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# Financial Reporting Updates

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## Accounting Policy Meeting

June 18, 2025

Financial Reporting section  
and  
Statewide Fiscal Programs section  
Fiscal Management Division



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# Agenda and Presenters

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## Welcome, Introductions, Being Informed on FMX

Presenter: **Esteban Garcia**  
appropriation control officer

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## State Property Accounting (SPA) Updates

Presenter: **Vanessa Heckert**  
SPA systems analyst

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## SEFA Updates and Guidelines

Presenters: **Irma Toth**  
SEFA systems team lead  
—and—  
**Dina Fletcher**  
SEFA systems analyst

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## GASB Updates

Presenter: **Lisa Parks**  
financial reporting team lead

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## Additional Information and Open Q&A Session

Presenter: **Esteban Garcia**  
appropriation control officer

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# 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)



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## Questions During the Meeting

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

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



# State Property Accounting (SPA) Updates

## New Asset Capitalization Threshold

- Effective Sept. 1, 2024, for fiscal 2025
- Threshold increased from \$5,000 to **\$10,000** for the following [AFR Categories](#):
  - ❖ Furniture and Equipment – Category 4
  - ❖ Vehicles, Boats and Aircrafts – Category 5
- Threshold increased from \$500 to **\$9,999.99** for SPA [Controlled Class Codes](#)

This will not affect the controlled class codes:

- ❖ 106 Handguns
- ❖ 107 Rifles and Shotguns

These will remain controlled at any cost.

For more information, see [2 CFR 200.439](#)

# State Property Accounting (SPA) Updates (Cont.)



## New Asset Capitalization Threshold (cont.)

- SPA and CAPPs were updated — no action is required by the agencies.
- If the agency is not using CAPPs or SPA, this adjustment must be made in its internal systems.
- Assets entered as a prior year addition (fiscal 2024 and prior) follow the \$5,000 capitalization threshold for:
  - ❖ AFR Category **4** – Furniture and Equipment
  - ❖ AFR Category **5** – Vehicles, Boats and Aircrafts
  - ❖ Example:
    - In fiscal 2024, an asset was entered as a prior year addition, AFR Category 4.
    - This asset will show up on the Capital Asset/Asset Balance (CAAB) reports in the restatement column.



# State Property Accounting (SPA) Updates (Cont.)



## GASB 100 and SPA Thresholds

- GASB 100 no longer allows for prior period adjustments.
- Changes are reported **prospectively** by recognizing the reporting period when the change occurred.
- This allows prior threshold amounts to have no adjustments.

# State Property Accounting (SPA) Updates (Cont.)



## Annual Certification of Physical Inventory

### Historical Treasures

- Fiscal 2025 is the first year that historical treasures are tracked in the certification of physical inventory report.
- Historical treasures are accounted for every five years, beginning in fiscal 2025.
- These [class codes](#) are tracked in the certification of inventory:
  - ❖ 752 – Books – Historical, manuscripts, and rare publications
  - ❖ 801 – Art – Contemporary paintings and sculptures
  - ❖ 802 – Art – Historical treasures, rare artifacts, and antiques
- [Works of Art and Historical Treasures Definition](#) determines if the assets are considered to be historical treasures.
  - ❖ Collections or significant individual items that are owned by a state agency and are not held for financial gain but for public exhibition, education or research as part of a public service.
  - ❖ Collections or individual items that are protected and cared for or preserved are subject to an agency policy that requires the proceeds from their sales to be used to acquire similar items.



# State Property Accounting (SPA) Updates (Cont.)



## Annual Certification of Physical Inventory (cont.)

### Historical Treasures (cont.)

- Any of these assets meeting the *Works of Art and Historical Treasures* definition must be tracked in SPA and accounted for in this reporting period's [Certification of Physical Inventory](#):
  - ❖ Collections and exhibits matching the historical treasures definition can be reported under one property number and entered in SPA as one asset.
  - ❖ Agencies must have an internal inventory system to track all items included in a collection or exhibit. This is the responsibility of the agency.
  - ❖ Agencies must provide internal inventory records and evidence of the assets during an audit.
- The physical inventory must be completed by Aug. 31 of each fiscal year.

