



Financial Transparency Score 2026

In the spirit of promoting clear and accurate fiscal information, Truth in Accounting has once again assessed the transparency of state governments' financial reporting. Our transparency score is based on key criteria outlining best practices, offering government officials and citizens a roadmap to enhance fiscal transparency and accountability.

Introduction

While state budgets receive most of the public's and media's attention, the outcomes are detailed in each government's Annual Comprehensive Financial Report (ACFR), which is audited annually. All data and comments in this report are based on 2024 information available as of August 25, 2025. For Arizona, California, Idaho, Illinois, Mississippi, and Oklahoma, fiscal year 2023 data was used, as 2024 data was not yet available. Data for Nevada came from its 2022 ACFR, because 2023 and 2024 data were not available.

Key Findings

New Mexico and West Virginia earned the top scores, with each receiving 87 out of 100 points. Indiana, Maryland, and New York rounded out the top five states in that order. Overall, transparency scores for all 50 states worsened compared to the previous year.

Kentucky experienced the most significant improvement, with an 11-point gain, primarily because the state's ACFR received a clean audit opinion in 2024 after receiving a qualified opinion in 2023.

Delaware experienced the most significant decline in its transparency score, decreasing from 78 to 55. This is primarily due to the disclaimer of opinion issued for its state ACFR. Delaware's Business-Type Activities and Unemployment Compensation Fund received a disclaimer of opinion because auditors were unable to obtain sufficient appropriate evidence to form an opinion on their financial statements. However, the state improved its timeliness score by publishing its 2024 ACFR in 176 days compared to 264 days for the prior year. While the report was released more quickly, the adverse audit outcome significantly lowered the state's overall transparency score.

Criteria

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

Audit Opinion: 50 points

- Receive a clean opinion from an independent auditor (This criterion also applies to the annual report of the state government's largest pension plan.)

Undistorted Net Position: 10 points

- Include a net position not distorted by misleading and convoluted deferred items

Report Liabilities: 10 points

- Report all retirement liabilities on its balance sheet (Statement of Net Position)

Timeliness: 10 points

- Be published within 100 days of the government's fiscal year-end

Independent Auditor: 10 points

- Be audited by an independent auditor who is not an employee of the government (This criterion also applies to the annual report of the state government's largest pension plan.)

Pension Data Timing: 10 points

- Measure the net pension liability using the same time period of the annual report

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Key Findings, Cont.

Connecticut ranked the lowest, followed by Georgia, North Carolina, California, and Illinois. The reasons these states received low scores are outlined as follows:



Connecticut & North Carolina

did not have audited financial reports for their largest pension plans, and a high percentage of complex and convoluted deferred items distorted their financial positions.



Georgia

received a disclaimer of opinion on its state ACFR, and it doesn't measure the net pension liability using the same date as the annual report. The state also took 297 days to publish its ACFR.



California & Illinois

had not published their 2024 state ACFRs at the time this report's research was completed. Their 2023 ACFRs each received a qualified opinion.

Audit Opinions

Given the importance of a clean audit opinion, half of our transparency score is based on this criterion alone. Unfortunately, governments face few consequences when they receive a qualified or disclaimer opinion. In contrast, when a company gets a qualified or disclaimer opinion, it may face increased regulatory scrutiny, a loss of confidence within bond markets, and higher borrowing costs or difficulty obtaining financing.

A disclaimer of opinion is akin to an incomplete grade. Just as students might receive an incomplete when they fail to finish an exam or lack necessary materials, an entity receives a disclaimer when the auditor cannot gather sufficient evidence to form a complete judgment about the financial statements.

A qualified opinion is similar to a passing grade, where the student provided an answer but it was incomplete or inaccurate in certain areas. In the same way, a qualified opinion means the auditor can express an opinion on most of the financial statements, except for specific areas where evidence was insufficient or inaccurate.

Delaware and Georgia were the only states to receive a disclaimer of opinion on their 2024 financial reports. Delaware's opinion was due to its failure to provide sufficient appropriate audit evidence for the balances and financial activity of the unemployment fund, which affected the state's business activities. Georgia's Department of Labor did not provide adequate or appropriate audit evidence to verify whether certain paid unemployment claims met eligibility requirements. Furthermore, the auditors could not determine whether the unemployment compensation fund's balances, revenues, and expenses were free from material misstatement.

The 2024 financial reports for Alaska, Arizona, California, Illinois, Missouri, Nevada, and Washington all received qualified opinions. The State of Alaska's system for processing Medicaid payments relies on outside contractors, but the state did not get independent assurance that these contractors' financial controls were reliable in FY 2024. Because of this, the auditors cannot confirm whether the Medicaid payments are accurately reported in the financial statements. Arizona was unable to substantiate much of its financial statements, including a discrepancy of \$231.1 million between the Arizona Department of Economic Security's cash balance and its bank records. California was unable to ensure that its governmental activities liabilities were free from material misstatement in its 2023 financial statements. According to its 2023 ACFR, Illinois was unable to verify the payment activity of its Unemployment Compensation Trust Fund and therefore cannot confirm that its business activities were free from material misstatement. Missouri's auditors were denied access to verify income tax revenues source documents to included tax returns, which make up approximately 24% of the government activities revenue and 27% general fund revenue. Nevada's General Fund was also unverifiable

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Audit Opinions, Cont.

because of a lack of audit evidence relating to inventory balances of the Division of Emergency Management. Finally, Washington's auditors noted several potential misstatements in the state's 2024 financial report.

