Financial Reporting Updates

Accounting Policy Meeting

May 27, 2026

Financial Reporting and Appropriation Control sections

Fiscal Management Division

Public Finance

Treasury Operations Division

Agenda and Presenters

Welcome & Introductions

Presenter: Esteban Garcia
appropriation control officer

Preparation for USAS Automated Profile Rollover

Presenter: Megan Toliver
financial reporting assistant supervisor

Texas Bond Issuance and Associated Working Capital Cash Flow

Presenter: Kim Edwards & Duvan Arsola
public finance manager & cash flow analyst, Treasury Operations Division

Note 6 – Bonded Indebtedness

Presenter: Grant King
financial reporting analyst

GASB 104 – Reporting Requirement Changes

Presenter: David Haecker
financial reporting section supervisor

Questions

Presenter: Financial Reporting section & Public Finance section
Fiscal Management Division & Treasury Operations Division

Adjourn

Presenter: Esteban Garcia
appropriation control officer

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 occurs on Saturday, **June 20, 2026**.

> **Note:** This process automatically creates new profiles for fiscal 2027 and AY 2027 based on existing fiscal 2026 and AY 2026 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 fiscal 2027 and AY 2027 profiles, unless one of the following conditions exists before end of day Friday, June 19, 2026:

- ➢ The fiscal 2027 and AY 2027 profile already exists with the same profile control key.
- ➢ The fiscal 2026 and AY 2026 profiles:
  - ❖ Are inactive.
  - ❖ Have an effective end date of (or prior to) Aug. 31, 2026.

USAS Profile Rollover (Cont.)

Changes to Existing Fiscal 26 and AY26 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 fiscal 2026 and AY 2026 profiles from rolling forward, an agency can choose to change the `EFFECTIVE END DATE` to **08312026** on or before Friday, June 19, 2026.

Then (any time after Saturday, June 20, 2026) the agency must change the effective date back in order for the fiscal 2026 and AY 2026 profiles to be available for use in the 2026 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 Fiscal 26 and AY26 Profiles (Cont.)

Agencies that **change** fiscal 2026 and AY 2026 profiles after June 19, 2026 (for year-end cleanup or other reasons) must ensure the newly created fiscal 2027 and AY 2027 profiles are appropriately updated.

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

Agencies that **add** new fiscal 2026 and AY 2026 profiles *after* June 19, 2026, must ensure that they also create new fiscal 2027 and AY 2027 profiles if those profiles will be used in the 2027 fiscal and appropriation year.

USAS Profile Rollover (Cont.)

Note to CAPPS Agencies

CAPPS agencies need to continue the process of reviewing the USAS profile rollover and making appropriate adds, changes and deletions for USAS.

From that review, CAPPS agencies must:

- Determine the chartfields in CAPPS that need to be added or inactivated.
- Update any trees in CAPPS as necessary.
- Update any combo edits in CAPPS as necessary.
- Review other CAPPS setups as required.

Note: CAPPS agencies must determine if any changes/additions in USAS need to be duplicated in CAPPS.

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 2–19, 2026**.

Contents of FPP A.031

- Profile Review for:
  - Fund Profile (D23)
  - Program Code Profile (D04)
  - Program Cost Account Profile (26)
  - Organization Code Profile (D03)
  - Index Code Profile (24)
  - 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 to:
  - Clear default funds (9000 and 9001) and review of comptroller objects 3788 and 3789
  - Zero out balances in the system clearing accounts (GL 9999 and 9992)
- Correction of:
  - Unappropriated general revenue and local revenue
  - Incorrect general ledger and comptroller object relationships
- Pass-through funds
- Cash in state treasury (CIST) in USAS
- Internal transaction (IT) file cleanup

USAS Profile Rollover (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
    - Centrally-controlled profiles
  - **Exhibit C** — Requesting Agency Profile Reports – DAFQs
  - **Exhibit D** — Other Activity Structure

Texas Bond Compliance and Associated Working Capital Cash Flow

Resources

- Treasury Operations website
- Texas Treasury Safekeeping Trust Company (TTSTC) website

