



City of Hanover

Communications Letter

December 31, 2024

**City of Hanover
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Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

Honorable Mayor, Members
of the City Council and Management
City of Hanover
Hanover, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hanover, Minnesota, as of and for the year ended December 31, 2024, 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, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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. 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 a certain deficiency in internal control that we consider to be a material weakness.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

The material weakness identified is stated within this letter.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated June 9, 2025, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the Members of the City Council and management and others within the City and state oversight agencies the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
June 9, 2025

City of Hanover Material Weakness

Lack of Segregation of Accounting Duties

The City had a lack of segregation of accounting duties due to a limited number of office employees. As a result of this condition, a material audit adjustment was required to properly adjust expenses and capital asset balances.

In order to have appropriate segregation of accounting duties, the performance of the following duties would need to be completed by a different employee: Initiation and authorization of transactions, recording and processing of transactions, reconciliation and reporting of transactions, and financial information and custody of assets.

Management and the Members of the City Council are aware of this condition and have taken certain steps to compensate for the lack of segregation, but due to the number of staff needed to properly segregate all of the accounting duties, the costs of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. However, management and the Members of the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

City of Hanover Required Communication

We have audited the basic financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2024. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

City of Hanover Required Communication

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks of material misstatement:

- Risk of Management Override of Internal Controls
 - Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results
- Risk of Misappropriation of Assets Related to Segregation of Accounting Duties
 - If duties cannot be appropriately segregated within the accounting and finance department, there is a risk of unauthorized disbursements being made from the entity. In addition, generally these results in less review taking place as transactions are recorded in the financial statements.
- Risk of Improper Revenue Recognition
 - Revenue recognition is considered a fraud risk on substantially all engagements as it is generally the largest line item impacting an entity's operations.
- Significant Estimate Risk of Pension Valuation
 - Net pension liability, deferred outflows of resources related to pensions, and deferred inflows of resources related to pensions are generally material to the financial statements and involve significant estimates.
- Significant Estimate Risk of Capital Assets Valuation
 - Capital assets and related depreciation are material to the financial statements and involve significant estimates.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to the basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the basic financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the basic financial statements relate to:

Depreciation - The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

**City of Hanover
Required Communication**

Qualitative Aspects of the City's Significant Accounting Practices (Continued)

Significant Accounting Estimates and Related Disclosures (Continued)

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions - These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to basic financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit. Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the basic financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

City of Hanover Required Communication

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the City, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

The following pages provide graphic representation of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

