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TO: State Agency CFOs

From: Mark Melhoff, Acting State Controller

RE: GASB 100 – FY24 Guidance

GASB Statement No. 100 – Accounting Changes and Error Corrections

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 100, Accounting Changes and Error Corrections an amendment of GASB Statement No. 62 (GASB 100). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes.

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

State Agencies must consult with the Controller's Office before making the decision to implement GASB 100.

Definitions:

GASB 100 identifies three (3) types of accounting changes: 1) changes in accounting principles; 2) changes in accounting estimates; and 3) changes to or within the financial reporting entity.

1. Changes in Accounting Principles

When a governmental entity adopts a new accounting principle or changes an existing one, GASB 100 requires that the change be applied retroactively to prior periods unless it is impractical. This approach ensures that financial statements are consistent over time, providing a clearer view of the entity's financial position and performance.

a. There may be a change from one generally accepted accounting principle to another when it can be justified that the new principle is preferable to the one previously used, using qualitative characteristics of financial reporting, which include understandability, reliability, relevance, timeliness, consistency, and comparability.
b. A change in accounting principle may also include new authoritative accounting or financial reporting pronouncements (new pronouncements), which include implementing a new GASB standard.

Changes in accounting principles do not include instances when a new principle is being applied related to events that are clearly different or new from prior events or activities using a different accounting principle. In addition, a change in accounting principle does not include situations where a new principle is being applied because the old principle or method applied was wrong. If the old principle or method was being incorrectly applied, that is considered an error corrections and a change in accounting principle.

2. Change in Accounting Estimates:

Accounting estimates are amounts subject to measurement uncertainty that are recognized or disclosed in the basic financial statements. Estimates are outputs determined based on inputs such as data, assumptions, and measurement methodologies. A change in accounting estimate occurs when inputs change, which include a change in circumstances, new information, or more experience. When there is a change in measurement methodology for an accounting estimate, a justification must be provided that the new method is preferable, unless the new method is required by a new pronouncement. Agencies must consult with the Controller's office before making changes to accounting estimates.

3. Changes to, or within, the Financial Reporting Entity:

Changes to or within the financial reporting entity result from any of the following:

a. Change in a fund's presentation as major or nonmajor
b. The addition or removal of a component unit
c. The addition or removal of a fund that results from the movement of continuing operations within the primary government
d. Change in a component unit's presentation as blended or discretely presented

There are some exceptions and certain situations, as outlined in paragraph 10 of GASB 100, in which a transaction should not be classified as a change to or within a financial reporting entity, such as acquisitions, mergers, transfers of operations, component units with majority equity interest.
If a transaction or event could be considered either a change in accounting principle or a change to or within the financial reporting entry, the change should be classified as a change to or within the financial reporting entity.

Error Corrections

Error corrections may result from mathematical mistakes, mistakes in the application of an accounting principle, oversights, and the misuse of facts that existed at the time the financial statements were issued. This would include facts that could reasonably be expected to have been obtained and considered at that time about conditions that existed as of the financial statement date.

Accounting and Financial Reporting Requirements

How to account for and report for each type:

1. Change in Accounting Principle

a. Financial statements that present a single period

   i. Report retroactively by restating the beginning net position, fund balance, or fund net position. If any of the change in the newly adopted accounting principle is for prior periods.

b. Comparative financial statements

   i. Changes in accounting principles should be reported retroactively by restating the financial statements for all prior periods presented, if practicable.

c. Notes to financial statements

   i. The nature of the change in accounting principle, including (1) identification of the financial statement line items (excluding totals and subtotals) affected by the application of the new accounting principle and (2) for the implementation of a new pronouncement, identification of the pronouncement that was implemented.

   ii. Except for the implementation of a new pronouncement, the reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable

   iii. For comparative financial statements, if prior periods presented are not restated because it is not practicable to do so, the reason why the restatement is not practicable.

2. Change in Accounting Estimate

   a. Changes in accounting estimates should be reported prospectively by recognizing the change in accounting in the reporting period in which the change occurs.

   b. Notes to Financial Statements

      i. In each circumstance in which a change to an input (that is, a change to the data, assumption, or measurement methodologies) has a significant effect on the accounting estimates including identification of the financial statements line items (excluding totals and subtotals) affected)

      ii. If the change in accounting estimate results from a change in measurement methodology, (1) the reason for the change in measurement methodology and (2) except in circumstances in which the change in measurement methodology is required by a GASB pronouncement, an explanation of why the new measurement methodology is preferable

3. Change to or within the Financial Reporting Entity

   a. Changes to or within the financial reporting entity should be reported by adjusting the current reporting period's beginning net position, fund balance, or fund net position, as applicable for the effect of the change as if the change occurred as of the beginning of the reporting period.

   b. Notes to Financial Statements

      i. The nature of the change to or within the financial reporting entity

      ii. The reason for the change to or within the financial reporting entity, except in circumstances in which a change in a fund's presentation results only from meeting or not meeting the threshold for being reported as a major fund as outlined in paragraph 76 of Statement 34, as amended.

