:					
Direct payments:					
Bureau of Land Management:					
Payments in Lieu of Taxes	15.226	N/A		13,877	
Total Department of the Interior				13,877	
Department of Transportation:					
Pass-Through Payments:					
Department of Motor Vehicles:					
State and Community Highway Safety Program (Highway Safety Cluster)	20.600	SC-2009-59262-SC-2010-50282	16,772		
Total Department of Transportation				16,772	
Department of the Treasury:					
Direct Payments:					
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A		957,643	96,107
Pass-Through Payments:					
Virginia Department of Criminal Justice Services:					
COVID-19 ARPA FY23 E & T LE Grants	21.027	N/A		226,048	
Virginia Department of Housing and Community Development:					
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund Broadband VATI	21.027	N/A		121,027	

County of Floyd, Virginia

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

Federal Grantor/Pass - Through Grantor/Grant Program	Assistance Listing Number	Grant Number	Cluster Amounts	Federal Expenditures	Passed to Subrecipients
Total Department of Treasury				1,304,718	
Department of Homeland Security:					
Pass Through Payments:					
Department of Emergency Management:					
Homeland Security Grant Program	97.042	EMPG'23 2023399165012		7,500	
Hazard Mitigation Grant	97.036	PA-03-VA-4831		30,861	
Total Department of Homeland Security				38,361	
Department of Education:					
Pass-Through Payments:					
Virginia Department of Education:					
Title I Local Educational Agencies	84.010	APE42901		461,945	
IDEA 611 Special Education-Grants to States	84.027	APE43071	528,290		
IDEA 619 Title VI B - Preschool	84.173	APE62521	25,711		
Total Special Education Cluster				554,001	
Vocational Education Basic Grant - Perkins	84.048	APE60031		41,964	
Title II A- Improving Teacher Quality State Grants	84.367	APE61480		79,263	
Title IV - Student Support and Academic Enrichment Grants	84.424	APE60281		84,785	
Total Department of Education				1,221,958	
Total Expenditures of Federal Awards				**$ 5,964,104**	**$ 96,107**

Notes:

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Floyd, Virginia and its discretely presented component units under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
(2) Pass-through entity identifying numbers are presented where available.
(3) The County did not elect an indirect cost rate because they only request direct costs for reimbursement.
(4) The County did not have any loans or loan guarantees, which are subject to reporting requirements for the current year.

Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Subrecipients

Floyd Public Service Authority - $96,107

County of Floyd, Virginia

Summary of Compliance Matters

June 30, 2025

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, we performed tests of the County's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investment Laws
- Conflicts of Interest Act
- Local Retirement Systems
- Debt Provisions
- Procurement Laws
- Governor's Opportunity Funds
- Comprehensive Services Act
- Uniform Disposition of Unclaimed Property Act
- Sheriff Internal Controls

State Agency Requirements

- Education
- Social Services
- Fire Programs Aid to Localities
- Opioid Abatement Program

Federal Compliance Matters

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

County of Floyd, Virginia

Schedule of Findings and Questioned Costs

June 30, 2025

A – Summary of Auditor's Results

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **There were two significant deficiencies and thirteen material weaknesses** relating to the audit of the financial statements reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **There were no instances of noncompliance** material to the financial statements disclosed.
4. **No significant deficiencies and one material weakness** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses a **qualified opinion**.
6. The audit disclosed **three audit findings relating to the major programs**.
7. The programs tested as major were:

Name of Program	Assistance Listing Number
COVID-19 Coronavirus State and Local Recovery Funds	21.027
Child Nutrition Cluster:	
National School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559

8. The threshold for distinguishing Type A and B programs was **$750,000**.
9. The County was **not** determined to be a **low-risk auditee**.

B – Findings – Financial Statement Audit

2025-001: Cash and Interest (EDA) – Material Weakness

Condition: Proceeds from sale of land held for sale was placed into three certificates of deposit accounts that were not recorded on the trial balance. Interest was also not recorded.

Criteria: All cash and cash equivalent balances should be included in the trial balance.

Cause: The CD interest was mistakenly omitted during year end close-outs.

Effect: Auditor adjustments were required to correct the cash and cash equivalents balance.

Recommendation: We recommend checking the accuracy of the chart of accounts periodically and when adding new accounts.

View of Responsible Officials and Planned Corrective Action: The EDA agrees with the recommendation and will record the certificates of deposit going forward.

