



County of Floyd, Virginia, Floyd County Schools, and the Economic Development Authority of Floyd County

Comments on Internal Control and Other
Suggestions for your Consideration

June 30, 2025

County of Floyd, Virginia

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Independent Auditor's Report on Comments and Suggestions

To the Honorable Members of the Board of Supervisors,
Honorable Members of the School Board,
Honorable Members of the Economic Development Authority Board
County of Floyd, Virginia
Floyd, Virginia

In planning and performing our audit of 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 (the "County") as of and for the year ended June 30, 2025, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements and to comply with any other applicable standards, such as *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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first 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.

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.

Additionally, during our audit, we may have become 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.

The entity'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 County, 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
July 27, 2026

County of Floyd, Virginia
Current Year Comments and Suggestions
June 30, 2025

County

Opioid Funds (County) – Control Deficiency

Opioid funds are not being fully tracked in spreadsheets and recorded in dedicated accounts withing the accounting system. There is an opioid revenue account but no offsetting expenditure account. Also, the specific types of opioid funding coming in, which have different requirements on reporting and restrictions on spending, are not to being tracked. This also affects the accuracy and completeness of restricted cash for report presentation. The County prepared a partial tracking system for the audit to disclose the restricted cash balance at year end.

Management Response: The County agrees with the statement. The County Administration will work together to develop a better tracking process.

Treasurer

Treasurer's Office Segregation of Duties (Treasurer) – Material Weakness

The Deputy Treasurer can post entries, collect cash receipts, and has access to the Treasurer's Office check stock. We recommend that restrictions and/or segregation of duties be implemented in the Treasurer's Office.

Management's Response: Treasurer agrees with recommendation and will implement segregation of duties to the extent possible given the small size of the staff.

EDA

Cash and Interest – Material Weakness

Proceeds from the sales of land held for sales was placed into three certificate of deposit accounts that were not recorded on the trial balance. Interest earned was also not recorded during the year. We recommend tracking all cash and cash equivalents on the trial balance.

Management Response: The EDA agrees with the recommendation.

Account Classification – Control Deficiency

Several accounts on the trial balance were not classified correctly. This was identified when a lease receivable audit adjustment from a prior year was being classified as revenue. We also noted that some Due to/from accounts were treated as revenue. As a result, audit entries from prior years created imbalances in their system. We recommend checking the accuracy of the chart of accounts periodically and when adding new accounts.

Management Response: The EDA agrees with the recommendation.

County of Floyd, Virginia
Prior Year Comments and Suggestions
June 30, 2025

Comments Applicable to Multiple Departments (County, Treasurer, Schools, EDA)

Fund Balances (County/EDA) – Material Weakness

Some funds did not balance due to manual journal entries or utilization of fund balance accounts during the year. Auditor adjustments were required to correct fund balance. 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. We recommend reviewing each fund to ensure that it balances and appears reasonable.

Current year status: Still applicable.

Management's Response: The County and EDA staff will participate in training sessions on how to improve fund balance accounting.

Accounting System Reconciliation (County, Treasurer, Schools, EDA) – Material Weakness

The County/Treasurer, Schools, and EDA operate separate accounting systems and do not reconcile to ensure transactions between the separate departments are recorded accurately. As a result, auditor adjustments were required to align account balances. 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 year status: Still applicable.

Management's Response: The County agrees. Going forward each department will reconcile their systems independently and will work together as needed. There are four different accounting systems to be reconciled: BAI, Munis, QuickBooks, and RDA.

Construction in Progress (County, Schools) – Material Weakness

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. As a result, auditor 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. 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. 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.

Current year status: Still applicable for the County. No longer applicable for schools.

Management's Response: The County agrees with the statement. The County Administration will work to develop a better tracking process.

County of Floyd, Virginia
Prior Year Comments and Suggestions
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Capital Assets (County, Schools) – Material Weakness

Capital asset listings and depreciation schedules were not reviewed, updated, or reconciled with the County's and School's records. As a result, auditor adjustments were required to align the depreciation schedules with the capital asset rollforwards. We recommend that the County and Schools review the capital 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 year status: No longer applicable.

SNAP Balance and Drawdowns (County, Treasurer)– Material Weakness

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 and investments were understated by \$9 million. Auditor adjustments were required to correct balances. 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.

