

******* AUDIT RISK ALERT *******

April 1, 2026

Noncompliance with GASB 100 in Municipal Financial Statements:

The Office of Policy and Management (OPM) has identified instances in which independent auditors are not properly applying the requirements of Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, in the financial statements of municipalities and other local governments. These deficiencies affect the fair presentation of the financial statements and the consistent implementation of new accounting standards.

Recurring Noncompliance Observed in Municipal Financial Statements

GASB 100 prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

OPM has observed multiple instances of the following:

- Required restatements to beginning net position as a result of an accounting change were omitted or not presented in accordance with GASB 100 under (a) above. This deficiency has become especially prevalent as it relates to the implementation of GASB 101.
- A fund that was major in the prior year must continue to be presented as a separate prior-year column in the current year's financial statements, even if that fund is not major in the current year. As a result, a column should continue to be presented in the statement of revenues, expenditures, and changes in fund balances or the statement of revenues, expenses, and changes in fund net position, as applicable, that displays (1) the fund's beginning balance as previously reported in the major column and (2) the adjustment to that balance, even though that column does not present activity for the reporting period. Correspondingly, in the statement of revenues, expenditures, and changes in fund balances or the statement of revenues, expenses, and changes in fund net position,

as applicable, the column that presents nonmajor funds in the aggregate also should display the adjustment to its beginning balance.

Expectations for Independent Auditors:

OPM provides the following expectations regarding implementation of GASB 100::

- OPM does not require independent auditors to reissue FY 2025 audit reports solely to correct errors related to GASB 100.
- OPM expects that auditors will correct these issues prospectively, beginning with future audit periods.
- In the event the FY 2025 audit report has not yet been filed, OPM expects these standards to be implemented correctly prior to filing and may request a reissuance if the audit report does not comply with GASB 100.

For specific accounting guidance and questions regarding the above GASB Statements, please contact the Connecticut Society of Certified Public Accountants (<http://www.ctcpas.org>) or the Governmental Accounting Standards Board (<http://www.gasb.org/>). If you have any questions regarding this audit risk alert, please contact Michael Reis at michael.reis@ct.gov or Bill Plummer at bill.plummer@ct.gov.