County of Floyd, Virginia

Schedule of Findings and Questioned Costs

June 30, 2025

2025-002: Treasurer's Office Segregation of Duties (Treasurer) – Material Weakness

Condition	The Deputy Treasurer can post entries, collect cash receipts, and has access to the Treasurer's Office check stock.
Criteria	Access rights should be limited and segregation of duties designed and implemented to the extent possible.
Cause	The Treasurer's department is a small department.
Effect	Internal controls are designed to safeguard assets and detect loss from employee dishonesty and error.
Recommendation	We recommend designing and implementing segregation of duties as much as possible by restricting access, incorporating County Administrator's office in segregation of duties design.
View of Responsible Officials and Planned Corrective Action	Treasurer agrees with recommendation and will implement segregation of duties to the extent possible given the small size of the staff.

County of Floyd, Virginia

Schedule of Findings and Questioned Costs

June 30, 2025

2025-003: Audit Adjustments – Financial Statement Audit – Material Weakness

Condition: The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, adjustments were proposed, that were material, to the financial statements.

Criteria: An auditee should have controls in place to prepare financial statements in accordance with current reporting standards.

Cause: The County staff is working to provide properly adjusted trial balance and related schedules but is still learning the nuances of the process.

Effect: There is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected by the County's internal controls over financial reporting.

Recommendation: The County should review the auditor's proposed audit adjustments for 2025 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

View of Responsible Officials and Planned Corrective Action: The County will review the auditor's proposed adjustments for 2025 and will develop a plan to ensure all adjusting entries are made prior to final audit fieldwork next year.

2025-004: Fund Balances (County/EDA) – Material Weakness

Condition: Some funds did not balance due to manual journal entries or utilization of fund balance accounts during the year.

Criteria: Manual entries and transactions should balance within a fund. Use transfer accounts when moving funds and account balances between funds. Entries to fund balance accounts should be within the fund balance category unless a prior period adjustment is necessary.

Cause: This was caused by manual journal entries or utilization of fund balance accounts during the year.

Effect: Auditor adjustments were required to correct fund balance.

Recommendation: We recommend reviewing each fund to ensure that it balances and appears reasonable.

View of Responsible Officials and Planned Corrective Action: The County staff will participate in training sessions on how to improve fund balance accounting.

2025-005: Accounting System Reconciliation (County, Treasurer, Schools, EDA) – Material Weakness

Condition: The County/Treasurer, Schools, and EDA operate separate accounting systems and do not reconcile to ensure transactions between the separate departments are recorded accurately.

Criteria: Departments running separate accounting systems should reconcile to ensure transactions between the separate departments are recorded accurately.

Cause: This is caused by not reconciling and adjusting separate accounting systems.

Effect: Auditor adjustments were required to align account balances.

Recommendation: We recommend that the Schools, County/Treasurer, and EDA reconcile to each other on a quarterly or annual basis to ensure balances, contributions, and transfers are in agreement. We recommend these reconciliations be prepared by each department with a segregation of duties between the reconciliation preparer and the supervisor reviewing, as well as documenting when and by whom the reconciliation was performed.

View of Responsible Officials and Planned Corrective Action: The County agrees. Going forward, each department will reconcile their systems independently and will work together as needed.

2025-006: Construction in Progress (County, Schools) – Material Weakness

Condition: Construction-in-progress spreadsheets were not fully maintained and updated to track progress on a project-by-project basis, did not include the source of funds, or clearly identify matching expenditures.

Criteria: Construction-in-progress spreadsheets should be maintained and updated in order to track progress on projects.

Cause: This was caused by the lack of accurately maintaining spreadsheets to track the progress of construction in progress.

Effect: Audit adjustments were required to update and correct construction-in-progress balances, as well as related capital asset rollforwards and depreciation schedules for completed projects placed into service.

Recommendation: We recommend that departments track their construction in progress and reconcile their spreadsheets to their respective accounting systems to ensure the project listing is accurate and complete.

View of Responsible Officials and Planned Corrective Action: The County agrees with the statement. The County Administration will work to develop a better tracking process.

2025-007: SNAP Balance and Drawdowns (County, Treasurer) – Material Weakness

Condition: SNAP drawdowns are not made timely in order to reimburse the General Fund for capital project expenditures that are debt funded. In addition, the County's investment balances were not reflected in the trial balance.

Criteria: SNAP balances and activity during the year should be reflected on the County's trial balance for accuracy and completeness of cash and investment balances.

Cause: This was caused by SNAP balance and drawdowns not being properly recorded.

Effect: This resulted in the County's investment balances being understated by $9.5 million. Auditor adjustments were required to correct balances.