City of Hanover Financial Analysis

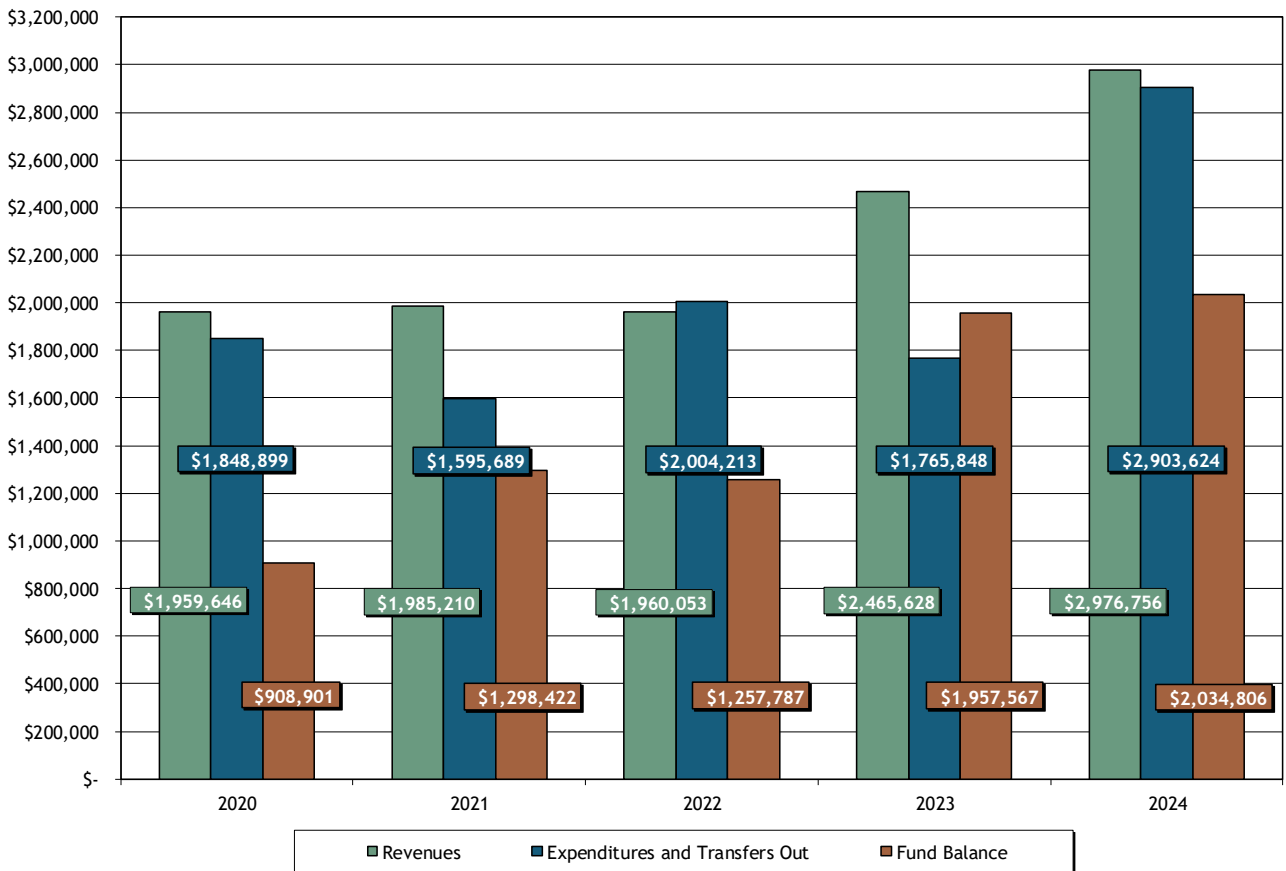
General Fund

At year-end, fund balance increased by \$77,239. Fund balance represented 91%, or just under eleven months' worth of expenditures at 2024 budgeted levels. The Office of the State Auditor recommends a level of between four and six months, or 35% to 50% of annual expenditures.

It is the City's policy that the City will maintain unassigned fund balance in a range equal to 35% to 55% of the General Fund operating expenditures. At December 31, 2024, unassigned fund balance was equal to 84% of operating expenditures based on 2024 spending levels.

Details of operations are explained further on the following pages.

General Fund Operating Analysis

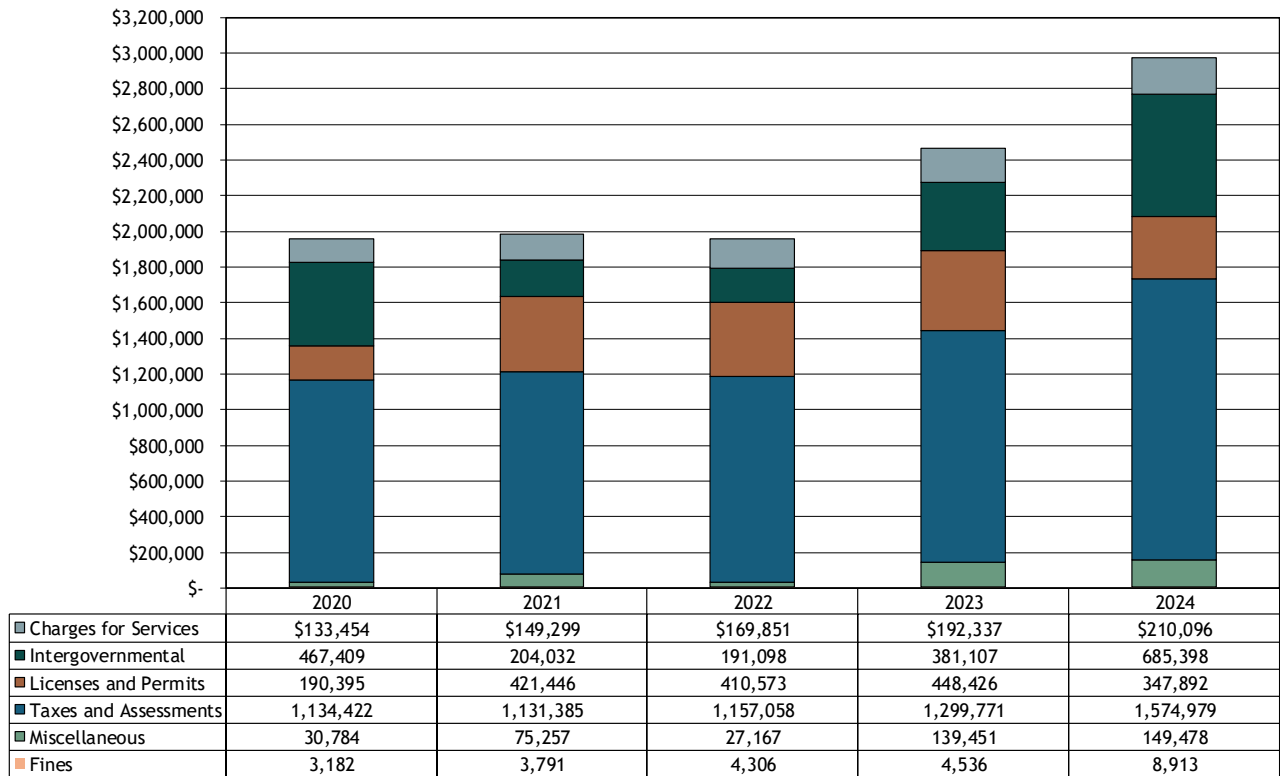


City of Hanover Financial Analysis

General Fund Revenues

This graph presents the sources of revenue for the past five years. The main source of revenue has consistently remained property taxes, which represented 53% of total revenues for year 2024. In total, General Fund revenues increased \$511,128, from \$2,465,628 in 2023, to \$2,976,756 in 2024. The largest variance occurred in intergovernmental revenue, which increased \$304,291 due to the recognition of ARPA funds during 2024. The next largest variance occurred in taxes and assessments revenue, which increased \$275,208, due to an increase in the tax levy in the current year. Licenses and permits decreased \$100,534, due to a decrease in the size of building permits in the current year. Other revenues remained relatively consistent.