Treasury Operations and TTSTC

Public Finance Division Functions

- **Bond Compliance**
  - Keeping investors in the state's bonds informed of "material" information – also called *Disclosure*.
  - Municipal Bond market subject matter expert.
- **Cash Management**
  - Forecasting future liquidity requirements, with an emphasis on continuous monitoring the daily cash flow within the consolidated general revenue fund.
  - Providing support to TTSTC regarding substantial liquidity demands of the treasury.
- **Bond Registration**

Financial Reporting Impact

- Many of the items included in the notes to the financial statements are:
  - Items that we are **required to report** within 10 business days of occurrence ($250m threshold).
    –or–
  - Items that **affect daily cash management** (unanticipated, $100m threshold).
- Items in the notes to financial statements:
  - Include new occurrences of the items listed in the following table.
  - Exclude anything previously reported or disclosed through a public bond offering.
- Federal securities law refers to these items as:
  - Material Events
    –and–
  - Financial Obligations

Financial Reporting Impact (Cont.)

AFR Note	Topic	Potential Reportable Item (Material Event or Financial Obligation)
3	Deposits, Investments and Repurchase Agreements.	• Custodial credit risk. • Foreign currency risk. • Interest rate risk. • Investment derivatives.
4	Short Term Debt.	• Commercial Paper. • Line of Credit or Letter of Credit. • Texas Workforce Commission borrows from general revenue agreement. • TxDept Hsg Comm Affairs lending agreement with Fed Home Loan Bank.
5	Long Term Liabilities.	Look for anything that is not a publicly offered bond issue: • Texas Department of Transportation (TXDOT) agreements to repay local govt's over time; TxDOT loans through the Federal Transportation Infra-structure Finance and Innovation Act (TIFIA) program. • Department of Information Resources phone systems and leases. • Higher Ed Foundations/Financings of student housing or sports facilities.
6/16	Bonded Indebtedness / Subsequent Event.	Most of these are publicly offered, so they are exempt.
7	Swaps/Derivatives	Most are part of a bond issue, so they are exempt.
8	Leases, SBITA and RTU.	Where the agency is lessee with an external party. For example, it would not include the Tx Public Finance Authority (TPFA) master lease program because TPFA discloses that program through public bond offering documents.
26	Public Private Partnerships.	• TxDOT • Various universities for: ◦ Student housing ◦ Bookstore ◦ Food service ◦ Etc. • Texas Parks and Wildlife Department.
28	Financial Guarantees.	• Permanent School Fund Bond Guarantee Program (TPFA Charter School Reserve Fund). • Governor's office Small Business Incubator Program. • Note Tx Bond Review Board Report on State Lending and Credit Support Programs (per HB 1038, 88th Legislature – RS)

Cash Management

- We conduct daily monitoring to ensure a sufficient balance in the consolidated general revenue fund. This is managed through interfund borrowing, with the option to borrow from the Economic Stabilization Fund (ESF) (if necessary). Should liquidity requirements for Consolidated General Revenue exceed those of ESF, we have additional liquidity solutions available.
- Our team supports TTSTC in safeguarding principal, maintaining appropriate liquidity, and optimizing investment returns.
- This request is intended to promote top-of-mind awareness. If your agency experiences an unforeseen revenue or expenditure (excluding internal USAS transfers or interagency transaction vouchers) of $100 million or more, please contact us promptly so that we may notify TTSTC.

Bond Compliance

Investor Disclosure

Investor disclosures are governed by the Securities and Exchange Commission (SEC), establishing rules for **disclosing** of all **material** information to investors so they can make well-informed investment decisions.

- Anti-Fraud: 10(b)5
- Continuing Disclosure: 15c2-12

Bond Compliance (Cont.)

Frequency

- When an agency sells the debt/issue bonds:
  - Publish an *Offering Document* (like a stock prospectus)
  - Conduct due diligence
- Bond Appendix – Quarterly
- Material Events – Ongoing (but within 10 days of occurrence)

> Material Event – SEC Rule 15c2-12 defines 16 material events, including "financial obligations" that we are required to report to investors. Many of these are likely listed in various footnotes in the ACFR, but agencies must report them within 10 business days, not 180 days after fiscal year-end.

- Speak to the Market – Other statements readily accessible to investors (for example: websites, press releases, newsletters or publications, speeches, social media posts)

Bond Compliance (Cont.)