# State Property Accounting (SPA) Updates (Cont.)



## Annual Certification of Physical Inventory (Cont.)

### Form 73-283

- Each year, every state agency must conduct a physical inventory of the **trust, capitalized and controlled personal property assets** in the agency's possession (excluding libraries, e-books and software).
- The [Certification of Physical Inventory Form \(73-283\)](#) must be sent to the Comptroller's office no later than the earliest of:
  - ❖ The 45th day after the date the inventory is complete
  - OR–
  - ❖ No later than 20 days after the last day of the fiscal year (Sept. 20)
- Retrieve the Listing of Property Inventoried Annually, CERT\_PHYINV report.
  - ❖ See [Daily Generation of SPA Ad Hoc Reports \(FPP N.009\)](#) (login required).
  - ❖ Report shows asset detail in property number order.
  - ❖ Includes capitalized, controlled, trust property and historical treasures.
  - ❖ This report is used to complete form [73-283](#).

# State Property Accounting (SPA) Updates (Cont.)



## SPA Resources

- [SPA Process User's Guide](#)
- [Appendix A – Class Codes, AFR Categories, and Controlled Class Codes](#)
- [Appendix C – Disposal Methods](#)
- [SPA Fiscal Year-End Close Process](#)
- [Certification of Physical Inventory](#)
- [SPA Analysts](#)

Send emails regarding state property accounting to:  
[spa@cpa.texas.gov](mailto:spa@cpa.texas.gov)



# SEFA Updates and Guidelines

## Schedule of Expenditures of Federal Awards (SEFA) Web Application

- Agencies must report federal financial assistance expended directly from federal agencies and/or indirectly from pass-through entities.
- On the AFR Reporting Requirements website:
  - ❖ See [Schedule of Expenditures of Federal Awards \(SEFA\)](#) for detailed reporting requirements for SEFA.
  - ❖ Select [AFR Web Applications](#) in the right-hand toolbox menu to access **AFR Web Applications** page. You can choose to view either the:
    - SEFA Web Application
    - SEFA Instructions

## SEFA Updates and Guidelines (Cont.)

### SEFA Timeline



| Date             | SEFA Event Due                                  |
|------------------|---|
| July 15          | Initial Certification                           |
| July 16–Sept. 27 | Interagency Federal Pass-Through Reconciliation |
| Sept. 28         | Pass-Through Certification                      |
| Nov. 1           | Final Certification                             |

See the AFR Reporting Requirements' [SEFA Timeline](#)

The SEFA web application will be open July 1.





## SEFA Updates and Guidelines (Cont.)

### SEFA Required Data

- See [SEFA – Required Data](#) on the AFR website.
- Identify all federal assistance received by the federal grantor agency by the federal program.
- Categorize all federal assistance received as either ***Direct*** programs or ***Pass-Through From*** programs.
- Categorize all federal assistance expended as either:
  - ❖ **Expenditures**  
–OR–
  - ❖ **Pass-Through** To expenditures
- Batch Upload
  - ❖ Batch Entry Excel worksheet
  - ❖ Instructions available in the SEFA web application.
- Schedule 1a and Main Record list downloads available in Excel format.





## SEFA Updates and Guidelines (Cont.)

### Full Reporting Agencies

The SEFA full reporting agency (FRA) is responsible for:

- Supporting agencies with SEFA additions, issues and reporting.
- Completing various reports, including agency input to provide variance explanations.
- Submitting all applicable notes and reports to the State Auditor's office (SAO) for audit.
- Updating entries in the SEFA web application regarding any SAO audit adjustments.
- Submitting the final SEFA report to the:
  - ❖ SAO (by Feb. 15).
  - ❖ [Federal Audit Clearinghouse \(FAC\)](#)



## SEFA Updates and Guidelines (Cont.)

### Updates to SEFA Notes

- [Notes to SEFA](#) on the AFR website.
- [Federal Compliance Supplement](#) (2 CFR Part 200, Appendix XI).
- [Note 8: Disaster Grants – Public Assistance \(Presidentially Declared Disasters\) \(ALN 97.036\)](#) includes:
  - ❖ FEMA subgrant application approved in CY
  - ❖ List official FEMA declared disasters
  - ❖ Prior year project expenditures approved by FEMA in current fiscal year.
- [Note 10 – de Minimis Indirect Cost Rate up to 15%](#)
  - ❖ Must include the ICR that your agency used in COMMENT box.
- Email [sefa.texas@cpa.texas.gov](mailto:sefa.texas@cpa.texas.gov) to add new FEMA disaster declarations.