General Fund Revenues

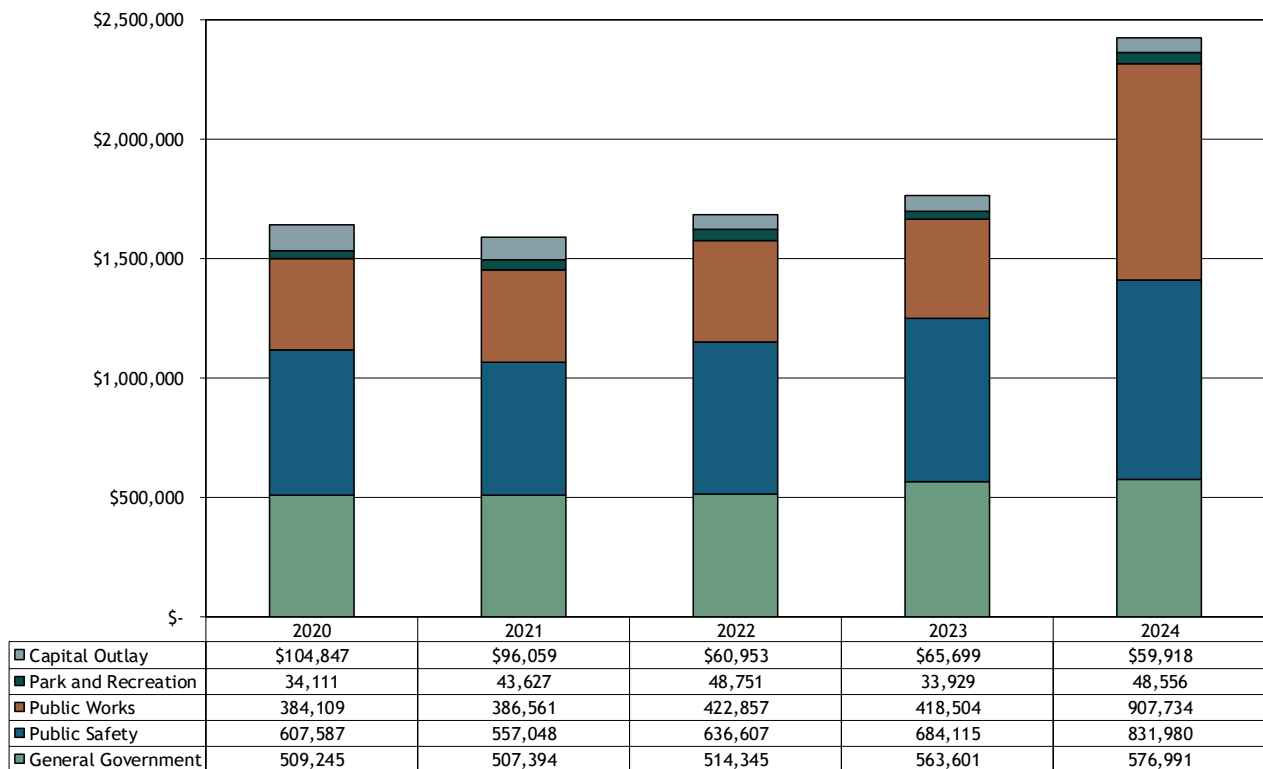


City of Hanover Financial Analysis

General Fund Expenditures

The graph below shows General Fund expenditures by function for each of the last five years. As revenues increased 21% in 2024, expenditures increased 37%, or \$659,331 from \$1,765,848 to \$2,425,179. The majority of this increase occurred in public works expenditures, which grew \$489,230 from 2023 to 2024. This increase was related to increase salaries and benefits due to changes in several positions during the year along with ARPA funds that were received in prior years and spent in the current year on a sewer plant project contribution.

General Fund Expenditures



The public works function accounted for the largest portion of the General Fund expenditures at 37% in 2024. This function consists primarily of street maintenance expenditures. The public safety function accounted for the second largest portion of the General Fund disbursements at 34%. This function consists of police, fire, and building inspection expenditures. General Government accounts for the next largest portion at 24% and consists primarily office employees' salaries and supplies, planning and zoning, accounting, and auditing, election costs, and legal and engineering fees.

**City of Hanover
Financial Analysis**

General Fund Budget and Actual

The City had a balanced budget in 2024 in the General Fund, with revenues equaling expenditures.