Financial Obligation

There are three types of financial obligation:

- **Debt Obligation** – includes both short and long-term obligations as well as obligations that are subject to appropriation or otherwise contingent (e.g., an obligation to repay a line of credit, regardless of drawn on or not), whether or not it is considered “debt” under the Texas Constitution or applicable law, and regardless of how it is named. Debt obligations is applicable to:
  - Bonds
  - Notes
  - Loan
  - Other obligation to repay borrowed money (including a lease that is used to obtain funds).
- **Guarantee** – includes guarantee of a debt obligation or a derivative instrument, whether the primary obligor is a state agency or a third party. It includes (for example) the Comptroller’s liquidity agreement under which we agree to purchase certain securities (like commercial paper) that cannot be remarketed to other investors.

Bond Compliance (Cont.)

Financial Obligation (Cont.)

- **Derivative Instrument** – includes:
  - ❖ A swap agreement.
  - ❖ A security-based swap.
  - ❖ A futures contract, forward contract, option or combination.
  - ❖ Any similar instrument.

  But, only if:

  a) Entered into in connection with (or specifically pledged as security or a source of payment for) an existing or planned debt obligation.

  –and–

  b) Excludes hedges of investments.

- A financial obligation **excludes** municipal securities if an offering document is filed with the Municipal Securities Rulemaking Board and that documents describes:
  - ❖ The securities
  - ❖ The obligor
  - ❖ A qualifying continuing disclosure undertaking
  - ❖ Material previous breaches

Note 6 – Bonded Indebtedness

Resources on FMX

- Reporting Requirements for the Annual Financial Reports website
- Note 6 – Bonded Indebtedness used for the financial statements in the *State of Texas Annual Comprehensive Financial Report* (ACFR)
- Instructions for the BRS Web Application

Other Topics

- Common errors
- Timeframe and deadlines

Note 6 – Bonded Indebtedness (Cont.)

Note 6 – Bonded Indebtedness

- Agencies that issue bonds must include bond schedules 2A-2F in their annual financial report (AFR) and disclose detailed supplemental bond information in:
  - Schedule 2A – Miscellaneous Bond Information
  - Schedule 2B – Changes in Bonded Indebtedness
  - Schedule 2C – Debt Service Requirements
  - Schedule 2D – Analysis of Funds Available for Debt Service
  - Schedule 2E – Defeased Bonds Outstanding
  - Schedule 2F – Early Extinguishment and Refunding
  - Note 6 Narrative – significant policies or requirements for each bond issue, descriptive text
- AFR Schedules must agree with equivalent schedule activity in:
  - Agency bond tracking system
  - USAS – bonds payable
  - BRS

Note 6 – Bonded Indebtedness (Cont.)

Bond Reporting System (BRS) Web Application

- BRS is used to submit bonds payable information:
  - Consolidates similar statewide bond activity in uniform format for ACFR.
  - Agency entries are used to prepare bond tables and textual content in the ACFR.
    - Agencies are required to certify the data.
    - Agency AFR is secondary support to BRS and must tie.
- BRS collects:
  - General descriptive information
  - Changes in bonded indebtedness
  - Debt service requirements to maturity
  - An analysis of funds available for debt service

Note 6 – Bonded Indebtedness (Cont.)

Common Errors

- Note 6 reconciliation/review begins with the submission of your AFR, entries in BRS and certification in the web application.
- **BRS vs AFR –** Schedules must agree:
  - For typos on AFR or in BRS, differences exist:
    - Principal and interest amounts
    - Call and maturity dates
    - Interest rates
    - Pledged revenues not being entered in BRS (Section 4)
  - Negative bond amounts (delete and reenter).
  - Prior year figures overlooked (carried forward) and not updated.

Note 6 – Bonded Indebtedness (Cont.)

Common Errors (Cont.)

If the agency stumbles across an issue in the BRS web application, reach out to your financial reporting analyst for assistance with:

- An entry error
- A prior year carry forward issue that should no longer be in the system.
- A bond that needs to be removed.
- Bond matured and reinitiated as a new bond – duplicate in BRS.
- Bond refunded or extinguished is still showing in BRS?
  - Make your financial reporting analyst aware with footnotes, supporting documentation, etc. (your analyst can assist with deleting, if necessary).
  - Uncertify BRS; make updates; recertify.