## SEFA Updates and Guidelines (Cont.)

### FFATA Reporting Update

- As of March 8, 2025, the FSRS.gov website was retired, and all subaward reporting is now completed on [SAM.gov](https://sam.gov).
- Make sure your agency updated its policies and procedures for FFATA reporting.
- Review the Federal Funding Accountability and Transparency Act (FFATA) reporting instructions listed on SAM.gov
- Review the most recent [Compliance Supplement](#) for FFATA reporting and subrecipient monitoring audit requirements.
- A pass-through recipient must provide the required information to the prime awardee to help facilitate a timely submission.
- Failure to meet FFATA reporting requirements may result in an audit finding.



# SEFA Updates and Guidelines (Cont.)

## Common SEFA Errors

The most common SEFA reporting errors:

- Amounts between state agencies do not match for:
  - ❖ Pass-through amounts – Download financial statements from [FMQuery](#). Enter USAS interagency/interfund transactions by Sept. 26.
  - ❖ Special indicators for Research and Development (R&D) and COVID
  - ❖ USAS accruals – the receiving agency determines the accrual amounts

For more information, see the AFR Reporting Requirements' [Step 10. SEFA Agency Pass-Through Reconciliation](#).

- Discrepancies between SEFA Notes and Schedule.
- Discrepancies between SEFA web application and USAS.
- Note 2 is not reconciled.
- Reporting service contracts.



# SEFA Updates and Guidelines (Cont.)

## Common SEFA Errors (Cont.)

- SEFA Certification Errors – Notes requiring entry:
  - ❖ [Note 2: Reconciliation](#)
  - ❖ [Note 8: Disaster Grants – Public Assistance \(Presidentially Declared Disasters\) \(ALN 97.036\)](#)
  - ❖ [Note 9: Economic Adjustment Assistance \(ALN 11.307\)](#)
  - ❖ [Note 10: de Minimis Indirect Cost Rate up to 15%](#)
  - ❖ [Note 11: Donations from Federal Assistance](#)
  - ❖ [Note Verification C – NSE Information and ID Number Verification](#)
- Additional Common SEFA Note Errors:
  - ❖ [Note 3: Student Loans](#) – Make sure to input ending balances.
  - ❖ [Note 7 – Federal Deferred Revenue](#) – Only required for reporting unearned revenues.
  - ❖ Email [sefa.texas@cpa.texas.gov](mailto:sefa.texas@cpa.texas.gov) to adjust SEFA Notes.





## SEFA Updates and Guidelines (Cont.)

### Potential State Auditor Findings

The following SEFA items may lead to SAO audit findings if your agency:

- Reported expenditures in SEFA outside of the current fiscal year.
- Reported incorrect reconciling items in Note 2.
- Has classification of expenditure errors between direct vs. pass-through.
- Has incorrect classification of expenditures between federal programs.
- Has incorrect classification of R&D and COVID funds.

If the SAO submits a SEFA adjustment to the Comptroller's office, the adjustment will most likely become an audit finding.

**Note:** On April 22, 2024, OMB revised [2 CFR Part 200, Subpart F](#), to increase the audit threshold from \$750K to \$1M for auditee fiscal years beginning on or after Oct. 1, 2024.





# SEFA Updates and Guidelines (Cont.)

## Additional Information

- Contact your agency's **security coordinator** to request access to the SEFA web application.
- Email [sefa.texas@cpa.texas.gov](mailto:sefa.texas@cpa.texas.gov) to:
  - ❖ Report SEFA web application error messages
  - ❖ Ask questions regarding SEFA

## SEFA Resources

- AFR Reporting Requirements website:
  - ❖ [Annual Financial Report Web Applications](#)
  - ❖ [Instructions for the SEFA Web Application](#)
  - ❖ [Definitions](#)
- [SAM.gov](#) — System for Award Management (SAM)
- [Federal Funding Accountability and Transparency Act](#)
- [Compliance Supplement](#)

# **GASB Updates**



## **GASB 102, Certain Risk Disclosures**

### **Agencies Face Risks**

- Agencies face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due
- Agencies that report revenue debt are vulnerable to risks that could cause substantial impact
- Agencies are vulnerable to loss or harm by limiting either:
  - ❖ Ability to acquire resources
  - ❖ Control spending
- GASB 102 addresses risks related to an agency's vulnerabilities due to certain concentrations or constraints



## **GASB Updates (Cont.)**

### **GASB 102, Certain Risk Disclosures (Cont.)**

#### **Concentrations**

- A concentration is a lack of diversity related to an aspect of significant revenues or expenses
- Concentrations include:
  - ❖ Employers
  - ❖ Industries
  - ❖ Revenues
  - ❖ Workforce covered by collective bargaining agreements
  - ❖ Providers of financial resources
  - ❖ Suppliers of material, labor or services