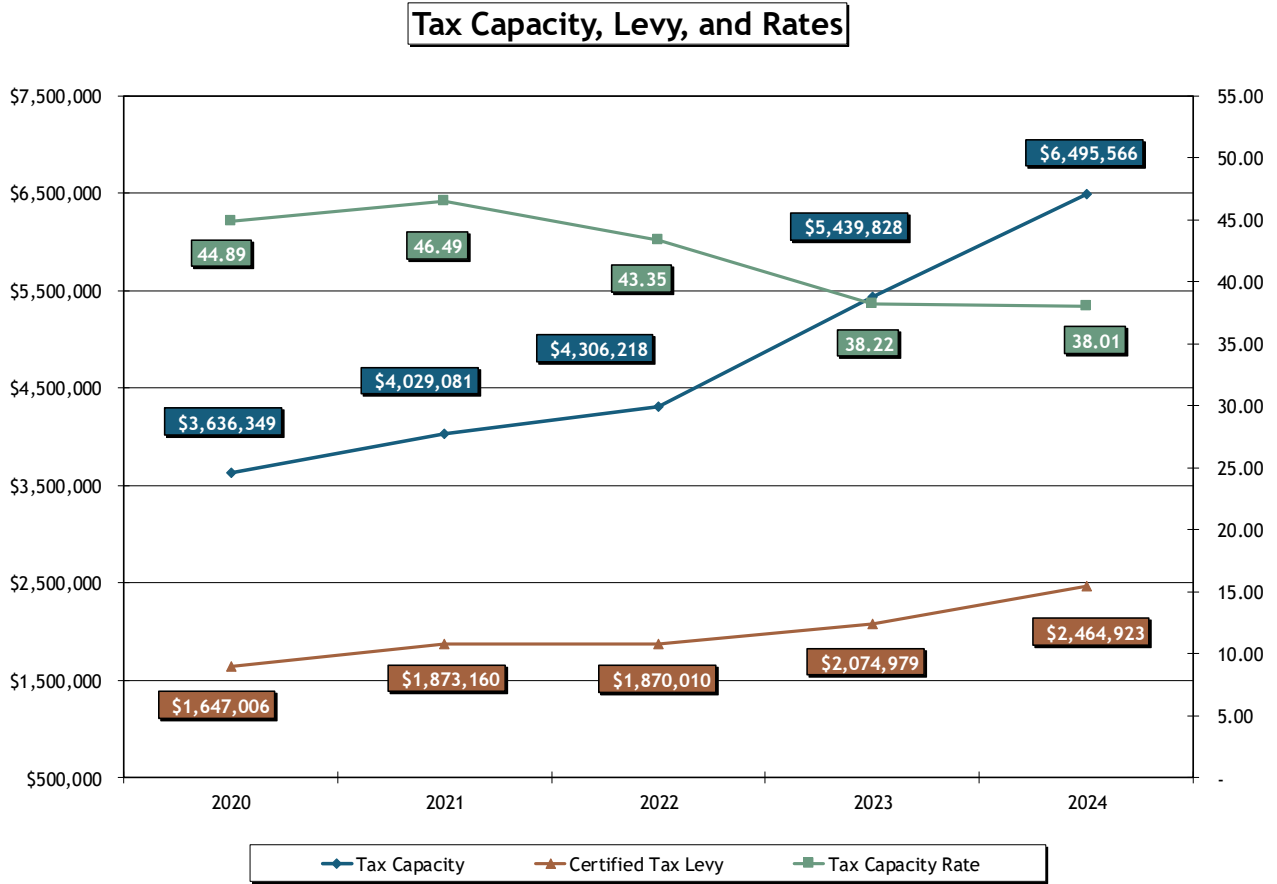
Revenues were over budget in 2024, with a variance of \$714,652 or 32%. The largest variance was in intergovernmental, which was over budget due the spending of ARPA funds during 2024. This spending was not included in the budget. The second largest variance was in licenses and permits revenues, which was over budget by \$138,722. This variance was the result of significantly more building permits than anticipated. The next largest variance was in the other revenue which was over budget by \$70,384. This variance was primarily due to receiving more one-time donations and contributions that were not included in the budget. The remaining revenue categories were close to budgeted amounts.

In total, the General Fund expenditures were over budget by 9%, or \$193,233. The largest budget variance was in public works, which was over budget by \$260,359. This variance was primarily due to the ARPA funds that were received in prior years and spent during 2024 related to a sewer plant project contribution. General government conversely was under budget by \$148,654, due primarily to having higher employee turnover.

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Taxes and assessments	\$ 1,590,972	\$ 1,574,979	\$ (15,993)
Licenses and permits	209,170	347,892	138,722
Intergovernmental	249,476	685,398	435,922
Charges for services	194,086	210,096	16,010
Fines and forfeitures	3,300	8,913	5,613
Investment income	-	63,994	63,994
Other revenue	15,100	85,484	70,384
Total revenues	2,262,104	2,976,756	714,652
Expenditures			
General government	744,978	596,324	(148,654)
Public safety	755,108	849,351	94,243
Public works	664,760	925,119	260,359
Park and recreation	67,100	54,385	(12,715)
Total expenditures	2,231,946	2,425,179	193,233
Excess of revenues over (under) expenditures	30,158	551,577	521,419
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	-	4,107	4,107
Transfers out	(30,158)	(478,445)	(448,287)
Net change in fund balance	\$ -	\$ 77,239	\$ 77,239

City of Hanover Financial Analysis

Tax Capacity, Levy, And Rates



The chart above graphs the tax capacity, certified tax levy, and City tax rate for 2020 through 2024. The tax capacity is based on total tax capacity, prior to adjustments for captured Tax Increment Financing (TIF) and fiscal disparities. The certified tax levy amount is also prior to fiscal disparity adjustments.

Comparing 2020 through 2024, the City's tax capacity increased \$2,859,217, or 79%. This increase is attributable to market valuation changes. The City's certified levy over this same time frame increased \$817,917, or 50%. These changes allowed for a reduction in the tax capacity rate from 44.89 in 2020 to 38.01 in 2024.