Current year status: Still applicable.

Management's Response: The County agrees and will make appropriate changes to our draw-down process. The Treasurer also agrees and will modify their processes in line with this recommendation.

Intergovernmental Revenue (County, Treasurer) – Material Weakness

Intergovernmental revenue (i.e., state and federal) is being netted against expenditures in the General Fund. We also noted that revenue is not being recorded to relevant accounts and was sometimes recorded to catch all accounts such as "Expenditures, Refunds-General." As a result, auditor adjustments were needed to correct intergovernmental revenue. Intergovernmental revenues should be recorded as revenue instead of netted against expenditures. If netted, the financial statements do not provide a complete picture to users of the financial statements of how much revenue was received from other governments during the year or of how much expenditures occurred. We recommend recording intergovernmental revenue in unique accounts so that sources of revenue (i.e., state or federal) and type of revenue (account description reflecting the name of the grant/program) can be easily identified.

State revenues and federal pass-through revenues were not properly recorded during the year. We recommend reconciling to the APA's Cardinal Report each quarter. Best practice is to consistently record related revenues in the same account. Improving inputting information in the trial balance will facilitate the preparation of required reports such as the Schedule of Expenditures of Federal Awards.

Current year status: Still applicable.

Management's Response: The County agrees and has already begun making modifications. The County agrees to improve account descriptions and track grants by specific name. The County agrees and has already begun moving forward with this reconciliation process. The County will encourage the school system to also modify their reconciliation process.

County of Floyd, Virginia
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Governmental Accounting Training (County, Schools, EDA) – Significant Deficiency

Generally accepted accounting principles, especially related to governmental accounting, were not followed and applied consistently. 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 year status: Still applicable for County and EDA. No longer applicable for Schools.

Management's Response: 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.

Capitalization Policy (County, Schools, EDA) – Recommendation

The capitalization policy has a threshold of \$5,000. We recommend increasing the capitalization policy threshold to \$10,000 or more to reduce the time spent recording and tracking lower cost assets and to enable more attention and effort to be given to accurately tracking those that are significant.

Current year status: Still applicable.

Management's Response: The County agrees and will work with the Board to increase the capitalization policy threshold to at least \$10,000. The County will also notify all departments of the change and communicate that this is not related to procurement or small purchase policy thresholds.

Investment Policy (County, Treasurer) – Control Deficiency

There is no formal, written investment policy that lists out approved investments, calls for periodic review of investments, and identifies targets for investments. We recommend the County develop an investment policy that lists approved investments, describes general investment goals, and specifies when and how often investments should be reviewed to maximize returns.

Current year status: Still applicable.

Management's Response: The County agrees. The County and the Treasurer will work together to develop an investment policy to ensure earning larger returns while protecting public funds. The policy will, at a minimum, address what should be done and what should be avoided, as well as key timeframes for review. We will engage in changing the investment policy, noting that the Treasurer is responsible for managing investments.

Uniform Guidance Procurement Policies and Procedures (County, Schools, EDA) – Control Deficiency

The County, Schools, and EDA adhere to and follow Virginia Public Procurement Act (VPPA) for all procurement; however, the County, Schools, and EDA should be following the Uniform Guidance procurement for expenditures/expenses using federal funds. The County, Schools, and EDA do not have complete, written procurement policies that are in compliance with the additional standards required by the Uniform Guidance (2 CFR Part 200). The lack of written policies under the specific requirements of Uniform Guidance could result in potential improper procurement using federal funds. Management should update existing written procurement procedures to align with Uniform Guidance requirements for all purchases to be made with federal funds.

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Current year status: Still applicable. Upgraded to federal compliance finding on Statement of Findings and Questioned Costs.

Management's Response: The County agrees with the recommendation and will develop one procurement manual that applies to all departments.

County

Segregation of Duties (County) – Material Weakness

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. 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.

The Deputy County Administrator can add/remove employees, modify pay rates, and process payroll. We recommend that two different individuals should be adding/removing employees or modifying employee information and processing payroll.

Current year status: No longer applicable.

Multi-year Grants (County) – Significant Deficiency

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 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 reimbursement basis, such as CSLFRF and LATCF, need to be 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 yearend accruals.

Current year status: Still applicable.

