

**COUNTY OF MONTGOMERY, VIRGINIA, COUNTY
OF MONTGOMERY PUBLIC SCHOOLS, THE
MONTGOMERY COUNTY ECONOMIC
DEVELOPMENT AUTHORITY,
AND THE MONTGOMERY COUNTY
PUBLIC SERVICE AUTHORITY**

REPORT ON COMMENTS AND OTHER SUGGESTIONS

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMMENTS AND OTHER SUGGESTIONS

Honorable Members of the Board of Supervisors
Honorable Members of the School Board
Honorable Members of the Economic
Development Authority Board
Honorable Members of the Public Service Authority Board
County of Montgomery, Virginia
Christiansburg, Virginia

In planning and performing our audits of the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the County of Montgomery, Virginia, Montgomery County Public Schools, the Montgomery County Economic Development Authority ("EDA"), and the Montgomery County Public Service Authority ("PSA"), collectively hereafter referred to as "the County," as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and to comply with *Government Auditing Standards* and the regulations set forth in the Uniform Guidance, 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 were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. 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.

If material weaknesses or significant deficiencies were identified during our procedures they are appropriately designated as such in this report. Additional information on material weaknesses or significant deficiencies and compliance and other matters is included 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* which should be read in conjunction with this report.

During our audits, we also became aware of certain other matters that provide opportunities for improving your financial reporting system and/or operating efficiency. Such comments and suggestions regarding these matters, if any, are also included in the attached report, but are not designated as a material weakness or significant deficiency. Since our audit is not designed to include a detail review of all systems and procedures, these comments should not be considered as being all-inclusive of areas where improvements might be achieved. We also have included information on accounting and other matters that we believe is important enough to merit consideration by management and those charged with governance. It is our hope that our suggestions will be taken in the constructive light in which they are offered.

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. A review of the status of our prior year comments and suggestions is included on pages 4-7.

The County's responses to our recommendations are included in this report. The responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the Boards, management, and the appropriate state and federal regulatory agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 27, 2019

COMMENTS ON INTERNAL CONTROL AND OTHER SUGGESTIONS FOR YOUR CONSIDERATION

County

STATEMENTS OF ECONOMIC INTEREST

We noted that three out of thirty seven statements of economic interest filed by members of various councils and boards were not submitted timely.

Management's Response: *Management concurs and will continue to monitor these filings and follow up in an effort to receive filings in a timely manner.*

School Board

FEDERAL AWARDS

We noted that approximately \$47,000 of federal funds related to Special Education had not been requested for reimbursement at the time of our testing. These funds must be requested for reimbursement within 90 days of the end of the period of performance or the School Board risks losing any remaining funds. At the time of our testing, the School Board is approaching 60 days after the period of performance for Award Year 2017. However, through discussion with management, they are aware of the issue and have reimbursement requests ready that will be filed within the next 30 days that will use up the remaining \$47,000, and no funds will be lost. We recommend that reimbursement requests be filed more timely and within the period of performance so the School Board does not run the potential risk of losing any federal funds.

Management's Response: *Management concurs and will continue to monitor these filings and follow up in an effort to file reimbursement requests in a timely manner.*

SUMMARY OF THE STATUS OF PRIOR YEAR COMMENTS AND OTHER SUGGESTIONS

SEGREGATION OF DUTIES (Current and Prior Year Material Weakness)

One of the more important aspects of any internal control is segregation of duties. In an ideal system of internal controls, no individual would perform more than one duty in connection with any transaction or series of transactions. In particular, no one individual should have access to both physical assets and the related accounting records. Such access may allow errors or irregularities to occur and either not be detected or concealed.

Specifically, we noted the following conditions and have provided recommendations to specifically address these conditions.