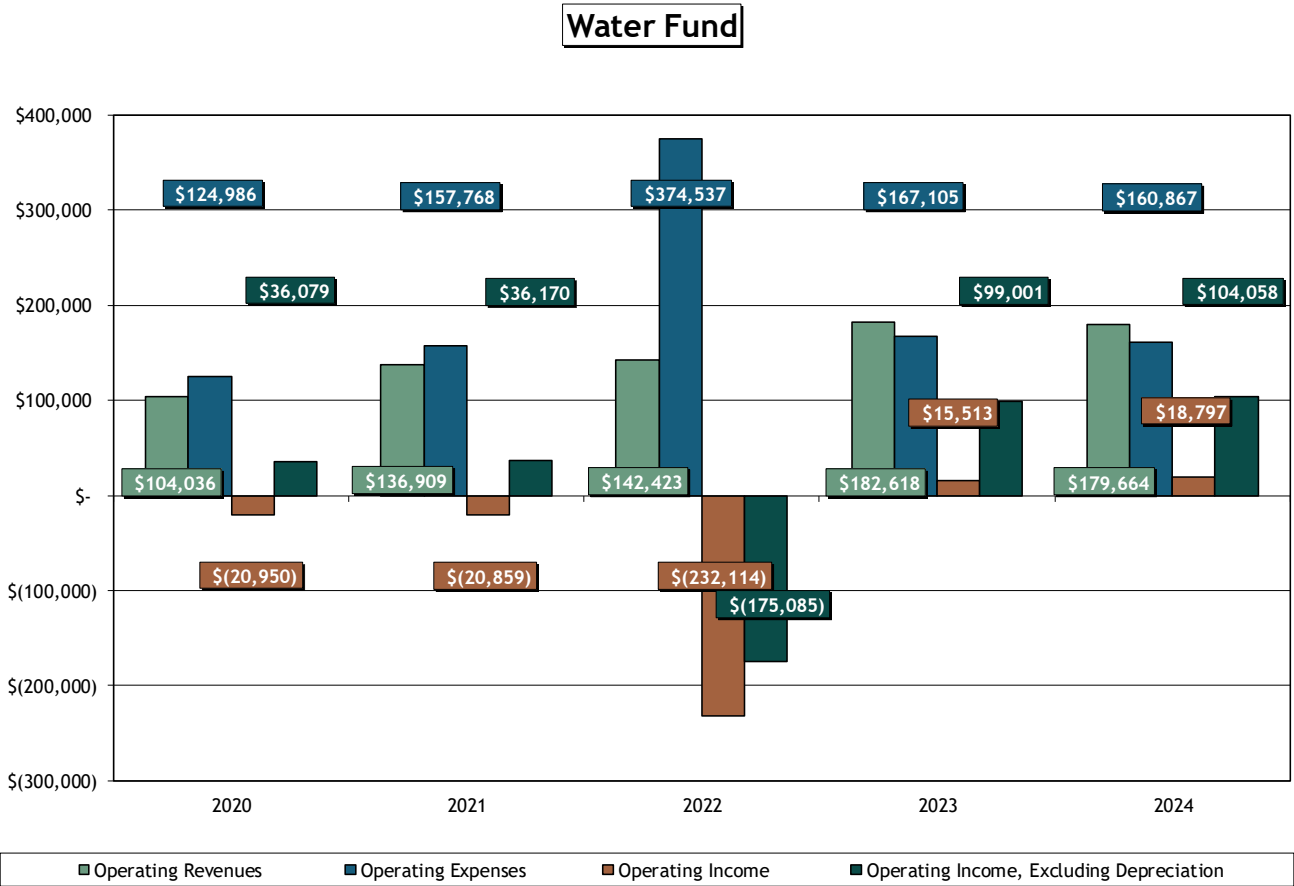
This graph provides a simplified viewpoint of the amounts. More information can be obtained from Wright County, Hennepin County, and the League of Minnesota Cities *Property Tax Data Tables for 2014-2024* (www.lmnc.org).

City of Hanover Financial Analysis

Water Fund

Since 1999, the City has been responsible for the distribution of water and the Joint Powers Board is responsible for the supply of water. The graphs below and on the next page show the results of the Water and Sewer Funds for the past five years.

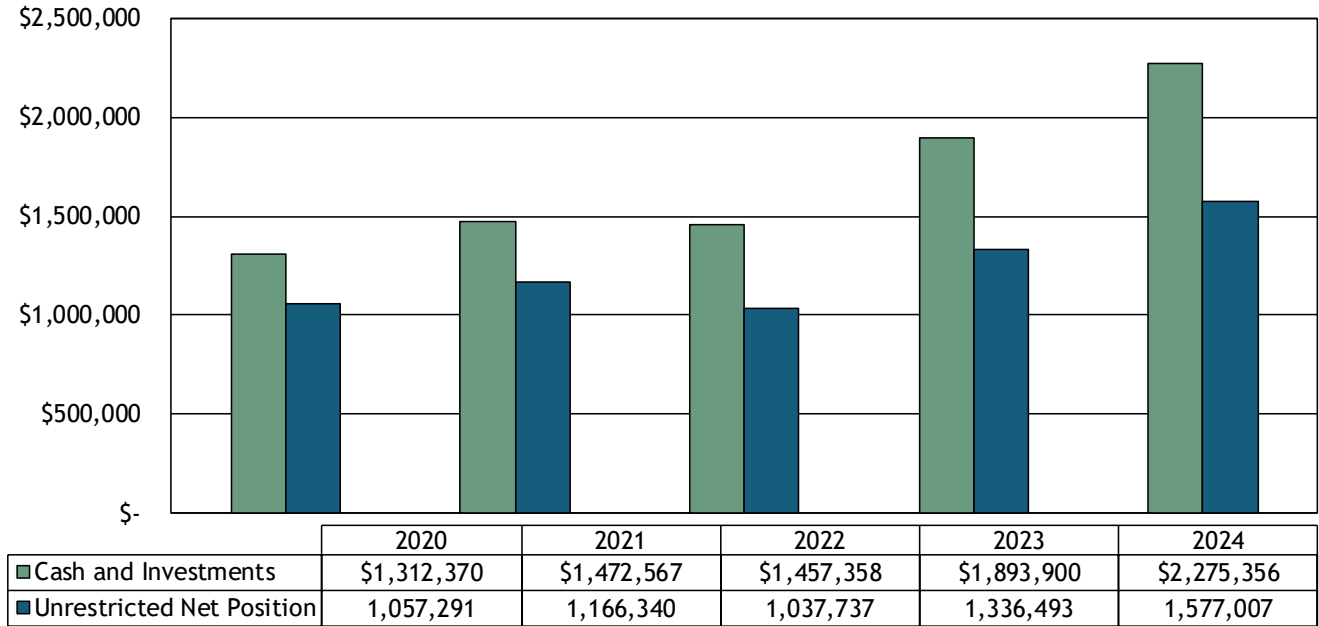
In 2024, the Water fund had an operating income of \$18,797. This was consistent with the prior year operating income.