Management's Response: The County agrees with the recommendation and will make appropriate modifications.

Capital Improvement Fund (County) – Control Deficiency

The Capital Improvement Fund is tracking meals tax receipts but not capital project expenditures, intergovernmental reimbursements, and related debt issuances. Instead, the County is using the General Fund. We recommend using the Capital Improvement Fund for its designated purpose.

Current year status: Still applicable.

Management's Response: County agrees and will fix.

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Government-wide Trial Balances (County) – Control Deficiency

The County does not maintain government-wide trial balances and accounts to track and update yearend long-term assets and liabilities for County and Schools within its account system. We recommend creating government-wide funds within the County's accounting system.

Current year status: Still applicable.

Management's Response: Prior auditor created for us. Will put into Munis this year.

Fire & Rescue Fund Balance (County) – Control Deficiency

The Fire & Rescue Fund Balance is significantly at a deficit. We recommend the County implement a funding strategy to get the balance back to a positive balance and prevent future deficits.

Current year status: Still applicable.

Management's Response: The Fire & Rescue fund was created in 1987 after a general bond referendum. The debt has been long expired and as such, there is no legal obligation to maintain the fund, although the Board of Supervisors may choose to do so as a policy matter. It should also be noted that large expenditures for Fire & Rescue have been paid out of the General fund. Going forward care will be used to appropriately segregate revenues and expenditures related to the fund.

Conflict of Interest (County) – Control Deficiency

In one of thirty instances, disclosure statements were filed after the February 1, 2024 deadline. We recommend ensuring disclosure statements are filed in a timely manner.

Current year status: No longer applicable.

Social Services Contingency Plan (County/Social Services) – Control Deficiency

The County's Social Services department is using a contingency plan from 2016. We recommend updating the contingency plan annually to reflect changes in personnel, location, and process.

Current year status: Still applicable.

Management Response: Management agrees with recommendation and will update contingency plan.

Audit Adjustments (County) – Material Weakness

The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, material adjustments were proposed to the financial statements. We recommend reviewing the audit adjustments for 2025 and developing a plan to ensure the trial balance and related schedules are presented accurately for audit.

Current year status: Still applicable.

Management's Response: The County agrees and will review proposed adjustments for 2025 and develop a plan to ensure the adjusting entries are made prior to final audit fieldwork next year.

County of Floyd, Virginia
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Treasurer

Treasurer's Office Treasurer Accountability Fund Reconciliation (Treasurer) – Material Weakness

The Treasurer's Accountability Fund maintained by the Treasurer's Office does not reflect all cash and investments balances. Furthermore, this fund is not being reconciled to the cash and investment balances on the County's trial balance. As a result, auditor adjustments were needed to accurately reflect the yearend balances. We recommend that these balances be tracked and maintained in the Treasurer and County's accounting system for completeness of cash balances.

Current year status: Still applicable.

Management's Response: 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.

Treasurer's Office Segregation of Duties (Treasurer) – Material Weakness

The Treasurer can post entries, collect cash receipts, and has access to the Treasurer's Office check stock. We recommend that restrictions and/or segregation of duties be implemented in the Treasurer's Office.

Current year status: Still applicable.

Management's Response: Treasurer agrees with recommendation and will implement segregation of duties to the extent possible given the small size of the staff.

Treasurer's Investment Reconciliation (Treasurer) – Material Weakness

Investment accounts are not being reconciled regularly. 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.

Current year status: Still applicable.

Management's Response: Treasurer agrees with recommendation and will do a complete reconciliation.

Treasurer's Cash Disbursements (Treasurer) – Control Deficiency

We noted an instance where a purchase order was completed and vendor payment made prior to purchase order approval. We recommend purchase order and vendor approvals occur prior to obligating the County.

Current year status: No longer applicable.

Treasurer's Office Dual Signatures (Treasurer) – Control Deficiency

Checks issued do not require dual signatures. We recommend that checks require two signatures to document dual approval of the disbursement.

Current year status: No longer applicable.

County of Floyd, Virginia
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County/Sheriff

Bank Accounts (County/Sheriff) – Control Deficiency

The Narcotics Fund bank account maintained by the Sheriff's department is not included in the County's trial balance. We recommend that these balances be tracked and maintained in the County's accounting system for completeness of cash balances.

