Truth in Accounting

Financial Transparency Score

To encourage the publication of transparent and accurate government financial information, Truth in Accounting has created a transparency score for financial reporting. While there is a great deal of focus on state governments' budgets, the results of those budgets are found in a government's comprehensive annual financial report (CAFR). This document is produced annually by governments and is audited by a certified public accountant. The criteria used to develop our transparency score provide a "best practices" framework for government officials and citizens that can be used to improve their government's transparency and accountability.

To receive the top score of 100, a government's CAFR must meet the following criteria:

- Be easily accessible online (5)
- Be searchable with useful links from the table of contents and bookmarks (5)
- Be audited by an independent auditor who is not an employee of the government (10, this criterion and the next also applies to the CAFR of the state government's largest pension plan).
- Receive a clean opinion from an independent auditor (50)
- Be published within 100 days of the government's fiscal year end (10)
- Report all retirement liabilities on its balance sheet (statement of net position) (10)
- Contain a net pension liability measured on the same date as the CAFR (5)
- Include a net position not distorted by misleading and confusing deferred items (10)

TIA's analysis found all 50 states produced CAFRs that are in a searchable pdf format. Forty-six states received a clean opinion, meaning the auditors found the financial statements included in the annual report fairly and accurately present the government's financial condition. Louisiana, Missouri and Nebraska received qualified opinions, meaning the auditors found the financial statements were fairly presented, except for a few specified issues. New Mexico received a disclaimer of opinion, meaning it in essence flunked its audit.

Surprisingly, only 15 states used outside certified public accounting (CPA) firms to audit the state CAFR. The other states used auditors who work for the state, which brings into question their ability to provide an independent opinion. Some also question the independence of outside CPA firms since the state pays for their services.

TIA also found that states did not report their current pension liability amounts. All but three states used June 30, 2016, amounts in their FY 2017 annual reports, while the other three used amounts from different valuation dates. For example, Colorado calculated its pension liability based on a pension valuation dated Dec. 31, 2016, while the state's fiscal year ended June 30, 2017.

All of the states did not accurately report their net position as they used confusing accounts called deferred outflows and inflows.

Financial Transparency Score

State	Transparency Score
Utah	85
Washington	84
West Virginia	83
Virginia	83
South Dakota	83
Idaho	82
North Dakota	82
Alaska	81
Georgia	81
Indiana	81
New Hampshire	81
Pennsylvania	81
Oregon	81
Hawaii	80
Iowa	80
Maine	80
Nevada	80
New York	80
Mississippi	80
Tennessee	79
Wyoming	79
Arizona	78
South Carolina	78
Delaware	77
Kansas	77

State	Transparency Score
Florida	76
Maryland	76
Kentucky	74
Michigan	74
Minnesota	74
Colorado	74
Texas	74
Alabama	74
Wisconsin	74
North Carolina	73
Ohio	73
Oklahoma	73
California	72
Illinois	72
New Jersey	71
Missouri	65
Louisiana	62
Nebraska	61
Rhode Island	55
Vermont	53
Massachusetts	52
Montana	52
Arkansas	50
New Mexico	50
Connecticut	44