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XBRL State & Local Government Disclosure Modernization Working Group
c/o Marc Joffe (Chair), Shannon Sohl (Vice Chair)

Dear XBRL State & Local Government Disclosure Modernization Working Group,

This letter provides feedback on the state & local government v0.2 demonstration taxonomy, as displayed on XBRL US' web site <https://xbrl.us/xbrl-taxonomy/2019-cafr/>

This feedback derives from my three decades of municipal finance experience, including as a rating agency analyst, rating methodologies specialist, and a consultant to municipal debt issuers. I also have shared the taxonomy with municipal specialists from four rating agencies over the last few months (Kroll, S&P, Fitch, and Moody's) other municipal market participants such as data service providers, buy side and sell side analysts. I have incorporated feedback based on informal conversations with them and on published municipal credit rating methodologies. However, all the feedback provided here is my own and should not be attributed to anybody except myself. My comments include feedback of a general nature as well as specific recommendations.

General comments:

- In general, municipal credit analysts believe that machine readable standardized CAFRs would be extremely useful. They see opportunities to eliminate the manual data entry they currently do, which is the almost exclusive practice in the industry today. They also see opportunities to do cross sector research that is currently excruciatingly time-consuming.
- Analysts believe adoption of financial reporting data standards for municipals would be "a very positive development" and would make them more efficient in providing accurate credit analysis.
- Almost all analysts I spoke to wanted to know the timeline for the transition to machine readable CAFRs, perhaps not realizing that there isn't an industry wide mandate or timeline for adoption
- Most analysts found the portions of the CAFRs currently covered by the taxonomy to be very valuable and useful. Generally, they didn't have specific feedback or suggestions about what has already been included in the taxonomy.

- Most analysts asked questions about whether the taxonomy would cover enterprise funds, economic/demographic data, Official Statement information (particularly Appendix A – the issuer-specific disclosure section), and budgets. They also asked about whether the taxonomy would cover universities, hospitals, charter schools, pension plan audits, and other municipal sectors, indicating a broad appetite for data standards across the public finance space.
- There is some confusion among analysts about the distinction between entity reporting, which a CAFR represents, and analysis of specific municipal debt securities. For example, some analysts ask if the taxonomy will “cover” sales tax debt, or appropriation debt, or limited tax GO debt.
- The pension/OPEB additions to the taxonomy are very well received and universally recognized as useful and necessary for a fully functioning taxonomy.
- The most common requests for additional details in the taxonomy are: pension/OPEB, debt, and certain of the supplemental data reported in the back of most CAFRs
- Public school districts are numerous and relatively simple from an analytical perspective because of their narrow service scope and funding sources. Analysts believe it would be relatively easy to include fields sufficient to ensure that public school districts can utilize the CAFR taxonomy
- From a presentational standpoint, the taxonomy is very difficult for analysts to review and provide feedback.
 - o The taxonomy is presented as a very long list of fields, which can be overwhelming to contemplate. While there is extensive information provided for each field, such as a definition and the data type, analysts are used to “eyeballing” a financial statement in an unstructured environment and making judgements about the meaning of each line item in a CAFR to facilitate manual data entry. They find the taxonomy too dense to work with. As a result, they often fall back on very general comments such as “that sounds really useful”.
 - o It’s not clear from just looking at the taxonomy how it handles all the various columns (funds) in a CAFR, which vary significantly from entity to entity. Municipal credit analysis heavily relies on the distinctions between the various columns, but the long list of available fields as presented doesn’t give the analyst the more multi-dimensional sense of how all the funds would be specified and how analysts would be able to group or aggregate them in their analytic process.
 - o As a result of the density of the taxonomy presentation, analysts I spoke to tended to rely on the instance documents to see visually which portions of the CAFR would be machine readable and which would not. However, each of the instance documents varies in its scope. For example, one of the instance documents includes assets only. Some include cover page information (such as auditor opinion), while others don’t, etc. This makes it hard for analysts to use the instance documents as a comprehensive guide to the contents of the taxonomy.
- In discussing the framework with analysts, they were mostly focused on the availability of tagging for individual fields such as “general fund cash and equivalents”. Most didn’t realize the potential to tag notes and tables, or the efficiencies they could gain from such tags. When explained, they found the prospect of tagged notes and tables extremely valuable. Some rating agencies have tried to use searchable .pdf features to flag the location and content of certain notes but found

that searchable .pdfs is not a universal disclosure standard (despite an MSRB rule to that effect), and the technology is not consistent or accurate enough to rely on for important credit decisions.

- One analyst I spoke to was concerned about the quality of tagging. If issuers are free to tag their facts “any way they want”, the output will be “useless”. More education of the municipal market about the quality improvements that accompany use and application of a data standard will be helpful.

