# COUNTING MONEY
## STATE & GASB STANDARDS *for* COUNTY FINANCIAL REPORTING

EMILIA ISTRATE, CECILIA MILLS & DANIEL BROOKMYER

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# EXECUTIVE SUMMARY

Counties provide essential services to 308 million residents across the country to keep communities prosperous, safe and secure. Creatures of the states, county governments operate in a constrained financial environment, conforming to state and federal mandates and limited by state caps on their ability to raise revenue. Understanding the diversity of county financial reporting and data is a first step towards examining national trends in county financial health. An analysis of 3,053 county financial reports reveals that:

UNDERSTANDING THE DIVERSITY OF COUNTY FINANCIAL REPORTING AND DATA IS A FIRST STEP TOWARDS EXAMINING NATIONAL TRENDS IN COUNTY FINANCIAL HEALTH.

1 **THE MAJORITY OF STATES REQUIRE COUNTY GOVERNMENTS TO OBSERVE GASB STANDARDS FOR THEIR ANNUAL FINANCIAL REPORTS.** Most state and local governments follow generally accepted accounting principles (GAAP), standards of accounting and financial reporting developed by the Governmental Accounting Standards Board (GASB), an independent, private organization. Thirty-two (32) states require counties to follow GAAP and 295 counties in another 13 states and the District of Columbia choose to file their financial reports according to GASB standards, as of November 2015. As a result, almost three-quarters (71 percent) of counties report their annual financial information following GASB standards in the format of basic financial statements and on an accrual basis of accounting.

2 **STATE SPECIFIC RULES FOR FINANCIAL REPORTING ARE THE STANDARD FOR ABOUT A FIFTH OF COUNTY GOVERNMENTS**. Almost a fifth (19 percent) of counties use a financial reporting format decided by their state and other comprehensive basis of accounting (OCBOA) different from GASB standards. Nine states (Ark., Ind., Kan., Ky., Mo., N.J., Okla., Vt. and Wash.) ask counties to follow an alternative method of financial reporting and accounting to GAAP. The state determines the framework, including measurement, recognition, presentation and disclosure requirements of the county financial reports. Another 10 percent of county governments use basic financial statements approved by GAAP, but they do not use accrual accounting. Most of these county governments are on the smaller side; 94 percent of them have less than 50,000 residents.

**32** STATES — Require counties to file annual financial reports according to GASB standards

**19%** OF COUNTIES — use a state specific financial reporting format

TO READ THE FULL REPORT AND ACCESS THE COMPANION INTERACTIVE MAPS, GO TO: WWW.NACo.ORG/COUNTINGMONEY

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660 NORTH CAPITOL STREET, NW | SUITE 400 | WASHINGTON, DC 20001 | 202.393.6226 | www.NACo.org

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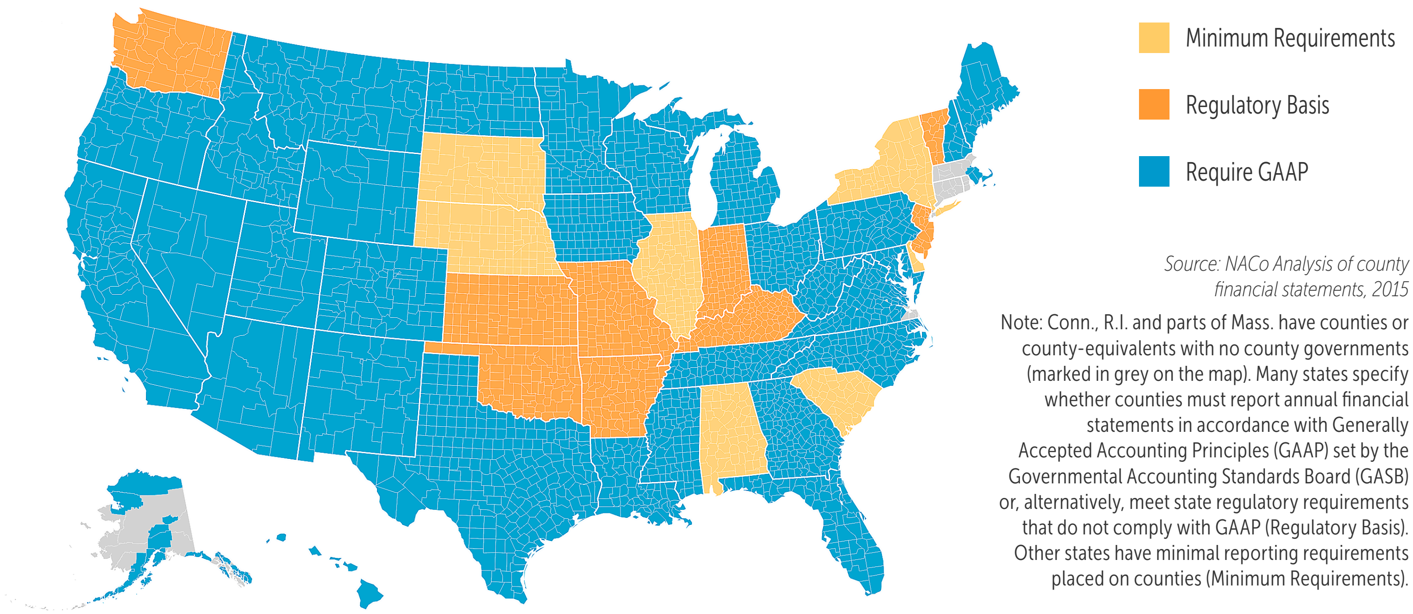
## THE MAJORITY OF STATES REQUIRE COUNTIES TO OBSERVE GASB STANDARDS,

AS OF NOVEMBER 2015




*Source: NACo Analysis of county financial statements, 2015*

Note: Conn., R.I. and parts of Mass. have counties or county-equivalents with no county governments (marked in grey on the map). Many states specify whether counties must report annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP) set by the Governmental Accounting Standards Board (GASB) or, alternatively, meet state regulatory requirements that do not comply with GAAP (Regulatory Basis). Other states have minimal reporting requirements placed on counties (Minimum Requirements).

3 **ABOUT A QUARTER OF COUNTIES FOLLOWING GASB STANDARDS PRODUCE COMPREHENSIVE ANNUAL FINANCIAL REPORTS (CAFR)**. CAFRs are financial reports that follow the GASB standards and have more information, intended to provide a more robust financial and historical context of the county government. A CAFR's additional discussions and analyses of county trends and statistical data add to the picture of a county's financial standing. Bond rating agencies and bondholders use the additional information from a CAFR to assess the investment risk of the county government. Eighty-one percent of large counties — with more than 500,000 people — report using a CAFR. CAFRs are not exclusive to large county governments, but counties who issue municipal bonds more regularly are more likely to release CAFRs.

**567 COUNTIES** in 39 states and the District of Columbia issue CAFRs, the most thorough version of financial reporting

Understanding county financial reporting helps comprehend how counties function and deliver services to their constituents. Counties constantly balance serving residents while meeting the demands of state and federal mandates. The variation in financial reporting among counties nationwide shows the diversity of state regulatory requirements, county needs and the staffing and administrative capacity of county governments.

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**FOR MORE INFORMATION, CONTACT:**

Research Department

National Association of Counties

research@naco.org


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