Office of Statewide Reporting and Accounting Policy
State of Louisiana
Division of Administration

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March 27, 2024

MEMORANDUM OSRAP 24-10

TO: Fiscal Officers

FROM: Brian Fleming, CPA
Director, Office of Statewide Reporting and Accounting Policy

SUBJECT: Implementation of Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*

Link to full statement: **GASB 100**

Effective Date: State's fiscal year ended **June 30, 2024**.

Summary

GASB Statement No. 100 establishes accounting and financial reporting requirements for accounting changes and error corrections. This Statement supersedes previous guidance contained in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*, and is effective for fiscal years beginning after June 15, 2023, or the State's FY24 Annual Comprehensive Financial Report (ACFR).

This Statement will require additional disclosures explaining restatements and a reconciliation of beginning balances in a tabular format that identifies restatements by type as explained further in this memo. This Statement also provides guidance on the treatment of restatements in required supplementary information (RSI), including MD&A, and supplementary information (SI).

For state agencies and other state entities that prepare a financial statement in an annual fiscal report (AFR) submitted to OSRAP (e.g., universities, boards and commissions, internal service and enterprise funds, and discrete component units), both the Statement of Changes in Net Position and the restatement disclosure will be updated to require the identification of restatements of beginning net position[1] as (a) change in accounting principle, (b) change to or within the reporting entity, or (c) correction of an error.

[1] For this memo, "net position" includes fund balance and fund net position.

In the AFR restatement disclosure, explanations for error corrections will require identification of the prior year balance sheet and income statement account lines that are affected by the restatement. Also, for primary government entities only, error corrections that have no effect on beginning net position, but result in reclassifications of prior year financial statement account lines will require disclosure.

Materiality should be a consideration in deciding whether to restate prior periods, particularly for error corrections. For immaterial error corrections that effect beginning net position, OSRAP recommends adjusting prospectively through current period revenue or expense, as applicable, instead of restating beginning net position. OSRAP's AFR appendix provides recommended guidance on applying a materiality threshold which would be the greater of $100,000 or 0.25% of the applicable prior year total that was misstated.

Key Provisions

Accounting changes

Accounting changes are (a) changes in accounting principles, (b) changes in accounting estimates, and (c) changes to or within the financial reporting entity. Each are described below along with applicable accounting treatment.

- A **change in accounting principle** is (1) a change from one generally accepted accounting principle to another generally accepted accounting principle on the basis that the newly adopted accounting principle is preferable[2] or (2) the implementation of a new pronouncement. For changes in accounting principle for single period financial statements[3], the beginning net position should be restated. For RSI (including MD&A) and SI, prior reporting periods presented should not be restated. However, there should be an explanation if prior-period information presented in RSI (including MD&A) and SI is not consistent with current-period information due to the change in accounting principle. In MD&A, that explanation should include reference to the related note disclosure.

- Accounting estimates are outputs subject to some uncertainty which are determined based on inputs such as data, assumptions, and measurement methodologies. A **change in accounting estimate** occurs when inputs change as result of change in circumstance, new information, or more experience. This would include changing the measurement methodology to a more preferable[2] method that is used to determine the estimate (e.g., change in valuation technique used to measure fair value, change in method used to depreciate capital assets). Changes in accounting estimates should be reported prospectively in the period in which the change occurs. In other words, do not restate prior periods for a change in accounting estimate.

[2] The basis for determining "preferable" should be the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability.
[3] For comparative statements, all periods presented in the financial statements should be restated for change in accounting principle, if practicable. For RSI (including MD&A) and SI, prior periods earlier than those presented in the financial statements should not be restated. For example, a government providing two years of comparative financial statements would adjust RSI & SI for those two years, but not apply the new accounting principle to earlier years.

- **Changes to or within the financial reporting entity** result from:
    - The addition/removal of a fund that results from the movement of continuing operations within the primary government.
    - A change in a fund's presentation as major or nonmajor.
    - The addition/removal of a component unit to/from the financial reporting entity[4].
    - A change in a component unit's presentation as blended or discretely presented.

  Changes to or within the financial reporting entity should be reported by adjusting the current reporting period's beginning balances as if the change had occurred at the start of the period. Prior periods presented in comparative financial statements, RSI (including MD&A), and SI are not restated. However, for RSI (including MD&A) and SI, there should be an explanation if prior-period information is not consistent with current-period information as a result of the change to or within the financial reporting entity. In MD&A, that explanation should include reference to the related note disclosure.

Correction of errors

An **error correction** is a change due to an error from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date. For error corrections, all periods presented in the financial statements should be restated. For RSI (including MD&A) or SI, earlier periods presented should be restated, if practicable, along with an explanation about the nature of the error. If not practicable to restate prior periods in RSI (including MD&A) and SI, an explanation of why it is not practicable should be provided.

Disclosure Requirements in the Notes to the Financial Statements

Required disclosures in the notes to the financial statements include the quantitative effects on beginning balances of each accounting change and error correction in a tabular format to reconcile beginning balances as previously reported to beginning balances as adjusted or restated for each reporting unit[5]. Additional required disclosures for single period financial statements[6] are summarized below.

Change in accounting principle

- Nature of change, including identification of the financial statement lines (excluding totals and subtotals) affected by change, and for implementation of a new pronouncement, identification of that pronouncement.
- If the reason for change is not from a new GASB pronouncement, the reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable should be disclosed.
- Changes that have no effect on beginning net position, but result in reclassifications of the prior period also require the above disclosures.

[4] Component units added/removed as a result of acquisitions, mergers, or transfers of operations (GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*) and component units reported pursuant to GASB Statement No. 90, *Majority Equity Interests*, are not considered a change to or within the reporting entity.
[5] Each column in the basic financial statements, except the total, is a reporting unit.
[6] For guidance and disclosure requirements for comparative financial statements, see p. 1 for link to full statement.

Changes to or within the financial reporting entity

- Nature and reason for change.

Changes in accounting estimates

- Nature of the change, including identification of the financial statement lines (excluding totals and subtotals) affected.
- If there is a change in measurement methodology, the reason for change should be disclosed. An explanation of why the new methodology is preferable should be included unless the new methodology is required by a GASB pronouncement.

Error corrections

- Nature of the error and its correction, including the periods affected by the error and identification of the financial statement lines (excluding totals and subtotals) affected in prior periods.
- The effect on the prior period's change in net position had the error not occurred.
- Changes that have no effect on beginning net position, but result in reclassifications of the prior period also require the above disclosures.

Appendix C of the Statement provides example disclosures and illustrations (see pg.1 for link to full statement).

Additional Resources

Any questions concerning this implementation memo can be directed to Lenita King at 225-342-6300 or lenita.king2@la.gov.