Financial Reporting Updates

Accounting Policy Meeting

May 14, 2025

Financial Reporting section
Accounting Control Officer section
Fiscal Management Division

Agenda and Presenters

Welcome, Introductions, Being Informed on FMX

Presenter: Kevin Muir
appropriation control officer

USAS Profile Rollover

Presenters: Megan Toliver
financial reporting assistant supervisor
–and–
Shaun Mendez
appropriation control officer

Update on GR Reconciliation Process

Presenter: Megan Toliver
financial reporting assistant supervisor

GASB 101, Compensable Leave

Presenter: Lisa Parks
financial reporting team lead

Additional Information and Open Q&A Session

Presenter: Kevin Muir
appropriation control officer

Being Informed on FMX

Resources

- FMX's Reporting Requirements for the Annual Financial Reports website
- FMX — Fiscal Management's website
- *FMXtra* — You can sign up to receive Fiscal Management's weekly e-newsletter, *FMXtra*, to keep you up to date on policies, procedures and other important information.
- Accounting Policy Meetings, each meeting's page includes:
  - Meeting location (for attending in-person) and Webex link (for attending virtually)
  - Meeting Agenda
  - Meeting Materials (PDF)
  - Q&A's (posted a month or so after the meeting, if applicable)

Questions During the Meeting

During the webinar, please type questions in the available chat box.

We will have an open Q&A session at the end of the meeting.

USAS Profile Rollover

Each year the Uniform Statewide Accounting System (USAS) profile rollover process automatically creates new profiles for the next fiscal and appropriation years based on the current year profiles. For more information, see *USAS Profile Rollover* (FPP Q.007).

The annual rollover for profiles in USAS will occur on Saturday, **June 21, 2025**.

Note: This process automatically creates new profiles for fiscal 2026 and AY 2026 based on existing fiscal 2025 and AY 2025 profiles.

USAS Profile Rollover (Cont.)

Agency-Controlled Profiles

- D03 – Organization Code
- D04 – Program Code
- D11 – Agency Object
- D23 – Fund
- D25 – Agency Object Group
- 22 – Cost Allocation
- 23 – Fixed Percent Allocation
- 24 – Index
- 25 – Agency Control
- 26 – PCA
- 30 – Contract
- 30B – Contract Multi-Vendor

USAS Profile Rollover (Cont.)

Centrally-Controlled Profiles

- D09 – Comptroller Source/Group
- D10 – Comptroller Object
- D34 – NACUBO Source/Object
- D54 – NACUBO Function
- 8C – Comptroller Object Relationship Edit
- 8D – Program Code Relationship Edit
- 8E – Organization Code Relationship Edit
- 20 – Appropriation Number
- 20B – Appropriation AFR T-Code/COBJ Profile

USAS Profile Rollover (Cont.)

Conditions Preventing Automated Rollover

The automated rollover program creates new FY26 and AY26 profiles, unless one of the following conditions exists before end of day Friday, June 20, 2025:

- The FY26 and AY26 profile already exists with the same profile control key.
- The FY25 and AY25 profiles are inactive.
- The FY25 and AY25 profiles have an effective end date of (or prior to) Aug. 31, 2025.

USAS Profile Rollover (Cont.)

Changes to Existing FY25 and AY25 Profiles

Proceed with caution! Before making changes to profiles, an agency may need to take additional steps to correct previously recorded activity. For more information, see *USAS Profile Review and Cleanup Procedures* (FPP A.031).

To prevent the FY25 and AY25 profiles from rolling forward, an agency can choose to change the `EFFECTIVE END DATE` to **08312025** *on or before* Friday, June 20, 2025.

Then (any time *after* Saturday, June 21, 2025) the agency must change the effective date back in order for the FY25 and AY25 profiles to be available for use in the 2025 fiscal and appropriation year.

Note: This can be done by entering **blanks** or a **future date** in the `EFFECTIVE END DATE` field.

USAS Profile Rollover (Cont.)

Changes to Existing FY25 and AY25 Profiles (Cont.)

Agencies that **change** FY25 and AY25 profiles *after* June 20, 2025 (for year-end cleanup or other reasons) must ensure the newly created FY26 and AY26 profiles are appropriately updated.

Note: This critical step ensures data consistency between accounting years.

Agencies that **add** new FY25 and AY25 profiles *after* June 20, 2025, must ensure that they also create new FY26 and AY26 profiles if those profiles will be used in the 2026 fiscal and appropriation year.

USAS Profile Rollover (Cont.)

USAS Profile Review and Cleanup Procedures

The USAS Profile Review and Cleanup Procedures assists agencies in reviewing existing profiles in USAS so the correct appropriation information and generally accepted accounting principles (GAAP) information is reported at all levels. For more information, see *USAS Profile Review and Cleanup Procedures* (FPP A.031).

PCU Reports — The Comptroller's office transmits USAS Profile Review and Cleanup Reports (PCU reports) to agencies **June 2–20, 2025**.

Contents of FPP A.031

- Profile Review for Fund Profile (D23)
- Profile Review for Program Code Profile (D04) and Program Cost Account Profile (26)
- Profile Review for Organization Code Profile (D03) and Index Code Profile (24)
- Profile Review for Agency Object Profile (D11)

Note: All items listed above pertain to agency-controlled profiles.