County, Economic Development Authority, and Public Service Authority

- Bank reconciliations for the Public Service Authority and Economic Development Authority are performed by someone who has the ability to make cash disbursements. We recommend that someone with no cash related responsibilities perform bank reconciliations.
- Individuals who perform accounts payable functions including entering vouchers have responsibilities related to general accounting, purchasing, and receiving. We recommend that personnel in the payables function be independent of the general ledger functions. This should also include restrictions on vendor setup and maintenance in the system.
- The person charged with payroll processing also has the ability to distribute payroll checks and unclaimed payroll checks and W-2s are returned to this employee. We recommend that someone independent of payroll processing distribute the checks, retain custody of unclaimed paychecks, and W-2s that are returned or unclaimed.
- The person who processes payroll also has access to modify personnel information. We recommend that this ability be removed from the person processing payroll or that all changes performed by this person be reviewed and authorized by a responsible official.
- A payroll system master file change log is not reviewed. We recommend that a payroll system master file change log be reviewed regularly by a person with no access to change payroll information, in addition continued review of known changes to payroll information.
- Checks are being returned to the payable clerk for mailing after the signatures are applied. We recommend that checks be stuffed and mailed by someone with no responsibilities for accounts payable functions.
- The accounts receivable subsidiary ledger for the Public Service Authority is maintained by someone who has both access to cash and the collection functions and the general ledger control accounts. Additionally, the billing functions for the Public Service Authority are also handled by someone who also has responsibility for collections. We recommend that these functions be segregated so that the billing, cash collections, and ledger maintenance be handled by independent individuals.
- Capital asset ledgers are maintained by individuals who perform purchasing functions. We recommend that asset ledgers be maintained by individuals independent of the purchasing function.

Current Status: *Condition still present.*

Management's Response: *Management has segregated duties as much as possible based on current staffing levels. Management believes the cost to provide staff required to completely mitigate this comment exceeds the benefit.*

**SUMMARY OF THE STATUS OF
PRIOR YEAR COMMENTS AND OTHER SUGGESTIONS
(Continued)**

SEGREGATION OF DUTIES (Current and Prior Year Material Weakness) (Continued)

School Board

- No one outside of payroll reviews the payroll in detail once it is processed. We recommend that someone outside of payroll perform a detail review of payroll once it is processed.

Current Status: *Condition still present.*

Management's Response: *There is not a monthly sign-off procedure in place on monthly payroll registers. All personnel changes, including adding new employees, are now processed through Human Resources. All mid-cycle pay rate changes and new employee contracts are approved by the School Board.*

- A payroll system master file change log is not printed or reviewed. We recommend that a master file change log be printed and reviewed.

Current Status: *Condition still present.*

Management's Response: *Management has segregated duties as much as possible and payroll will continue to initiate changes through Human Resources as management continues to work on mitigating this issue.*

Public Service Authority

REVIEW OF FINANCIAL INFORMATION AND DOCUMENTATION

During testing, instances of inadequate supporting documentation or inadequate review of supporting documentation were noted. These instances and our recommendations are summarized below:

- Penalty adjustments for water and waste water customers are not reviewed by management which could result in inappropriate or erroneous adjustments being applied to customer accounts. We recommend that management review penalty adjustments and document this review with a signature and date.

Current Status: *Condition still present.*

Management's Response: *Management concurs and is evaluating ways to address this issue.*

County

STATEMENTS OF ECONOMIC INTEREST

We noted that three out of thirty six statements of economic interest filed by members of various councils and boards were not submitted timely.

Current Status: *During the current year, we noted that three out of thirty seven County statements were not filed timely. All of the current year School Board statements tested were filed timely.*

Management's Response: *Management concurs and will continue to monitor these filings and follow up in an effort to receive filings in a timely manner.*

**SUMMARY OF THE STATUS OF
PRIOR YEAR COMMENTS AND OTHER SUGGESTIONS
(Continued)**

County (Continued)

DEPARTMENT OF SOCIAL SERVICES ANNUAL REVIEW OF SYSTEM ACCESS

During our review of employee files, we noted that one out of five tested did not contain an annual system access request form for the fiscal year ended June 30, 2018. We recommend that management implement a process to ensure that each file has the current system access request form included.

Current Status: *Condition cleared in the current year.*

**SUMMARY OF THE STATUS OF
PRIOR YEAR COMMENTS AND OTHER SUGGESTIONS
(Continued)**

INFORMATION TECHNOLOGY COMMENT:

**INFORMATION TECHNOLOGY (IT) RISK AND CONTINUITY MANAGEMENT –
COUNTY/SCHOOLS/ECONOMIC DEVELOPMENT AUTHORITY/PUBLIC SERVICE AUTHORITY**

The County and the Schools continue to address deficiencies in their Information Technology Risk and Continuity Management Program in accordance with the Security Standard. The County and the Schools are in the process of updating their IT Risk and Continuity Management documentation, but it remains inconsistent. The details of these control weaknesses have been communicated to management in a separate document marked FOIAE under Section 2/2-3705.2 of the *Code of Virginia* due to its sensitivity of security controls.