Recommendation: We recommend making drawdowns timely for reimbursement to the General Fund. Drawdowns should be recorded as credits (decreases) to investment accounts and not recorded as revenue. This will result in more accurate cash and investment balances for board consideration and improve cash flow management.

View of Responsible Officials and Planned Corrective Action: The County agrees and will make appropriate changes to our drawdown process. The Treasurer also agrees and will modify their processes in line with this recommendation. The County and the Treasurer will work together to develop a strong and cohesive process, which breaks out funds by source: State, Federal, Local, or Other. Additionally, we will discontinue vague ledger line-item descriptions and will develop policies around the creation of general ledger line items.

2025-008: Treasurers Office Treasurer Accountability Fund Reconciliation (Treasurer) – Material Weakness

Condition: The Treasurer's Accountability Fund maintained by the Treasurer's Office does not reflect all cash and investment balances. Furthermore, this fund is not being reconciled to the cash and investment balances on the County's trial balance.

Criteria: The Treasurer's Accountability Fund should reflect all cash and investments held by the County.

Cause: This was caused by a lack of coordination and identified responsibilities between departments.

<u>Effect</u> Auditor adjustments were needed to accurately reflect the year-end balances.

<u>Recommendation</u> We recommend that these balances be tracked and maintained in the Treasurer and County's accounting system for completeness of cash balances.

<u>View of Responsible Officials and Planned Corrective Action</u> The County Administration and the Treasurer agree and will make appropriate modifications. Both staff will also participate in training to better understand the correct process.

2025-009: Intergovernmental Revenue (County/Treasurer) – Material Weakness

<u>Condition</u> Intergovernmental revenue (i.e., state and federal) is being netted against expenditures in the General Fund. We noted that revenue is not being recorded to relevant accounts and was sometimes recorded to catch all accounts such as "Expenditures, Refunds-General." Also, state revenues and federal pass-through revenues were not properly recorded during the year.

<u>Criteria</u> Intergovernmental revenues should be recorded as revenue consistently and in dedicated accounts on the trial balance that are clearly named.

<u>Cause</u> This was caused by a lack of coordination between departments with regard to the source and nature of each revenue transaction, as well as a weak understanding of governmental accounting.

<u>Effect</u> If revenue and expenditures are netted, the financial statements will not provide a full picture to the users of the financial statements of how much revenue was received from other governments during the year. Auditor adjustments were needed to correct intergovernmental revenue.

<u>Recommendation</u> We recommend recording intergovernmental revenue in unique accounts so that sources of revenue and type of revenue can be easily identified. Coordination between departments about intergovernmental revenue expected, nature of that revenue, and how to record it will ensure accuracy. Improving inputting information in the trial balance will facilitate the preparation of required reports such as the Schedule of Expenditures of Federal Awards. Also, we recommend intergovernmental revenues be recorded as revenue instead of netted against expenditures. With regard to state revenues and federal pass-through revenues, we recommend reconciling to the APA's Cardinal Report each quarter.

<u>View of Responsible Officials and Corrective Action</u> The County agrees and has already begun making modifications. The county agrees to improve account descriptions and track grants by specific name.

2025-010: Administrative Rights Segregation of Duties (Schools) – Material Weakness

Condition: The Director of Finance has administrative rights to the system and can change the access rights of user accounts. In addition, the Director can post and authorize journal entries. We noted the Director can handle cash receipts and disbursements before and after entering into the system.

Criteria: Access rights should be limited and segregation of duties designed and implemented to the extent possible.

Cause: The School Board Department of Finance is a small department.

Effect: This could result in management override of user accounts and adjusting journal entries.

Recommendation: We recommend that someone other than the Director of Finance review access changes to the system on a quarterly basis so that any changes or postings to the system can be monitored. Similarly, two different individuals should be preparing and reviewing journal entries. The reviewer/approver should sign and date (paper or electronic) each journal entry and retain as evidence. We also recommend that cash receipts and disbursements be handled by someone separate from the person who enters those transactions into the system.

View of Responsible Officials and Corrective Action: The Schools Director of Finance agrees with the recommendation and will implement to the best of their ability with a small staff.

2025-011: Payroll Segregation of Duties (Schools) – Material Weakness

Condition: All employees within the payroll department share responsibilities to initiate and approve employee changes including wages and employment status. They can also edit master employee files and can both review and approve final payroll reports including general ledger entries.

Criteria: Access rights should be limited and segregation of duties designed and implemented to the extent possible.

Cause: The School Board Department of Finance is a small department.

Effect: This could allow an employee to initiate and approve employee's payroll, status, and changes without superior approval.