Connecticut, North Carolina, and Vermont each lost 25 points on their transparency scores because their largest pension plans do not issue separate audited financial reports. Hawaii's Employees' Retirement System typically issues a financial report, but its score was reduced by 25 points this year because the 2024 financial report was unavailable on its website as of August 2025.

Net Position Distortions

The total points allocated to this section of the study decreased from 15 available points to 10, which provided a decline and redistribution compared to last year's study. However, despite this criterion change, the states did have lower scores this year due to their total deferred outflow and inflows associated with pensions and retiree healthcare benefits. This is caused by the Governmental Accounting Standards Board (GASB) allowing governments to use complex calculations that vary depending on individual accounting practices, which can distort the government's net positions, overall financial condition, and reported revenues and expenses.

For example, rather than recognizing the full gain in the value of pension plan investments as income during the year it occurs, a government records the gain as a deferred inflow on the liability side of its balance sheet. As a result, the government's net position may be understated. Each state's score is based on the percentage by which the asset side of its balance sheet is overstated due to deferred outflows, combined with the percentage by which the liability side is overstated due to deferred inflows.

California, Connecticut, Delaware, Illinois, Maine, Massachusetts, Nevada, New Hampshire, New Jersey, Pennsylvania, Texas, Vermont, and Wisconsin received the lowest score—zero out of ten—primarily due to overstatements on the liability side of their balance sheets. New Jersey had the highest percentage of balance sheet distortion, with its asset side and liability side each overstated by more than 21%.

Timeliness

Timely financial information is crucial during government decision-making, such as budgeting. However, most states filed their 2024 annual financial reports after completing their budget process. According to the Government Finance Officers Association, the standard for states to publish their annual reports is 180 days after the end of the fiscal year. Arizona, California, Idaho, Illinois, Mississippi, and Oklahoma had not released their FY 2024 reports as of our August 25, 2025, research cut-off date, so we relied on their FY 2023 data for this analysis. Nevada took the lack of timeliness even further. As of August 25, 2025, it had not yet issued its FY 2023 financial report, thereby requiring us to rely on data from FY 2022. This extended delay significantly limits transparency and impedes the timely evaluation of the state's fiscal health.

Hidden Retirement Debt

In three states, we identified significant unreported retirement debt, largely due to the failure to include debt related to teachers' pensions on the states' balance sheets. Kansas had the highest percentage of hidden retirement liabilities (65%) mainly because it does not include the school division of the Kansas Public Employees Retirement System, despite the fact that the state funds the public schools' contributions to the plan. Michigan had the second-highest percentage, 64%, primarily because it excluded most of the Public Schools Employee Retirement System liabilities, even though it also provides the majority of school funding to each district. In Oklahoma, which excluded 62% of its retirement liabilities, the state did not include most of the Teachers' Retirement System pension liability despite providing 80% of its school districts' funding.

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Scores

Ranking	Total Transparency Score	State	Auditor Opinion	Deferred Items	Off-Balance Sheet Liabilities	Timeliness	External Auditors	Pension Data Timing
29	70	Alabama	50	1	7	6	3	3
39	59	Alaska	35	9	9	0	3	3
40	57	Arizona	35	6	10	0	3	3
24	72	Arkansas	50	4	10	5	0	3
47	48	California	35	0	10	0	3	0
31	69	Colorado	50	1	9	5	3	1
50	40	Connecticut	25	0	10	2	0	3
42	55	Delaware	25	0	10	7	10	3
30	70	Florida	50	4	10	3	0	3
49	44	Georgia	25	5	10	1	3	0
44	54	Hawaii	25	4	10	5	7	3
27	71	Idaho	50	5	10	0	3	3
46	51	Illinois	35	0	10	0	3	3
3	86	Indiana	50	7	10	6	3	10
12	78	Iowa	50	8	10	7	0	3
6	83	Kansas	50	8	4	8	10	3
25	72	Kentucky	50	1	10	5	3	3
18	76	Louisiana	50	4	10	6	3	3
22	73	Maine	50	0	10	7	3	3
4	84	Maryland	50	1	10	3	10	10
8	80	Massachusetts	50	0	10	0	10	10
37	65	Michigan	50	3	4	5	0	3
19	75	Minnesota	50	5	10	7	0	3
26	72	Mississippi	50	7	9	0	3	3
41	57	Missouri	35	4	10	2	3	3

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34	67	Montana	50	4	10	0	0	3
20	74	Nebraska	50	4	10	7	0	3
43	55	Nevada	35	0	7	0	10	3
10	79	New Hampshire	50	0	10	6	10	3
33	68	New Jersey	50	0	10	2	3	3
1	87	New Mexico	50	5	10	2	10	10
5	84	New York	50	3	10	8	10	3
48	45	North Carolina	25	1	9	7	0	3
15	77	North Dakota	50	4	10	7	3	3
21	74	Ohio	50	5	8	7	3	1
35	67	Oklahoma	50	7	4	0	3	3
11	79	Oregon	50	6	10	7	3	3
16	77	Pennsylvania	50	0	7	7	10	3
28	71	Rhode Island	50	6	10	2	0	3
23	73	South Carolina	50	1	6	3	10	3
13	78	South Dakota	50	6	10	6	3	3
17	77	Tennessee	50	7	10	7	0	3
32	69	Texas	50	0	10	6	0	3
9	80	Utah	50	9	10	7	3	1
45	52	Vermont	25	0	10	7	7	3
14	78	Virginia	50	8	10	7	0	3
38	62	Washington	35	5	9	7	3	3
2	87	West Virginia	50	7	10	7	10	3
36	67	Wisconsin	50	0	9	7	0	1
7	81	Wyoming	50	5	10	5	10	1