

## **GASB Statement No. 100 – Part I**

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Posted on March 5, 2025



The GASB statements hit the century mark with the issuance of GASB Statement No. 100, *Accounting Changes and Error Corrections*. The statement amended GASB Statement No. 62 and is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Therefore, governments with fiscal years ending June 30, 2024, must implement the new standard.

The GASB statement provides guidance to enhance consistency and comparability of financial reporting for *accounting changes* and *error corrections*. It is important to note that accounting changes include *changes in accounting principles* (ex. implementation of new GASB statements; a change in accounting method used to report prepaid expenses or inventory), *changes to or within the financial reporting entity* (ex. changes to major funds; changes in component unit assessments), and *changes in accounting estimates* (ex. change in a pension plan discount rate; a change in the useful life of an asset, not due to error).

A summary of the related requirements for *accounting changes* and *error corrections* is detailed below.

*Changes in accounting principles and changes to or within the financial reporting entity:*

- For financial statements, restatement of beginning balances
- For notes to the financial statements, disclosure of the following:
  - The nature of the change (including the identification of the financial statement lines affected by the application of a new accounting principle, and the new pronouncement implemented, if applicable);
  - The reason for the change (including an explanation of why the newly adopted accounting principle is preferable – not applicable for the implementation of pronouncements or the change in major funds); and,
  - The effects on the beginning net position, fund balance, and/or fund net position, as applicable

- For required supplementary information and supplementary information:
  - For reporting periods that are presented in the basic financial statements, adjustments and/or restatements should be the same;
  - For prior reporting periods earlier than those presented in the basic financial statements, adjustments and/or restatements should not be performed; and,
  - If prior reporting period information is not consistent with the current reporting period, an explanation of why the information is not consistent should be provided – specifically, for the MD&A, a reference to the related note disclosure should be made

*Changes in accounting estimates:*

- For financial statements, recognize the change in the reporting period in which the change occurs
- For notes to the financial statements, disclosure of the following:
  - The nature of the change in accounting estimate, including the identification of the financial statement lines affected; and,
  - If the change results from a change in measurement methodology, the reason for the change in methodology and an explanation of why the new methodology is preferable, if not required by GASB

*Error corrections:*

- For financial statements, restatement of beginning balances
- For notes to the financial statements, disclosure of the following:
  - The nature of the error and its correction, including the periods affected by the error and identification of the financial statement lines affected by the error in prior periods;
  - The effect on the prior period's change in net position, fund balance, and/or fund net position, as applicable, had the error not occurred; and,
  - The effects on the beginning net position, fund balance, and/or fund net position, as applicable
- For required supplementary information and supplementary information:
  - For reporting periods that are presented in the basic financial statements, adjustments and/or restatements should be the same
  - For prior reporting periods earlier than those presented in the basic financial statements, adjustments and/or restatements should be made (if practical); if it is not practical to restate information, an explanation of why it is not practical to restate should be provided
  - Information that is affected by an error should be identified as restated, as appropriate, and an explanation of the nature of the error should be provided

In addition to the above specific requirements, the following are also required:

- For financial statements, the aggregate amount of the adjustments to the beginning net position, fund balance, and/or fund net position, as applicable, should be displayed for each reporting unit
- For notes to the financial statements, disclose the following:
  - The effects on the beginning net position, fund balance, and/or fund net position, as applicable, for the earliest period adjusted, for each accounting change and/or error correction;
  - The effects should be disclosed in tabular format that reconciles beginning balances previously reported to beginning balances as adjusted for each reporting unit; and,
  - If details of each change are displayed in the financial statements, those effects (details) do not need to be repeated in the notes

As previously mentioned, the above is a summary of the related requirements for *accounting changes* and *error corrections*; however, please refer to the actual pronouncement during implementation and reporting periods thereafter.

With the issuance of GASB Statement No. 100, *Accounting Changes and Error Corrections*, all future GASB pronouncements will likely reference GASB Statement No. 100 for transition guidance, or provide specific guidance if different. While you prepare and review your financial statements this and in future years, some extra time may be necessary to ensure that the appropriate financial statement presentation, disclosures, and adjustments and/or restatements to other areas of the report (ex. required supplementary information and supplementary information) are made in accordance with GASB Statement No. 100.

Please make sure to check out Part II of this article, which will focus on the financial statement presentation for changes in major funds.

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