Recommendation: We recommend that the payroll department assign duties so that specific people have role assignments that do not overlap responsibilities to initiate and approve employee changes and also to edit the master files. Separate individuals should review and approve the final payroll reports. We also recommend that not all payroll department employees have access to both administrative rights to the system and the ability to change access rights of user accounts within the system.

View of Responsible Officials and Corrective Action: The Schools Director of Finance agrees with the recommendation and will implement to the best of their ability with a small staff.

2025-012: Treasurer's Office Segregation of Duties (Treasurer) – Material Weakness

Condition: The Treasurer can post entries, collect cash receipts, and has access to the Treasurer's Office check stock.

Criteria: Access rights should be limited and segregation of duties designed and implemented to the extent possible.

Cause: The Treasurer's department is a small department.

Effect: Internal controls are designed to safeguard assets and detect loss from employee dishonesty and error.

Recommendation: We recommend that restrictions and/or segregation of duties be implemented in the Treasurer's Office.

View of Responsible Officials and Corrective Action: Treasurer agrees with recommendation and will implement segregation of duties to the extent possible given the small size of the staff.

2025-013: Treasurer's Investment Reconciliation (Treasurer) – Material Weakness

Condition	Investment accounts are not being reconciled regularly between the investment statements, the Treasurer's Accountability Fund, and the County's trial balance.
Criteria	Investment accounts should be reconciled between the investment statements, Treasurer's Accountability Fund, and the County's trial balance to ensure accuracy and completeness.
Cause	This was caused by a lack of coordination and identified responsibilities between departments, as well as a weak understanding of governmental accounting.
Effect	This resulted in audit adjustments related to investment account balances and revenue accounts.
Recommendation	We recommend reconciliations be performed by someone in the Treasurer's Office and reviewed by a supervisor. We also recommend that the preparation and review be signed, dated, and kept as documented evidence. Investment accounts should be reconciled to the Treasurer's Accountability Fund and to the County's trial balance.
View of Responsible Officials and Corrective Action	Treasurer agrees with recommendation and will do a full reconciliation.

2025-014: Governmental Accounting Training (County, EDA) – Significant Deficiency

Condition: Generally accepted accounting principles, especially related to governmental accounting, were not followed and applied consistently.

Criteria: Governmental accounting has its own unique accounting principles that should be understood and applied.

Cause: This is caused by lack of training and implementation of government accounting principles.

Effect: This resulted in several audit findings and audit adjustments necessary to present financial statements in accordance with generally accepted accounting principles as well as governmental accounting principles.

Recommendation: We recommend governmental accounting training and continuing education for County and EDA staff. More specifically, we recommend training related to year-end accruals, grants, long-term debt, capital assets, fund balance, and interdepartmental reconciling.

View of Responsible Officials and Corrective Action: The County agrees with the need for additional training. The County notes that the level of training needed will vary by department. The County further agrees with each department assisting the County Finance Unit with the year-end audit requirements.

2025-015: Multi-Year Grants (County) – Significant Deficiency

Condition: Some grants are not being reconciled or recorded in the proper period. As a result, auditor adjustments were required to correct grant revenue and unearned grant revenue balances. All grants should be individually tracked and reconciled to the general ledger. Grants from federal and state agencies are typically on a reimbursement basis; however, some grants such as Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) and Local Assistance and Tribal Consistency Funds (LATCF) are received in advance. Funds received in advance that are not expended and not on a reimbursement basis, such as CSLFRF and LATCF, need to be recorded as unearned grant revenue until expended.

Criteria: Grants should be tracked, reconciled, and properly recorded as unearned grant revenue when applicable.

Cause: Grants were not being individually tracked and reconciled to the general ledger.

Effect: This resulted in audit adjustments to unearned grant revenue and corrections to the Schedule of Expenditures of Federal Awards.

Recommendation We recommend that funds received up front are recorded as unearned grant revenue until expended. Federal expenditures should be reported on the Schedule of Expenditures of Federal Awards after being reconciled and should factor in year-end accruals.

View of Responsible Officials and Corrective Action The County agrees with the recommendation and will make appropriate modifications.

C – Findings and Questioned Costs – Major Federal Award Program Audit

2025-016: Uniform Guidance Procurement Manual, Assistance Listing #21.027 – Coronavirus State and Local Fiscal Recovery Fund and Assistance Listing #10.553, 10.555, and 10.559 – Child Nutrition Cluster, Procurement, Suspension, and Debarment

Condition The County does not have a Uniform Guidance Procurement Manual.