#### **Concentration Examples**

- A tax or grant revenue that comprises a large portion of an agency's overall revenue
- A small group of potential suppliers necessary for the agency's operations



## **GASB Updates (Cont.)**

### **GASB 102, Certain Risk Disclosures (Cont.)**

#### **Constraints**

- A constraint is a limitation on revenue, spending or borrowing.
- Constraints include:
  - ❖ Limitations on raising revenue
  - ❖ Limitations on spending
  - ❖ Limitations on the incurrence of debt
  - ❖ Mandated spending because it prevents alternative uses of funds



## **GASB Updates (Cont.)**

### **GASB 102, Certain Risk Disclosures (Cont.)**

#### **Constraints (Cont.)**

- Constraints are generally imposed by an external party but can be self-imposed in a manner that would make it externally enforceable and difficult to reverse.
- Examples:
  - ❖ A spending budget that can't be exceeded without external approval
  - ❖ A debt ceiling
  - ❖ New federal environmental standards that require capital outlays to comply



## **GASB Updates (Cont.)**

### **GASB 102, Certain Risk Disclosures (Cont.)**

#### **Agencies to Assess Events**

- GASB 102 requires an agency to assess whether an event or events associated with a vulnerability which could cause substantial impact has:
  - ❖ Occurred
  - ❖ Begun to occur
  - OR–
  - ❖ Is more likely than not to occur within 12 months of the date of financial statements are issued

#### **Mitigating Actions**

- Mitigating actions can be taken by the agency.
- These mitigating actions must have occurred prior to the issuance of the agency's annual financial report.





## **GASB Updates (Cont.)**

### **GASB 102, Certain Risk Disclosures (Cont.)**

#### **Is a Disclosure Needed?**

- Just because there is a concentration or constraint, does not mean a disclosure is necessary.
- There must be an event or events that could cause a substantial impact.
- If a mitigating action is taken to reduce the risk, it could negate the need for disclosure.
- AFR disclosure is added to Note 17, *Risk Management*
- This year, a new GASB 102 questionnaire is required to help agencies identify if a disclosure is necessary.

For more information, see AFR Reporting Requirements' [GASB Questionnaires](#).



## **GASB Updates (Cont.)**

### **GASB 102, Certain Risk Disclosures (Cont.)**

#### **Disclosure Requirements**

- Disclosure in the notes to the financial statement is made prospectively and only applies to the current period.
- Agencies must make disclosure about each concentration or constraint that meets all the disclosure requirements listed above.
  - ❖ Provide sufficient information to enable users of financial statements to understand the nature of the circumstances.
  - ❖ Describe the agency's vulnerability to the risk of a substantial impact associated with each concentration or constraint.
  - ❖ Disclose any actions taken by the agency to mitigate the risk prior to the issuance of the financial statements.

For more information, see AFR Reporting Requirements' [Concentrations or Constraints](#) and [Note 17 Sample](#).



## **GASB Updates (Cont.)**

### **GASB 101, Update on Sick Leave Methodology**

The following information supersedes the methodology guidance given in the May 14, 2025 APS meeting.

#### **Sick Leave Flows Assumption**

- GASB 101 does not provide any guidance about how to determine the more likely than not portion of sick leave.
- FIFO (First-In, First-Out): Sick leave taken comes first from the beginning leave balance
- LIFO (Last-In, First-Out): Sick leave taken comes leave earned during the year
- GASB 101 allows for either flows assumption to be used
- Professional judgement must be used



## **GASB Updates (Cont.)**

### **GASB 101, Update on Sick Leave Methodology (Cont.)**

#### **LIFO Flows Assumption**

- The LIFO flows assumption is to be used in evaluating whether a liability is accrued for sick leave.
- Under LIFO the employee uses the current year's hours earned before using the accumulated balance from years past.
- It is more likely than not that accumulated hours would not be used.
- If hours used in current year does not exceed hours earned in current year, no liability is recognized.

For more information, see [Employee Compensable Leave](#).