USAS Profile Rollover (Cont.)

Contents of FPP A.031 (Cont.)

- Procedures for Clearing Default Funds (9000 and 9001) and Review of Comptroller Objects 3788 and 3789
- Procedures to Zero Out Balances in the System Clearing Accounts (GL 9999 and 9992)
- Correction of Unappropriated General Revenue and Local Revenue
- Correction of Incorrect General Ledger and Comptroller Object Relationships
- Pass-Through Funds
- Cash in the State Treasury in USAS
- Internal Transaction (IT) File Cleanup

USAS Profile Review and Cleanup Procedures (Cont.)

Contents of FPP A.031 (Cont.)

- Exhibits
  - **Exhibit A — Reports**
    - Report Number
    - Type (Exception, Listing, Detail)
    - Source
    - Description

    Note: The agency will **not** receive a report listed with the *Exception* report type if the report is blank.
  - **Exhibit B — USAS Profile Rollover to Future Fiscal Year** lists the agency-controlled profiles and the centrally-controlled profiles.
  - **Exhibit C — Requesting Agency Profile Reports – DAFQs**
  - **Exhibit D — Other Activity Structure**

Update on GR Reconciliation Process

In fiscal 2024, the General Revenue (GR) Reconciliation process was removed as an Annual Financial Report web application. The GR Reconciliation process was moved into Workiva and controlled centrally by the Financial Reporting section.

Purpose of GR Reconciliation

- At the end of each fiscal year, a calculation is necessary to determine the amount of budget an agency was given by the General Appropriations Act (GAA), riders, some additional payroll expenditures and other special legislation.
- This calculation also determines the amounts used for the operating statement impact and the balance sheet asset amount for the remaining appropriation authority available to be spent in future years.
- On a statewide basis, the accuracy of this number is critical in order to reconcile **appropriated fund 0001** for the *Texas Annual Comprehensive Financial Report* (ACFR).

Update on GR Reconciliation Process (Cont.)

GR Reconciliation Process

- Unchanged GR Reconciliation requirements:
  - Amounts must tie to the GR reports.

    For more information, see AFR Ad Hoc Review Reports.
  - Agencies must return payroll benefits by Oct. 31, 2025 (*preferably by Oct. 1, 2025*).
  - Agencies must transfer unappropriated cash (per state statute) to agency 902 before Aug. 31, 2025.
  - The Calculation I (balance sheet) and the Calculation II (operating statement) must net to $0.
- Prior year issues:
  - Clean-up of old appropriation year balances (pre-2018).

    Note: Should not be an issue for fiscal 2025 reporting.
  - Obtaining timely, formatted reports.
  - Designation of responsibilities.

Update on GR Reconciliation Process (Cont.)

GR Reconciliation Process (Cont.)

- Report distribution:
  - Weekly on **Mondays**, the financial reporting analysts emails each agency an excel workbook containing its *GR Reconciliation worksheet* and Legislative *Appropriation Verification worksheet.*

    Note: Distribution begins in **August** and ends when the GR Reconciliation is certified as reconciled and complete.
  - Agencies may request a refreshed workbook on an "as needed" basis.
- Designated responsibilities:
  - General revenue consolidated agencies (GCAs)
    - GCAs must work with their assigned appropriation control officer (ACO) regarding benefit returns.
    - The Financial Reporting section completes the necessary USAS entries to complete the GR Reconciliation (such as the net change in cash and elimination of legislative transfers within the same agency).

Update on GR Reconciliation Process (Cont.)

GR Reconciliation Process (Cont.)

- Designated Responsibilities (Cont.):
  - Full reporting agencies (FRAs)
    - FRAs must work with their assigned ACO regarding benefit returns.
    - FRAs are encouraged to complete the necessary USAS entries to balance the GR Reconciliation (such as the net change in cash and elimination of legislative transfers within the same agency).
    - FRAs should contact their financial reporting analyst if assistance is needed.
    - During the Financial Reporting section desk review process (in November), Financial Reporting section processes any outstanding USAS entries on the FRA's behalf to resolve GR Reconciliation discrepancies.

GASB 101, Compensable Leave

Recognize a Liability for Compensable Leave

- GASB 101 supersedes GASB 16, Accounting for Compensated Absences.
- Leave that has not been used or paid out, if:
  - It is attributable to services already rendered
  - It accumulates
    –and–
  - It is more likely than not (50% or more) to be used for time off or otherwise paid out
- Leave is attributable to services already rendered when an employee has performed the services required to earn the leave.

GASB 101, Compensable Leave (cont.)

Examples of Compensable Absences

- Vacation or annual leave
- Sick Leave
- Holidays
- Comp Time
- Overtime
- Parental
- Military
- Bereavement
- Other types of leave

GASB 101, Compensable Leave (cont.)

Employee Sick Leave

- Employees accrue sick leave from the first day of employment through the last day of attendance at work.
- A full-time employee accrues eight hours of sick leave on the first day of each month worked.
- There is no limitation on the amount to be carried forward into the next fiscal year.
- The employee is not entitled to payment for any sick leave pay out upon termination or resignation.
- Sick leave can be used only if the employee is sick or for the care of an immediate family member.