ACCOUNTING AND OTHER MATTERS

NEW GASB PRONOUNCEMENTS

In this section, we would like to make you aware of certain confirmed and potential changes that are on the horizon that may affect your financial reporting and audit.

The GASB issued **Statement No. 84, *Fiduciary Activities*** in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for periods beginning after December 15, 2018.

ACCOUNTING AND OTHER MATTERS (Continued)

The GASB issued **Statement No. 87, *Leases*** in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Definition of a Lease

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

Lease Term

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

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

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

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

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

ACCOUNTING AND OTHER MATTERS **(Continued)**

Short-Term Leases

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

Lessee Accounting

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

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

Lessor Accounting

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

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

Contracts with Multiple Components and Contract Combinations

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

ACCOUNTING AND OTHER MATTERS (Continued)

Lease Modifications and Terminations

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

Subleases and Leaseback Transactions

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

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

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

The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*** in March 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for periods beginning after June 15, 2018.

ACCOUNTING AND OTHER MATTERS (Continued)

The GASB issued **Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*** in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The GASB issued **Statement No. 91, *Conduit Debt Obligations*** in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

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

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

ACCOUNTING AND OTHER MATTERS

(Continued)

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

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

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

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

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

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

The requirements of this Statement are effective for periods beginning after December 15, 2020.

ACCOUNTING AND OTHER MATTERS (Continued)

CURRENT GASB PROJECTS

GASB currently has a variety of projects in process. Some of these projects discussed below.

Conceptual Framework – Recognition. The project’s objective is to develop recognition criteria for *whether* information should be reported in state and local governmental financial statements and *when* that information should be reported. This project ultimately will lead to a Concepts Statement on recognition of elements of financial statements. The project is currently in deliberations with an exposure draft expected in February 2020, and concepts Statement draft in November 2021.

Conceptual Framework – Disclosure. The project’s objective is to develop concepts related to a framework for the development and evaluation of notes to financial statements for the purpose of improving the effectiveness of note disclosures in government financial reports. The framework will establish criteria for the Board to use in evaluating potential note disclosure requirements during future standards-setting activities and in reexamining existing note disclosure requirements. Those concepts also will provide governments a basis for considering the essentiality of information items for which the GASB does not specifically provide authoritative disclosure guidance. This project is currently in deliberations with an exposure draft expected in March 2021, and a Concepts Statement draft in April 2022.

Financial Reporting Model. The objective of this project is to make improvements to the financial reporting model, including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other reporting model-related pronouncements (Statements No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, No. 41, *Budgetary Comparison Schedules – Perspective Differences*, and No. 46, *Net Assets Restricted by Enabling Legislation, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*). The objective of these improvements would be to enhance the effectiveness of the model in providing information that is essential for decision-making and enhance the ability to assess a government’s accounting and address certain application issues, based upon the results of the pre-agenda research on the financial reporting model. The project is currently in deliberations with an exposure draft expected in February 2020, and a final Statement draft in November 2021.

Public-Private Partnerships and Availability Payment Arrangements.

The project’s objective is to address accounting and financial reporting for public-private partnerships (PPPs) and availability payment arrangements (APAs). The project will consider: (1) potential amendments to Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and potential amended or new implementation guidance to better address accounting and financial reporting for service concession arrangements (SCAs) within its scope, (2) potential additional accounting and financial reporting guidance for other types of public-private partnerships not within the scope of Statement 60, or subject to the provisions of Statement No. 87, *Leases*, and (3) APAs. The project is currently in the exposure draft comment period with a final Statement draft expected in February 2020.

ACCOUNTING AND OTHER MATTERS (Continued)

Revenue and Expense Recognition. The objective of this project is to develop a comprehensive application model for the classification, recognition, and measurement of revenues and expenses. The purpose for developing a comprehensive model is (1) to improve the information regarding revenues and expenses that users need to make decisions and assess accountability, (2) to provide guidance regarding exchange and exchange-like transactions that have not been specifically addressed, (3) to evaluate revenue and expense recognition in the context of the conceptual framework, and (4) to address application issues identified in practice, based upon the results of the pre-agenda research on revenue for exchange and exchange-like transactions. The project is currently in deliberations with an exposure draft expected in September 2021, and a final Statement draft in December 2022.