November 13, 2026

Director of Research and Technical Activities
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RE: Project No. 3-32

We appreciate the opportunity to provide feedback on the Discussion Memorandum (DM), *Voluntary Digital Financial Reporting (VDFR)-Structural Design,* dated September 8, 2026. The DM explores the design of the GASB-GAAP Taxonomy, which is one pathway to digitization of governments' financial statements based on existing GASB requirements. Accordingly, the DM seeks feedback on 1) how the taxonomy was organized to enable digitization of financial statements, and 2) key taxonomy design considerations intended to help shape future voluntary digital financial reporting for state and local governments.

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The committee has been authorized by the Texas Society of CPAs' Leadership Council to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Leadership Council or Board of Directors and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our comments below for each of the chapters.

Chapter 3-Foundation Structure Design: The Financial Reporting Model and the Financial Reporting Entity

Question 1:
What feedback do you have about the modules identified to support basic financial statements in a digital format?

Response:
The PSC is supportive of the modules identified for the basic financial statements, individual required supplementary information schedules, and notes to financial statements. The PSC believes organizing the taxonomy by financial statement or schedule is understandable and is consistent with structured reporting frameworks already used in certain governmental reporting environments. However, the PSC recommends further clarification of how required reconciliation schedules relate to the module structure. The Board should state whether reconciliations are intentionally outside the financial statement modules, included within related modules, or treated as a separate module.

Question 2:
What feedback do you have about the modeling design for column headers applicable to reporting units?

Response:
The PSC supports a consistent method for identifying the reporting units applicable to each financial statement module. The use of an indicator to identify whether a reporting-unit category applies to a particular government is reasonable and appears clear and operable. However, the PSC believes the design provided in Option 2 is preferable, as Option 1 could become crowded and difficult to navigate when a government has numerous major discretely presented component units. In addition, the Board should provide clear definitions for reporting-unit categories and guidance on when reporting units may be expanded, nested, combined, or presented separately. The taxonomy should allow sufficient detail for major component units to enable proper comparability.

Chapter 4-Line-Item Design: Elements of Financial Statements

Question 1:
What feedback do you have about the approach to developing taxonomy-defined line items?

Response:
The PSC supports the development of taxonomy-defined line items for information commonly reported by governments. However, members have observed that a governmental entity may present a receivable on a gross basis with a separate allowance or on a net basis. The PSC recommends avoiding unnecessary duplication, distinguishing gross, allowance, and net concepts clearly, and providing selection guidance for line items that commonly appear in different presentation formats.

Question 2:
What feedback do you have about clustering groups of similar line items?

Response:
The PSC generally supports clustering as an organizing principle. However, the PSC recommends providing a clear set of criteria to determine when an item belongs in a cluster versus requiring a separate defined concept. Additional illustrations may be helpful to understand the relationship among clusters, parent concepts, subtotals, and individual line items.

Question 3:
What feedback do you have about the flexibility of the taxonomy to permit government-specific line items?

Response:
The PSC believes the flexibility of the taxonomy to permit government-specific line items is necessary because some governmental entities are exposed to unique situations. However, the PSC also believes flexibility should be constrained and the Board should define under which circumstances an extension is appropriate to enable comparability and support machine processing.

Question 4:
What feedback do you have about the concept of anchoring government-specific line items to existing taxonomy line items?

Response:
The PSC supports anchoring as a critical feature because it can preserve the meaning and comparability of the taxonomy while allowing governments to report entity-specific information. However, the PSC believes further clarification is needed to understand what anchoring entails. The Board should clarify whether an extension is placed beneath a related cluster, linked to a broader taxonomy-defined line item, or aggregated into that broader line item for analysis. Illustrations should address both balance-sheet concepts and activity or functional-expense concepts.

Question 5:
What feedback do you have about modeling the basis of accounting as either Option 1 or Option 2?

Response:
The PSC believes Option 2 is preferable as the statement or module drives the basis of accounting rather than requiring separate duplicate line items for each basis. As a result, this approach is clearer and allows a user or machine to understand that government fund information is presented using the modified-accrual basis while government-wide information is presented using the accrual basis.

Question 6:
What feedback do you have about the outcome that data validation techniques may not be available in the GASB-GAAP Taxonomy?

Response:
The PSC recommends additional information be provided as the term "data validation techniques" is broad and may refer to arithmetic checks, articulation across financial statements, consistency between statements and notes, or validation of government-specific headers and extensions. The Board should specify whether validation is expected to occur within the taxonomy or through external software and tools along with practical examples of the validation procedures that may not be available in the GASB-GAAP Taxonomy.

Chapter 5-Unstructured Data Modeling: Notes to Financial Statements, MD&A, Budgetary Schedules, and Required Reconciliations

Question 1:
What feedback do you have about the themes identified for notes to financial statements?

Response:
The PSC believes that the themes identified for notes to financial statements are comprehensive and provide a useful starting structure. Because governmental entities conduct varied activities, some notes may not align with any exposed themes. As a result, in addition to government-specific themes, the Board should provide a carefully defined residual category that may serve to address any notes that do not fit the established list.

Question 2:
What feedback, in general, do you have about the level of granularity for tagging unstructured data?

Response:
The PSC supports Level 1 block tagging for most unstructured information. The cost and complexity of Level 2 or Level 3 tagging are unlikely to produce commensurate benefits when note formats, terminology, table structures, and line items vary among governments.

Question 3:
What feedback do you have about whether MD&A should have one Level 1 block of text or be modeled at a more granular level?

Response:
The PSC recommends modeling management's discussion and analysis as one Level 1 block of text. As MD&As are narrative in nature and entity specific, detailed tagging could disrupt that narrative with no comparability improvements.

Question 4:
What feedback do you have about modeling budgetary schedules as unstructured data?

Response:
The PSC supports modeling budgetary schedules as unstructured data at Level 1. While many schedules contain familiar columns, such as preliminary budget, final or amended budget, actual amounts, and variance, in practice, significant differences exist in presentation, fund coverage, classification, and legal budget requirements. As a result, it may not be meaningful to force those schedules into a uniform GAAP-oriented structure.

Question 5:
What feedback do you have about modeling required reconciliation schedules as unstructured data?

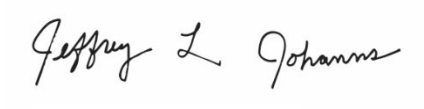
Response:
The PSC supports modeling required reconciliation schedules as a high-level block of text rather than tagging every reconciling item. Reconciliations are primarily a verification tool for preparers and auditors.

Other Feedback:
What other comments, if any, do you have regarding the design and structure of the GASB-GAAP Taxonomy?

Response:
The PSC is cautious regarding the reliance on Extensible Business Reporting Language (XBRL) when developing the GASB-GAAP Taxonomy. Members have observed public sector entities often outsource XBRL reporting to specialists. As a result, cost-benefit constraints may discourage governments from participating in the VDFR project.

We appreciate the opportunity to submit comments on the Discussion Memorandum (DM), *Voluntary Digital Financial Reporting (VDFR).*

Sincerely,



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