Note 6 – Bonded Indebtedness (Cont.)

Timeframe and Deadlines

- Budgeted for 160 hours:
  - Data collection
  - Reconciliation
  - Addressing discrepancies / updates / reconciliation of updates
  - ACFR Tables and Note narrative
- Deadline:
  - BRS Certification – Dec. 1
  - SAO review – end of December
  - CPA's Financial Reporting section begins working on the Note 6 for the ACFR the first week of December
- Time sensitivity and availability:
  - Agency holidays, etc. – provide a point of contact for questions
  - Acknowledgment and researching/addressing differences
  - Systems need to be updated or approved

GASB 104 – Reporting Requirement Changes

Resources

- FMX's Reporting Requirements for the Annual Financial Reports website
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*

Effective Fiscal 2026

- Improve transparency of capital asset disclosures
- Introduce held-for-sale classification and disclosures

What GASB 104 Does NOT Change

- Capitalization thresholds
- Depreciation/amortization methods
- Recognition of capital assets
- Lease (GASB 87) and SBITA (GASB 96) measurements

GASB 104 – Reporting Requirement Changes (Cont.)

Separate Disclosure Requirements

- Group by major class of underlying asset:
  - Lease assets (GASB 87)
  - Subscription assets (GASB 96)
  - PPP assets (GASB 94)
  - Other intangible assets
- GASB 104 requires:
  - RTU assets grouped separately
  - No mixing RTU with owned assets
- Disclosure must be explicit in the notes
- Presentation requirements
- Owned capital assets
- Lease RTU assets by class
- Subscription assets
- PPP assets
- Other intangible assets

GASB 104 – Reporting Requirement Changes (Cont.)

Capital Assets Held for Sale

- Asset classification **Held for Sale** if:
  - Agency intends to sell
  - Sale is probable within ONE year
- Evaluation Criteria:
  - Asset is available for immediate sale
  - Active marketing efforts to find buyer
  - Necessary approvals obtained
  - Market conditions conducive for quick sale
- Required Disclosures:
  - Historical cost
  - Accumulated depreciation/amortization
  - By major class
  - Debt collateral tied to those assets

GASB 104 – Reporting Requirement Changes (Cont.)

New CANSS Input Screen

Assets Helf for Sale

Non-depreciable/Non-amortizable

Agy	Governmental Activities	Gross Asset	Accm. Depr/Amort	Net Book Value	Outstanding Note/Loan Balance
xxx	BC N/D Land and Land Improvements			-	
xxx	BC N/D Infrastructure			-	
xxx	BC N/D Other Tangible Capital Assets			-	
xxx	BC N/D Land use Rights			-	
xxx	BC N/D Other Intangible Capital Assets			-	
	Total Capital Assets Not Depr/Amrtz	-	-	-	-

Depreciable Assets

Agy	Governmental Activities	Gross Asset	Accm. Depr/Amort	Net Book Value	Outstanding Note/Loan Balance
xxx	BC Building and Building Imprvmnts			-	
xxx	BC Infrastructure			-	
xxx	BC Facilities and Other Improvements			-	
xxx	BC Furniture and Equipment			-	
xxx	BC Vehicles, Boats, and Aircraft			-	
xxx	BC Other Capital Assets			-	
	Total Depreciable Assets	-	-	-	-

Amortizable Assets-Intangible

Agy	Governmental Activities	Gross Asset	Accm. Depr/Amort	Net Book Value	Outstanding Note/Loan Balance
xxx	BC Land use Rights			-	
xxx	BC Computer Software			-	
xxx	BC Other Capital Intangible Assets				
	Total Amortizable Assets-Intangible	-	-	-	-

Total Governmental Activities	-	-	-	-

GASB 104 – Reporting Requirement Changes (Cont.)

New GASB 104 Questionnaire

- New annual GASB questionnaire for all state agencies:
  - Identification of held-for-sale assets
  - Documentation of probability of sale
  - Support for ACFR-level disclosures
- GASB Questionnaire also includes:
  - Impairment recognition
  - Measurement considerations
  - Depreciation treatment

Questions

Today's speakers are available to answer:

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

We welcome all questions.

Contacts by Topic

USAS Automated Profile Rollover

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Texas Bond Issuance and Associated Working Capital Cash Flow

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