Current year status: Still applicable.

Management's Response: Management concurs with the recommendation.

Asset Forfeiture Accounts (County/Sheriff) – Control Deficiency

Only some sources of asset forfeiture are being tracked and reconciled between the County and Sheriff's Office. These funds are tracked as "asset forfeiture" cash as part of the County's pooled cash. We recommend that someone in the Sheriff's Office track and reconcile all sources of asset forfeiture (state, federal, and local) with the County's records and accounting system to ensure completeness and accuracy of balances on a quarterly basis.

Current year status: No longer applicable.

Schools

Administrative Rights Segregation of Duties (Schools) – Material Weakness

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. 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 year status: Still applicable.

Management Response: Given the small size of our staff, we will implement segregation of duties to the extent possible.

Payroll Segregation of Duties (Schools) – Material Weakness

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. 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.

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Current year status: Still applicable.

Management Response: Given the small size of our staff, we will implement segregation of duties to the extent possible.

Self-Insurance Bank Account (Schools) – Control Deficiency

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. 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 year status: Still applicable for maintaining records outside of accounting system. Reconciliations and review are now being performed. Downgraded from material weakness to control deficiency.

Management Response: Given the small size of our staff, we will implement segregation of duties to the extent possible.

Transfers Recording (Schools) – Control Deficiency

Revenue from the County's General Fund and other local funds reflected the budgeted amounts. We recommend the Schools ensure that the amounts actually received from the County are reflected.

Current year status: No longer applicable.

Manual Journal Entries (Schools) – Control Deficiency

Manual entries are made without documented review and approval that demonstrate segregation of duties. We recommend that manual journal entries go through a process of review and approval before they are posted. This review and approval should be done by someone separate from the person making the entry. This will ensure proper segregation of duties.

Current year status: Still applicable.

Management Response: Given the small size of our staff, we will implement segregation of duties to the extent possible.

ESSER III Time Distribution (Schools) – Control Deficiency

Time distribution forms were not completed for ESSER III funded employees. We recommend that the Schools require employees that are partially or 100% funded by any federal funds, not just ESSER III, to complete time distribution forms that comply with broad ranging federal requirements.

Current year status: No longer applicable.

County of Floyd, Virginia

Accounting and Other Matters

June 30, 2025

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. 103, *Financial Reporting Model Improvements*** in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

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

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

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

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

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

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

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

The GASB issued **Statement No. 104, *Disclosure of Certain Capital Asset*** in September 2024. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

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

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

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

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Current GASB Projects

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

Going Concern Uncertainties and Severe Financial Stress. The objective of this project is to address issues related to disclosures regarding going concern uncertainties and severe financial stress. The project will consider (1) improvements to existing guidance for going concern considerations to address diversity in practice and clarify the circumstances under which disclosure is appropriate, (2) developing a definition of severe financial stress and criteria for identifying when governments should disclose their exposure to severe financial stress, and (3) what information about a government's exposure to severe financial stress is necessary to disclose. This project is currently in the initial deliberations period.

Implementation Guidance Update - 2025. The objective of this project is to update implementation guidance for additional issues that come to the attention of the staff. This project will result in the issuance of an Implementation Guide when sufficient need exists for new or improved guidance and the Board does not object to its issuance. All updates are incorporated into the Codification of Governmental Accounting and Financial Reporting Standards and the Comprehensive Implementation Guide, as appropriate. This project is currently in the preliminary views period.

Infrastructure Assets. The objective of this project is to address issues related to accounting and financial reporting for infrastructure assets. The project would evaluate standards-setting options related to reporting infrastructure assets to make information (1) more comparable across governments and more consistent over time, (2) more useful for making decisions and assessing government accountability, (3) more relevant to assessments of a government's economic condition, and (4) better reflect the capacity of those assets to provide service and how that capacity may change over time. This project is currently in the preliminary views re-deliberation period.

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. This project is currently in the preliminary views re-deliberations period.

Subsequent Events. The objective of this project is to improve the accounting and financial reporting for subsequent events. The project will reexamine existing requirements related to subsequent events in Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, to address issues related to (1) confusion about and challenges associated with applying the existing standards, (2) inconsistency in practice in the information provided about subsequent events, and (3) the usefulness of the information provided about subsequent events. This project is currently in the exposure draft period.