Criteria The County should be using a procurement manual that aligns with Uniform Guidance requirements.

Cause The County does not have a Uniform Guidance Procurement Manual.

Effect Purchases made using federal funding may not be compliant with Uniform Guidance requirements.

Recommendation We recommend developing a procurement manual that is compliant with Uniform Guidance.

View of Responsible Officials and Corrective Action The County agrees with the recommendation and will develop one procurement manual that applies to all departments.

2025-017: Supporting Documentation for Expenditures, Assistance Listing #21.027 – Coronavirus State and Local Fiscal Recovery Fund, Activities Allowed/Unallowed – Material Non-Compliance

Condition Key line items on the P&E report are not supported by documentation due to a miscommunication between the report preparer and expenditure reconciler.

Criteria Key line items on the P&E report should be compared to documentation prior to submission.

Cause Miscommunication between preparer of the P&E report and the reconciler of the actual expenditures. The reconciler of the expenditures tied the balances from the expenditures to the trial balance, but the preparer did not utilize the reconciled numbers.

Effect	No supporting documentation for key line items on P&E expenditure report.
Questioned Cost Amount	P&E report was understated by $186,000.
Recommendation	We recommend CSLFRF funds and spending spreadsheets be reviewed before preparation and submission of the report. Printed version should be reviewed and compared to spreadsheets before submission.
View of Responsible Officials and Planned Corrective Action	The County has reviewed, updated and verified spending spreadsheet for submission and will maintain until all expenditures are completed.

2025-018: SEFA Understatement, Assistance Listing #21.027 – Coronavirus State and Local Fiscal Recovery Fund, Reporting – Material Weakness

Condition	The SEFA was understated by $175,000 for the E&T LE Grant.
Criteria	All expenditures for the major programs should be identified and reported on the SEFA.
Cause	The only expenditures included on the SEFA were items reimbursed that appeared on the state Cardinal Report.
Effect	The SEFA was understated for the E&T LE Grant.
Recommendation	We recommend completing the SEFA using a listing of expenditures as well as reconciling to the Cardinal Report to ensure completeness.
View of Responsible Officials and Planned Corrective Action	The County agrees with this recommendation and will verify the expenditures as well the Cardinal Report for reporting.

D – Findings – Commonwealth of Virginia

2025-019: Virginia Public Procurement Act Compliance

Condition	The County's General Procurement Act form does not include specific language and guidelines that is required by the Virginia Public Procurement Act (VPPA).
Recommendation	We recommend that the County develop a new General Procurement Act form, which includes the language and guidelines required by the VPPA.
View of Responsible Officials and Planned Corrective Action	The County agrees with the recommendation and will develop one procurement manual that applies to all departments.

2025-020: General Government Budget Appropriation

Condition	Public Works expenditures exceeded budget appropriations. The County is required to keep expenditures within budgeted amounts.
Recommendation	Steps be taken to ensure that excess expenditures over budgeted appropriations be approved by the County Board of Supervisors and budget amended accordingly.
View of Responsible Officials and Planned Corrective Action	We agree with the findings and will improve the appropriations process.

County of Floyd, Virginia

Summary Schedule of Prior Audit Findings

June 30, 2025

A – Findings – Financial Statement Audit

2024-001: Audit Adjustments – Financial Statement Audit – Material Weakness

Condition: The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, adjustments were proposed, that were material, to the financial statements.

Criteria: An auditee should have controls in place to prepare financial statements in accordance with current reporting standards.

Cause: The County staff is working to provide properly adjusted trial balance and related schedules but is still learning the nuances of the process.

Effect: There is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected by the County's internal controls over financial reporting.

Recommendation: The County should review the auditor's proposed audit adjustments for 2023 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Current Status: Still applicable for the current year.

2024-002: Fund Balances (County/EDA) – Material Weakness

Condition: Some funds did not balance due to manual journal entries or utilization of fund balance accounts during the year.

Criteria: Manual entries and transactions should balance within a fund. Use transfer accounts when moving funds and account balances between funds. Entries to fund balance accounts should be within the fund balance category unless a prior period adjustment is necessary.

Cause: This was caused by manual journal entries or utilization of fund balance accounts during the year.

Effect: Auditor adjustments were required to correct fund balance.

Recommendation: We recommend reviewing each fund to ensure that it balances and appears reasonable.

Current Status: Still applicable for current year.

2024-003: Accounting System Reconciliation (County, Treasurer, Schools, EDA) – Material Weakness

Condition: The County/Treasurer, Schools, and EDA operate separate accounting systems and do not reconcile to ensure transactions between the separate departments are recorded accurately.