4. Error Corrections

   a. Single period financial statements

      i. Error corrections should be applied retroactively by restating net position, fund balance, or fund net position

   b. Comparative financial statements

      i. Error corrections should be reported retroactively by restating financial statements for all prior periods presented

c. Note to Financial Statements
   i. The nature of the error and its correction, including the periods affected by the error and identification of the financial statement line items (excluding totals and subtotals) affected by the error in prior periods
   ii. For financial statements that present a single period, the effect on the prior period's change in net position, fund balance, or fund net position, as applicable, had the error not occurred
   iii. For comparative financial statements, the effect of the error correction on the change in net position, fund balance, or fund net position, as applicable, of the prior period.

Reclassification in the financial statements resulting from a Change in Accounting Principle or an Error Correction

1. For the change in accounting principle that does not impact beginning net position, fund balance, or fund net position, but does result in a reclassification in a caption reported in the financial statements, the following disclosure are required:
   a. The nature of the change
   b. Identification of the financial statement line items
   c. Identification of new pronouncement
   d. Reason for change (except for new pronouncement)
   e. Why the change is preferable
   f. If comparative financial statements are presented, the line items effected, if practicable, if not practicable, then an explanation should be provided.

2. For an error correction that does not influence beginning net position, fund balance, or fund net position but that results in a reclassification in the financial statements, the disclosures required to be included in notes to financial statements. For comparative financial statements, amounts should be reclassified in all prior periods presented.

Other Financial Reporting Requirements

1. Display in the financial statements

The aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, should be displayed for each reporting unit.

2. Notes to Financial Statements

In addition to the disclosure requirements already discussed in this document for the various types of accounting changes and error corrections, GASB 100 also requires a note disclosure of the effect on beginning net position, fund balance, or fund net position for the earliest period adjusted or restated for each reporting unit for the following that occurred during the period:

a. Each change in accounting principle, including the implementation of new pronouncements.
b. Each change to or within the financial reporting entity; and
c. Each error correction.

This reconciliation should be provided in a tabular format that reports the previously reported beginning balances for each reporting unit and identifies each accounting change and/or error correction that restates or adjusts the beginning balance.

GASB 100 identifies a reporting unit as each separate column presented in the basic financial statements, except for the total columns.

Required Supplementary Information (RSI) and Supplementary Information (SI)

Changes in Accounting Principles and Changes to or within the Financial Reporting Entity

1. Ensure that the information included in the RSI, SI and management's discussion and analysis (MD&A) agree to the changes made in the financial statements.

2. For prior reporting periods that are earlier than those presented in the basic financial statements, information for those prior periods that is presented in RSI (including MD&A) or SI should not be restated for a change in accounting principles or a change to or within the financial reporting entity.

3. If prior-period information presented in RSI (including MD&A) or SI is not consistent with current-period information because of a change in accounting principle or a change to or within the financial reporting entity, an explanation of why the information is not consistent should be provided in RSI (including MD&A) or SI, as applicable. In MD&A, that explanation should include a reference to the related note disclosure in the basic financial statements.

Error Corrections

1. For periods presented in the basic financial statements, RSI, including MD&A, or SI should be restated. If the error affects periods earlier than those presented in the basic financial statements, all affected information should be corrected by restating the information for those prior periods in RSI, including MD&A, or SI, if practicable.

2. Information presented in RSI, including MD&A and SI, if practicable, should be identified as restated or not restated and an explanation about the nature of the error should be provided in RSI, including MD&A, or SI. If it is not practicable to restate RSI

Effective date: GASB 100 applies to Fiscal Year 24 and forward. As additional guidance is issued, DFA will update MAPs accordingly.

SUMMARY TABLE

Type of Accounting Change/Error Correction	**Accounting Application to the Financial Statements**	**Accounting Application to the RSI and/or SI**
Change in Accounting Principle (including new pronouncements)	*Retroactive* application to the financial statements for periods presented	Restate information in RSI/SI related to periods presented in the financial statements
Change in Accounting Estimate	*Prospective* application – adjustment made in current year	No adjustment required to RSI/SI
Change to or within the Financial Reporting Entity	*Adjust the beginning balances*	No restatement required to RSI or SI
Error Correction	*Retroactive* application to the financial statements for periods presented	Restate information in RSI/SI related to periods presented in the financial statements and all prior periods impacted by the error, if practicable