**City of Hanover
Financial Analysis**

Water Enterprise Fund (Continued)

Water Fund



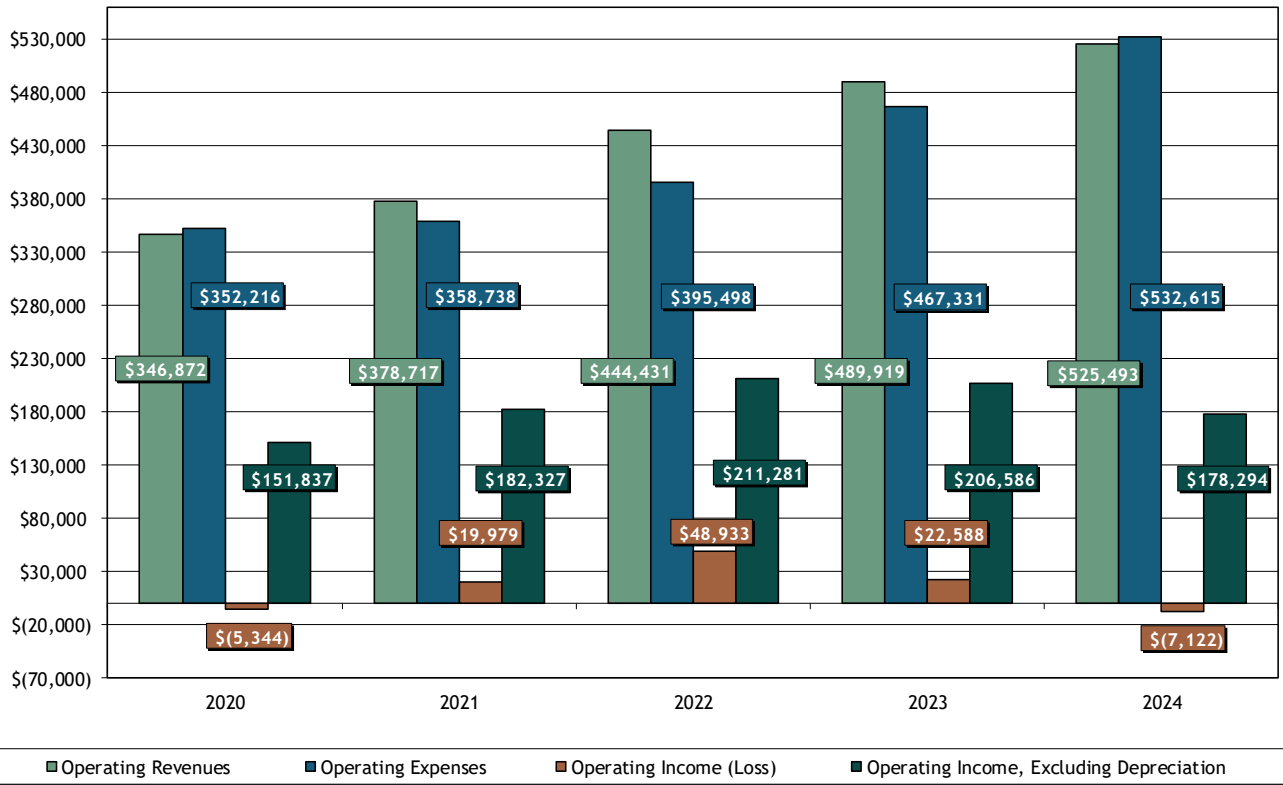
This graph shows the cash and investment and unrestricted net position balances as of December 31 for the last five years. The Water Fund cash, and investment balance has increased \$962,986 since 2020 while the unrestricted net position has increased \$519,716 since 2020. The cash and investment balance increased \$381,456 during 2024 while the unrestricted net position for the Water Fund increased \$240,514 during the same time period.

City of Hanover Financial Analysis

Sewer Fund

Sewer Fund saw an increase in operating revenues of \$35,574 in 2024 as a result of an increase in rates and usage. Operating expenses increased \$65,284 in 2024 due primarily to increased cost of supplies and materials. These changes resulted in an operating loss for the first time since 2020.