Criteria: Departments running separate accounting systems should reconcile to ensure transactions between the separate departments are recorded accurately.

Cause: This is caused by not reconciling and adjusting separate accounting systems.

Effect: Auditor adjustments were required to align account balances.

Recommendation: We recommend that the Schools, County/Treasurer, and EDA reconcile to each other on a quarterly or annual basis to ensure balances, contributions, and transfers are in agreement. We recommend these reconciliations be prepared by each department with a segregation of duties between the reconciliation preparer and the supervisor reviewing, as well as documenting when and by whom the reconciliation was performed.

Current Status: Still applicable for the current year.

2024-004: Construction in Progress (County, Schools) – Material Weakness

Condition: Construction-in-progress spreadsheets were not fully maintained and updated to track progress on a project-by-project basis, did not include the source of funds, or clearly identify matching expenditures.

Criteria: Construction-in-progress spreadsheets should be maintained and updated in order to track progress on projects.

Cause: This was caused by the lack of accurately maintaining spreadsheets to track the progress of construction in progress.

Effect: Audit adjustments were required to update and correct construction-in-progress balances, as well as related capital asset roll forwards and depreciation schedules for completed projects placed into service.

Recommendation: We recommend that departments track their construction in progress and reconcile their spreadsheets to their respective accounting systems to ensure the project listing is accurate and complete. Projects funded by the Schools would best be tracked and reconciled by the Schools while projects for the Schools funded by long-term debt and conceptualized at the County should be tracked and reconciled by the County.

Current Status: Still applicable for the County. No longer applicable for the Schools.

2024-005: Capital Assets (County, Schools) – Material Weakness

Condition: Capital asset listings and depreciation schedules were not reviewed, updated, or reconciled with the County*'s* and School's records.

Criteria: The County and Schools should maintain accurate and complete asset listings and depreciation schedules.

Cause: Capital asset listing and depreciation schedules were not being properly reviewed, updated, or reconciled.

Effect: Audit adjustments were required to align the depreciation schedules with the capital asset roll forwards.

Recommendation: We recommend that the County and Schools review the fixed asset listing and depreciation schedules and physically identify the assets listed to remove those that are no longer in use on an annual basis. We also recommend that the County and Schools reconcile the listing and schedules to the report they submit to the insurance company to ensure the listings are complete and accurate.

Current Status: No longer applicable.

2024-006: SNAP Balance and Drawdowns (County, Treasurer) – Material Weakness

Condition: SNAP drawdowns are not made timely in order to reimburse the General Fund for capital project expenditures that are debt funded. In addition, the County's investment balances were not reflected in the trial balance.

Criteria: SNAP balances and activity during the year should be reflected on the County's trial balance for accuracy and completeness of cash and investment balances.

Cause: This was caused by SNAP balance and drawdowns not being properly recorded.

Effect: This resulted in the County's investment balances being understated by $9 million. Auditor adjustments were required to correct balances.

Recommendation: We recommend making drawdowns timely for reimbursement to the General Fund. Drawdowns should be recorded as credits (decreases) to investment accounts and not recorded as revenue. This will result in more accurate cash and investment balances for board consideration and improve cash flow management.

<u>Current Status</u> Still applicable for the current year.

2024-007: Treasurers Office Treasurer Accountability Fund Reconciliation (Treasurer) – Material Weakness

<u>Condition</u> The Treasurer's Accountability Fund maintained by the Treasurer's Office does not reflect all cash and investment balances. Furthermore, this fund is not being reconciled to the cash and investment balances on the County's trial balance.

<u>Criteria</u> The Treasurer's Accountability Fund should reflect all cash and investments held by the County.

<u>Cause</u> This was caused by a lack of coordination and identified responsibilities between departments.

<u>Effect</u> Auditor adjustments were needed to accurately reflect the year-end balances.

<u>Recommendation</u> We recommend that these balances be tracked and maintained in the Treasurer and County's accounting system for completeness of cash balances.

<u>Current Status</u> Still applicable for the current year.

2024-008: Intergovernmental Revenue (County/Treasurer) – Material Weakness

<u>Condition</u> Intergovernmental revenue (i.e., state and federal) is being netted against expenditures in the General Fund. We noted that revenue is not being recorded to relevant accounts and was sometimes recorded to catch all accounts such as "Expenditures, Refunds-General." Also, state revenues and federal pass-through revenues were not properly recorded during the year.