GASB 101, Compensable Leave (cont.)

Agency Sick Leave Accrual

- Agencies are required to accrue for sick leave that has accumulated and is likely to be used, even if the employee will never be eligible for a termination payment related to unused time.
- An accrual is made for sick leave estimated to be taken in the next fiscal year.
- The accrual for sick leave is the current amount only because it is based on the current year's ending balance.

UPDATE

This information did not consider a sick leave accrual question posed to GASB by NACUBO. The new sick leave accrual methodology presented in the June 18, 2025, AP meeting supersedes the methodology presented here.

GASB 101, Compensable Leave (cont.)

Why Agencies Must Accrue Sick Leave

Agencies become obligated to pay an employee for sick leave when:

- The employee earns the time off
- The sick leave is made available to the employee –and–
- It is more likely than not that the benefit will be used

Although the entire benefit might not be used if the employee does not become ill or otherwise meet the requirement for use, it is made available to the employee because of their past service.

UPDATE

This information did not consider a sick leave accrual question posed to GASB by NACUBO. The new sick leave accrual methodology presented in the June 18, 2025, AP meeting supersedes the methodology presented here.

GASB 101, Compensable Leave (cont.)

Methodology for Sick Leave Accrual Calculation

- An accrual is made for sick leave estimated to be taken in the next fiscal year.
- This estimate is based on the 4-year rolling dollar amount of sick leave taken.
- A ratio is determined by comparing the reduction in liability to the ending balance.
- This ratio is applied to the current year's ending balance for the accrual.

UPDATE

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GASB 101, Compensable Leave (cont.)

Example

Calculate 4-year rolling dollar amount of sick leave taken.

4-Year Period	Beginning Balance	Additions	Reductions	Salary Adjustments	Ending Balance
Fiscal X1–X4	$3,673,558	$536,459	$322,736	$208,870	$4,4096,151

Ratio: Reductions Liability / Ending Balance Liability
$322,736 / $4,096,151 = **7.9%**

Current Accrual: Ratio * current year ending balance
Fiscal X5 ending balance = $4,331,709
$4,331,709 * 7.9% = $342,205

Enter a current accrual in USAS for $**342,205**.

For more information, see AFR Reporting Requirements:

- [Employee Compensable Leave]
- [Compensable Leave Liability Methodology]

UPDATE

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GASB 101, Compensable Leave (cont.)

USAS Entries

- **Governmental Fund Types – Basis Conversion**
  One-line entry**:**
  - **T-code:** 504 (generates an automatic reversal in the following fiscal year using T-code 503)
  - **COBJ:** 7002
  - **New GL account:** 1526 BC CL Employee's Compensable Leave – Sick
- **Proprietary Funds**
  Two-line entry:
  - **T-code: 647** (generates an automatic reversal in the following fiscal year using T-code 660)
  - **New GL account:** 1026 CL Employee's Compensable Leave – Sick
  - **T-code: 646** (generates an automatic reversal in the following fiscal year using T-code 661)
  - **GL account:** 2950 Unrestricted Net Position

For more information, see AFR Reporting Requirements' Working Papers.

UPDATE

This information did not consider a sick leave accrual question posed to GASB by NACUBO. The new sick leave accrual methodology presented in the June 18, 2025, AP meeting supersedes the methodology presented here.

GASB 101, Compensable Leave (cont.)

Notes

- Unaudited agencies that use CAPPS are provided the current accrual ratio in the AFR website.
- Universities and all audited agencies must perform their own analysis using their own sick leave data — this includes agencies that are not deployed on CAPPS HR/Payroll.
- Salary-related payments for defined benefit pension or Other Postemployment Benefits (OPEB) plans **must not be included** in the measurement of liabilities for compensated absences.
- For unused leave, **expenses** for salary-related payments resulting from defined benefit pension or OPEB plans **must not be recognized** when the **liability for that leave is recognized** — these expenses must be reported as an **pension expense** or **OPEB expense**, as applicable.

UPDATE

This information did not consider a sick leave accrual question posed to GASB by NACUBO. The new sick leave accrual methodology presented in the June 18, 2025, AP meeting supersedes the methodology presented here.

Additional Information

Updating Agency Contacts

- See the FM Contacts page.
- Use the Contact List Update Form to update your agency personnel contact information (*located in the right-hand box*).
- Each agency may update its contacts at any time.

Important Email Addresses

- Email the Financial Reporting section at: frs@cpa.texas.gov or email your agency's financial reporting analyst directly.
- Email the SEFA team at: sefa.texas@cpa.texas.gov
- Email your agency's ACO directly for appropriation control issues.

Upcoming Webinar

- Date: **June 18** (Wednesday)
- Time: **10 a.m. – 12 p.m.** (CDT)
- Attend: online or in person

Open Q&A Session

Moderated by Kevin Muir, the Financial Reporting staff and Appropriation Control staff are available to answer:

- Questions in the Chat (from Webex attendees)
- Questions from in-person attendees

We welcome all questions.