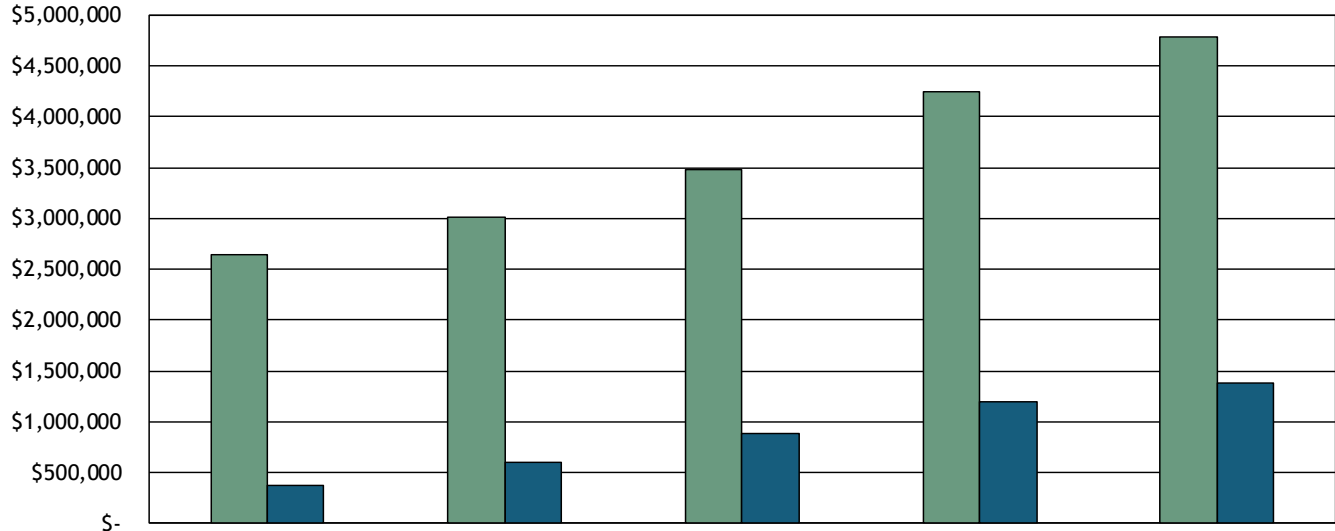
Sewer Fund



**City of Hanover
Financial Analysis**

Sewer Fund (Continued)

Sewer Fund



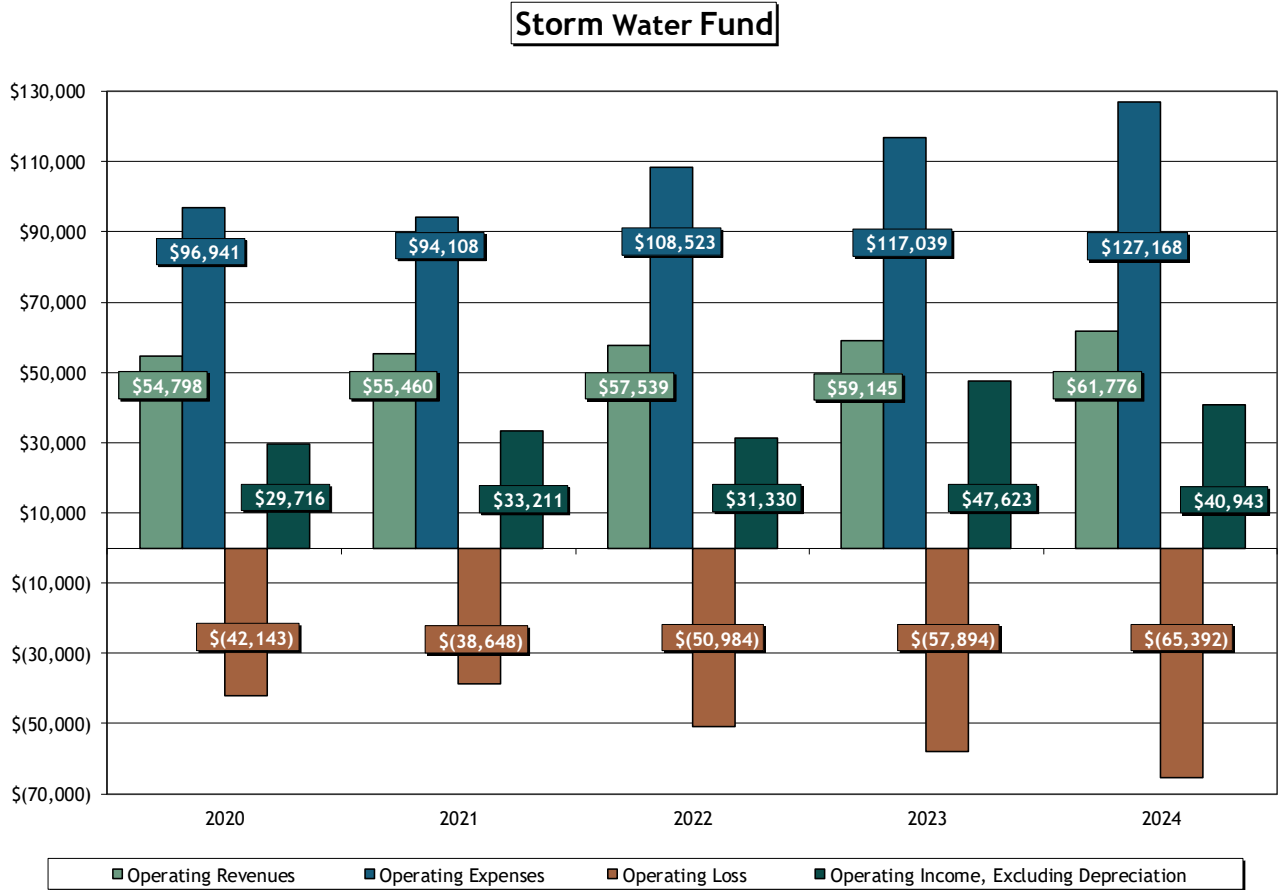
	2020	2021	2022	2023	2024
■ Cash and Investments	\$2,638,973	\$3,016,524	\$3,487,161	\$4,240,607	\$4,789,975
■ Unrestricted Net Position	366,257	605,180	879,410	1,191,907	1,374,368

The graph above shows the cash and investment and unrestricted net position balances as of December 31 for the last five years. The Sewer Fund cash, and investment balance increased \$549,368 while the unrestricted net position increased \$182,461 in 2024.