<u>Criteria</u> Intergovernmental revenues should be recorded as revenue consistently and in dedicated accounts on the trial balance that are clearly named.

<u>Cause</u> This was caused by a lack of coordination between departments with regard to the source and nature of each revenue transaction, as well as a weak understanding of governmental accounting.

<u>Effect</u> If revenue and expenditures are netted, the financial statements will not provide a full picture to the users of the financial statements of how much revenue was received from other governments during the year. Auditor adjustments were needed to correct

intergovernmental revenue.

Recommendation We recommend recording intergovernmental revenue in unique accounts so that sources of revenue and type of revenue can be easily identified. Coordination between departments about intergovernmental revenue expected, nature of that revenue, and how to record it will ensure accuracy. Improving inputting information in the trial balance will facilitate the preparation of required reports such as the Schedule of Expenditures of Federal Awards. Also, we recommend intergovernmental revenues be recorded as revenue instead of netted against expenditures. With regard to state revenues and federal pass-through revenues, we recommend reconciling to the APA's Cardinal Report each quarter.

Current Status Still applicable for the current year.

2024-009: Administrative Rights Segregation of Duties (Schools) – Material Weakness

Condition The Director of Finance has administrative rights to the system and can change the access rights of user accounts. In addition, the Director can post and authorize journal entries. We noted the Director can handle cash receipts and disbursements before and after entering into the system.

Criteria Access rights should be limited and segregation of duties designed and implemented to the extent possible.

Cause The School Board Department of Finance is a small department.

Effect This could result in management override of user accounts and adjusting journal entries.

Recommendation We recommend that someone other than the Director of Finance review access changes to the system on a quarterly basis so that any changes or postings to the system can be monitored. Similarly, two different individuals should be preparing and reviewing journal entries. The reviewer/approver should sign and date (paper or electronic) each journal entry and retain as evidence. We also recommend that cash receipts and disbursements be handled by someone separate from the person who enters those transactions into the system.

Current Status Still applicable for the current year.

2024-010: Payroll Segregation of Duties (Schools) – Material Weakness

Condition: All employees within the payroll department share responsibilities to initiate and approve employee changes including wages and employment status. They can also edit master employee files and can both review and approve final payroll reports including general ledger entries.

Criteria: Access rights should be limited and segregation of duties designed and implemented to the extent possible.

Cause: The School Board Department of Finance is a small department.

Effect: This could allow an employee to initiate and approve employee's payroll, status, and changes without superior approval.

Recommendation: We recommend that the payroll department assign duties so that specific people have role assignments that do not overlap responsibilities to initiate and approve employee changes and also to edit the master files. Separate individuals should review and approve the final payroll reports. We also recommend that not all payroll department employees have access to both administrative rights to the system and the ability to change access rights of user accounts within the system.

Current Status: Still applicable for the current year.

County of Floyd, Virginia

Summary Schedule of Prior Audit Findings

June 30, 2025

2024-011: Segregation of Duties (County) – Material Weakness

Condition: The County has designed internal controls around journal entries where the Deputy Administrator prepares entries and the County Administrator approves them; however, the implementation of these controls is not effective. With regard to payroll, the deputy can add/remove employees, modify pay rates, and process payroll.

Criteria: Access should be limited and segregation of duties designed and implemented to the extent possible.

Cause: The County finance department is a small department. The review process is not catching journal entries that have errors or are not following governmental accounting rules. See comments related to fund balance, intergovernmental revenues, and governmental accounting training for additional information.

Effect: Internal controls are designed to safeguard assets and detect loss from employee dishonesty and error.

Recommendation: We recommend improving the implementation of controls surrounding journal entries through training on fund balance, intergovernmental revenue, and governmental accounts training. For payroll, two different individuals should be adding/removing or modifying employee information and processing payroll.

Current Status: No longer applicable.

2024-012: Treasurer's Office Segregation of Duties (Treasurer) – Material Weakness

Condition: The Treasurer can post entries, collect cash receipts, and has access to the Treasurer's Office check stock.

Criteria: Access rights should be limited and segregation of duties designed and implemented to the extent possible.

Cause: The Treasurer's department is a small department.

Effect: Internal controls are designed to safeguard assets and detect loss from employee dishonesty and error.

Recommendation: We recommend that restrictions and/or segregation of duties be implemented in the Treasurer's Office.

Current Status: Still applicable for the current year.

2024-013: Treasurer's Investment Reconciliation (Treasurer) – Material Weakness

Condition: Investment accounts are not being reconciled regularly between the investment statements, the Treasurer's Accountability Fund, and the County's trial balance.