## **GASB Updates (Cont.)**

### **GASB 101, Update on Sick Leave Methodology (Cont.)**

#### **CAPPS Sick Leave Historical Data**

| <b>Fiscal Year</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending Balances*</b> |
|--------------------|------------------|-------------------|-------------------------|
| 2019               | \$ 142,245,000   | \$ 50,731,000     | \$ 640,768,000          |
| 2020               | 163,595,000      | 55,711,000        | 769,615,000             |
| 2021               | 133,565,000      | 60,521,000        | 852,061,000             |
| 2022               | 133,469,000      | 79,908,000        | 976,982,000             |
| 2023               | 130,853,000      | 75,524,000        | 1,092,282,000           |
| 2024               | \$ 138,570,000   | \$ 95,260,000     | \$ 1,174,826,000        |

\*Ending balances contain other adjustments, transfers and forfeitures





## **GASB Updates (Cont.)**

### **GASB 101, Update on Sick Leave Methodology (Cont.)**

#### **LIFO Sick Leave**

##### **Example 1:**

- Employee accrues 100 hours a year.
- Employee only uses 30 hours in a year.
- With LIFO assumption, employee used the hours accrued in the current year.
- No liability accrual is needed.

##### **Example 2 – Same Employee:**

- Employee uses 120 hours in one year.
- This is 20 hours more than accrued.
- Employee is using leave accrued in prior year.
- A liability is recognized for pay rate x 20 hours.

##### **Example 3 – Same Employee:**

- Next fiscal year, employee only uses 30 hours.
- Employee used the hours accrued in current year.
- Accrual for 20 hours from prior year is reversed.
- No liability accrual for current year.



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## **GASB Updates (Cont.)**

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### **GASB 101, Update on Sick Leave Methodology (Cont.)**

#### **Yearly Analysis at Agency Level**

- The Comptroller's office performs an annual analysis for unaudited agencies that use CAPPS HR/Payroll.
- Each audited agency and any agency that does not use CAPPS HR/Payroll is required to do its own annual analysis using its sick leave data.

For more information, see [Compensable Leave Liability Methodology](#).



## **GASB Updates (Cont.)**

### **GASB 101 Implementation**

Each audited agency and any agency that does not utilize the CAPPs/HR system may do its own determination on how to implement GASB 101 as it relates to the agency's data.

The guidance presented here and on the AFR Reporting Requirements website are the minimum requirements for state compliance. Agencies are welcome to include any compensable leave payments deemed material in the liability calculation.

Audited agencies must work with their external auditor for compliance with GASB 101.

### **Collaboration on Upcoming GASB Statements**

- The Comptroller's office is open to collaboration when new GASB statements are released.
- Please share any information or methodologies.
- We want to provide all agencies with the best guidance possible.



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## **GASB Updates (Cont.)**

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### **Web Applications & GASB Questionnaires**

#### **Open for Entry on July 1**

- All web applications, including SEFA and SPTR.
- All GASB Questionnaires, including GASB 102.



## Additional Information

| Topic  | Section                           | Contact Information   |
|--|-----------------------------------|---|
| Budget Revisions<br>–or–<br>Journal Vouchers   | Appropriation Control             | <a href="#">Appropriation Control Directory</a>   |
| Purchase and Travel<br>Pre-Payment Audit Approvals<br>–or–<br>Payment Due Dates and AY Determination | Expenditure Assistance            | <a href="#">Expenditure Assistance Directory</a><br>or call (512) 475-0966                        |
| CAPPS Financials<br>–or–<br>CAPPS HR/Payroll   | CAPPS Help Desk                   | <a href="mailto:capps.help@cpa.texas.gov">capps.help@cpa.texas.gov</a><br>or call (512) 463-2277  |
| Texas Identification Number System (TINS)<br>–or–<br>Reinstated Warrant Cancellations – USAS         | Payment Services                  | <a href="mailto:tins.mail@cpa.texas.gov">tins.mail@cpa.texas.gov</a><br>or call (512) 936-8138    |
| Treasury Deposits  | Banking and Electronic Processing | (512) 463-6385  |
| Warrant Cancellations – Treasury   | Treasury                          | (512) 475-3288  |
| Super Security Deletes   | Fiscal Oversight                  | <a href="mailto:usas.maintenance@cpa.texas.gov">usas.maintenance@cpa.texas.gov</a>                |
| USAS Year-End Close Process  | Fiscal Oversight (Laurel Mulkey)  | <a href="mailto:laurel.mulkey@cpa.texas.gov">laurel.mulkey@cpa.texas.gov</a><br>or (512) 463-4584 |





## Upcoming Webinar

- Date: **July 24** (Thursday)
  - ❖ Time: **10 a.m. – Noon** (CDT)
  - ❖ Attend: **online** or **in person**
- Anticipated Topics:
  - ❖ Fiscal Year-End Close Procedures
  - ❖ USAS Auto Lapse
  - ❖ Shared Cash Entries Update

## Open Q&A Session



Moderated by Esteban Garcia, the Financial Reporting staff and Statewide Fiscal Programs staff are available to answer:

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

We welcome all questions.