City of Hanover Financial Analysis

Storm Water Fund

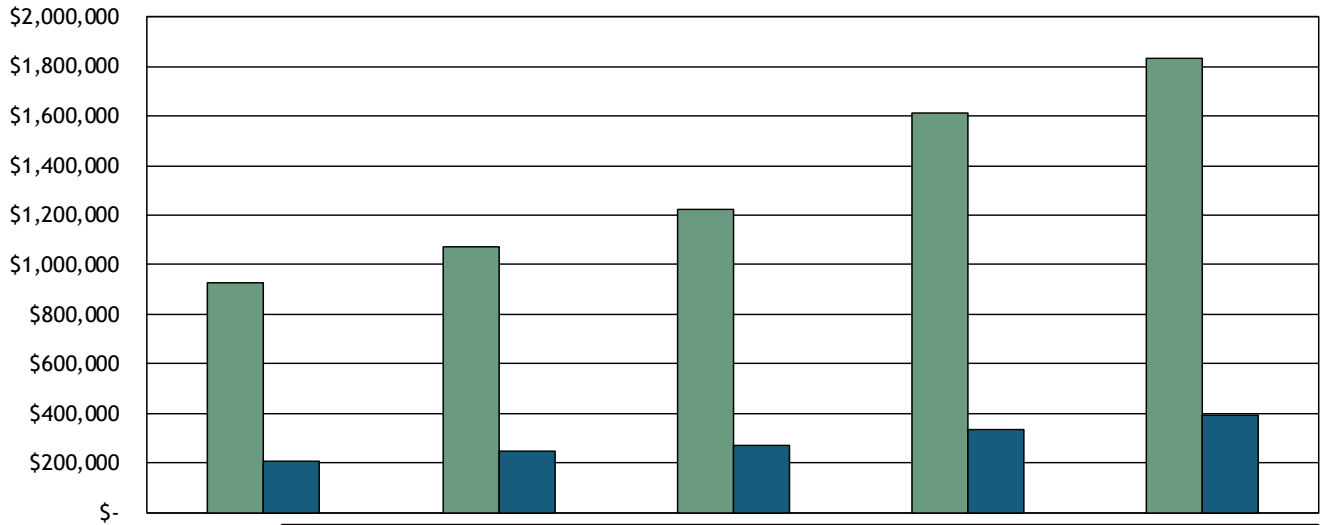
The Storm Water Enterprise Fund was established in 2009. In 2010, the City initiated a charge for storm water services for residents. With depreciation factored in, the fund has consistently posted operating losses, but has cash flowed positively from operations and built an unrestricted net position of \$390,684 over its time in operation. Operating revenues and expenses stayed relatively consistent with the prior year, increasing \$2,631 and \$10,129, respectively.



**City of Hanover
Financial Analysis**

Storm Water Fund (Continued)

Storm Water Fund



	2020	2021	2022	2023	2024
Cash and Investments	\$926,173	\$1,070,977	\$1,223,503	\$1,611,392	\$1,834,763
Unrestricted Net Position	209,288	245,709	272,018	333,101	390,684

As of December 31, 2024, the Storm Water Fund had an ending net cash and investment balance of \$1,834,763. This is an increase of \$223,371 compared to 2023. Unrestricted net position at year-end increased \$57,583 compared to the prior year.

City of Hanover Emerging Issues

Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- **Accounting Standard Update - GASB Statement No. 102 - *Certain Risk Disclosures***
GASB has issued GASB Statement No. 102 relating to risk disclosures. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.
- **Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements***
GASB has issued GASB Statement No. 103 relating to changes in financial reporting requirements. The changes provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities.
- **Accounting Standard Update - GASB Statement No. 104 - *Disclosure of Certain Capital Assets***
GASB has issued GASB Statement No. 104 relating to capital asset disclosures. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets.

The following are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your City.

City of Hanover Emerging Issues

Accounting Standard Update - GASB Statement No. 102 - *Certain Risk Disclosures*

The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability.

This Statement provides definitions for concentration and constraint. A concentration is a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority.

This Statement requires a government to assess whether a concentration or constraint could present a risk of financial difficulty. The City will need to make a disclosure in the notes to the financial statements if all three of the following criteria are true:

- The City knows about the concentration or constraint prior to financial statement issuance.
- The concentration or constraint makes the City vulnerable to risk of a substantial impact.
- An event or events associated with the concentration or constraint that could cause a substantial impact have either (1) happened; (2) stated to happen; or (3) are more likely than not to start happening within 12 months of the financial statements being issued.

If a government determines the above criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Disclosures are required for the government as a whole as well as any opinion unit in the financial statements that includes outstanding revenue debt. Disclosures can be combined to avoid unnecessary duplication (e.g., a subsequent event footnote).

GASB Statement No. 102 is effective for fiscal years beginning after June 15, 2024. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

City of Hanover Emerging Issues

Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements*

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

This Statement addresses 5 areas of the financial statements (1) Management's Discussion and Analysis (MD&A), (2) Unusual or Infrequent Items, (3) Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, (4) Major Component Unit Information, and (5) Budgetary Comparison Information.

This Statement continues the requirement that the MD&A precede the basic financial statements as part of the Required Supplementary Information (RSI). 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. The Statement stresses that detailed analyses should explain why balances and results of operations changed, rather than stating amounts and "boilerplate" discussions.

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.

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. The Statement provides clarification regarding operating and nonoperating revenues and expenses. Also, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

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.

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.

GASB Statement No. 103 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

**City of Hanover
Emerging Issues**

Accounting Standard Update - GASB Statement No. 104 - *Disclosure of Certain Capital Assets*

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 continue to be disclosed separately in the capital assets note disclosures including presentation of capital assets by major class and separate disclosure of lease assets, subscription assets, and intangible right-to-use assets.

This Statement requires additional disclosures for capital assets held for sale. A capital asset is held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date.

Governments should 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.

GASB Statement No. 104 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.