Criteria: Investment accounts should be reconciled between the investment statements, Treasurer's Accountability Fund, and the County's trial balance to ensure accuracy and completeness.

Cause: This was caused by a lack of coordination and identified responsibilities between departments, as well as a weak understanding of governmental accounting.

Effect: This resulted in audit adjustments related to investment account balances and revenue accounts.

Recommendation: We recommend reconciliations be performed by someone in the Treasurer's Office and reviewed by a supervisor. We also recommend that the preparation and review be signed, dated, and kept as documented evidence. Investment accounts should be reconciled to the Treasurer's Accountability Fund and to the County's trial balance.

Current Status: Still applicable for the current year.

2024-014: Self-Insurance Bank Account (Schools) – Material Weakness

Condition: The self-insurance bank statement is downloaded and reconciled by one person with no evidence of supervisor review and approval. Additionally, the self-insurance funds are being tracked outside of the accounting system.

Criteria: Self-Insurance bank statements should be reconciled and approved by two different people.

Cause: The School Board Department of Finance is a small department.

Effect: This results in self-insurance funds being tracked without review or approval.

Recommendation: We recommend review and approval of self-insurance monthly bank statements by someone other than the person who downloads and reconciles the balance. The supervisor could sign and date a statement (paper or electronic) and reconciliation as evidence of review and approval. We also recommend creating a self-insurance fund within the Schools' (or County's) accounting system that tracks activity and balances.

Current Status: No longer applicable in regard to the bank reconciliation preparation and review. Still applicable for the tracking of the insurance outside of the accounting system. Now considered a control deficiency.

County of Floyd, Virginia

Summary Schedule of Prior Audit Findings

June 30, 2025

2024-015: Governmental Accounting Training (County, Schools, EDA) – Significant Deficiency

Condition: Generally accepted accounting principles, especially related to governmental accounting, were not followed and applied consistently.

Criteria: Governmental accounting has its own unique accounting principles that should be understood and applied.

Cause: This is caused by lack of training and implementation of government accounting principles.

Effect: This resulted in several audit findings and audit adjustments necessary to present financial statements in accordance with generally accepted accounting principles as well as governmental accounting principles.

Recommendation: We recommend governmental accounting training and continuing education for County, Schools, and EDA staff. More specifically, we recommend training related to year-end accruals, grants, long-term debt, capital assets, fund balance, and interdepartmental reconciling.

Current Status: Still applicable for the County and EDA. No longer applicable for the Schools.

2024-016: Multi-Year Grants (County) – Significant Deficiency

Condition: Some grants are not being reconciled or recorded in the proper period. As a result, auditor adjustments were required to correct grant revenue and unearned grant revenue balances. All grants should be individually tracked and reconciled to the general ledger. Grants from federal and state agencies are typically on a reimbursement basis; however, some grants such as Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) and Local Assistance and Tribal Consistency Funds (LATCF) are received in advance. Funds received in advance that are not expended and not on a reimbursement basis, such as CSLFRF and LATCF, need to be recorded as unearned grant revenue until expended.

Criteria: Grants should be tracked, reconciled, and properly recorded as unearned grant revenue when applicable.

Cause: Grants were not being individually tracked and reconciled to the general ledger.

Effect: This resulted in audit adjustments to unearned grant revenue and corrections to the Schedule of Expenditures of Federal Awards.

Recommendation: We recommend that funds received up front are recorded as unearned grant revenue until expended. Federal expenditures should be reported on the Schedule of Expenditures of Federal Awards after being reconciled and should factor in year-end accruals.

Current Status	Still applicable for the current year.

B – Findings – Commonwealth of Virginia

2024-017: Virginia Public Procurement Act Compliance

Condition	The County's General Procurement Act form does not include specific language and guidelines that is required by the Virginia Public Procurement Act (VPPA).
Recommendation	We recommend that the County develop a new General Procurement Act form, which includes the language and guidelines required by the VPPA.
View of Responsible Officials and Planned Corrective Action	The County agrees with the recommendation and will develop one procurement manual that applies to all departments.
Current Status	Still applicable for the current year.

2024-018: General Government Budget Appropriation

Condition	Judicial Administration and Public Works expenditures exceeded budget appropriations. The County is required to keep expenditures within budgeted amounts.
Recommendation	Steps be taken to ensure that excess expenditures over budgeted appropriations be approved by the County Board of Supervisors and budget amended accordingly.
View of Responsible Officials and Planned Corrective Action	We agree with the findings and will improve the appropriations process.
Current Status	Still applicable for the current year.