Comments and Recommendations on Presentation of Taxonomy v0.2

- I recommend that the working group consider adding additional methods of viewing the taxonomy before the next open comment period, particularly methods that are practical and visual in nature. These could include comprehensive instance documents, or CAFRs with annotations that highlight items that would be machine readable upon adoption. These alternatives should also provide a more visual way for analysts to understand how tagging of the various columns would occur.
- Analysts are better able to provide feedback if they see examples of how the taxonomy works in practice, for example, how machine readable CAFR data could be used for time series analysis, cross sector analysis, and identification of entities with certain types of notes to the financial statements (such as subsequent events or accounting changes). For future taxonomy review periods, I recommend these types of examples be included as part of the resources available for market participants.
- If the full taxonomy is presented for review, I recommend removing technical terms and changing the terminology in some columns to more readily understandable terms for lay people. For example, there is likely no need to present element names such as “EmployerIdentificationNumber” when the more natural English label “Employer identification number” is right next to it in the next column. Other examples: The data types are not easily understandable. Perhaps you can transform technical sounding data types such as “xbrli:stringItemType” into something more easily understood by a user like “Text”. You could also eliminate many columns from the taxonomy presentation, such as Prefix, Subgroup, Abstract, Nillable. The excess presentation of terms only feeds the perception that the taxonomy is complicated, obtuse, and not practical.

Taxonomy Feedback

The following taxonomy feedback broadly relates to five areas of CAFRs. I referenced certain examples from existing CAFRs, including City of Alexandria VA June 30, 2018, City of Los Angeles CA June 30, 2018, and Albemarle County VA June 30, 2018.

1. Pension / OPEB
2. Debt
3. Statistical Section

4. Notes to the financial statements
5. Tables and schedules
6. Miscellaneous

I. Pension / OPEB

Market feedback on the additional pension/OPEB elements that we added during the comment period is universally positive. Pension / OPEB has been an increasingly sharp area of focus for municipal credit analysts, with strong demand for a very large portion of what's typically disclosed in CAFRs.

Analysts consider certain characteristics of pension plans critical in understanding the risks, including whether the plan is DB or DC, and for DB plans, open or frozen. In addition, the distinction between multiemployer plans and single employer plans is important to the analysts and also drives differences in disclosed information. Therefore, I recommend the taxonomy include more enumerations for the plan status, and the addition of plan type (see below for specifics). Additionally, there are elements that are included in the proposed taxonomy for pensions that have parallel concepts for OPEB, but which are not currently in the proposed taxonomy. I recommend below to add certain specific parallel concepts for OPEB. Finally, there are some tables where most of the components of the table are tagged elements, and if we add just a few more, the entire table would be completely covered by the taxonomy. Again, see below for specifics.

A final thought, on data architecture for pension and OPEB elements: since there are so many parallel elements for pension and OPEB, and the GASB disclosure is now relatively similar for both, consider collapsing the pension and OPEB elements into one set of elements and distinguishing between them with separate pension and OPEB tags. Pension or OPEB would be separate tags added to every fact, similar to the way cash and equivalents could be tagged as being in a governmental activities fund or a component unit fund. For example, instead of separate elements for PensionServiceCost and OPEBServiceCost, would you just have ServiceCost, then the preparer would tag the service cost fact as being a pension or OPEB fact. The suggestions below are provided based on the currently proposed architecture, which maintains separate elements for pension and OPEB.

Specifically, I recommend adding the following elements:

- Pension Plan Status – add to enumeration (DC plan, Open DB Plan, frozen DB Plan, partially frozen DB Plan)
- Plan Type – DB Pension (single employer, cost sharing multiemployer, multiemployer agency)
- Plan Type – OPEB (single employer, cost sharing multiemployer, agent multiemployer)
- OPEB Terminated Employees Entitled To Benefits But Not Yet Receiving Benefits
- Pension liability measurement date
- OPEB liability measurement date
- OPEB assumed healthcare cost growth (%)
- Net OPEB Liability At Assumed Healthcare Cost Trend Plus 1%

- Net OPEB Liability At Assumed Healthcare Cost Trend Minus 1%
- Assumed rate of return - Pension (will generally be the same as discount rate, but I recommend maintaining separate concepts)
- Assumed rate of return – OPEB (will generally be the same as discount rate, but I recommend maintaining separate concepts)
- In the table of changes in net pension (OPEB) liability, add the following elements, then the entire table will be represented by individual elements (add parallel elements for pension and OPEB): (Los Angeles, p.184)
 - Experience Gains / Losses
 - Assumption changes
 - Other changes to net pension (OPEB) liability
 - Net Change (in total pension (OPEB) liability)
 - Net change in fiduciary net position
 - Fiduciary net position (OPEB only; there is already an element for pension fiduciary net position)
- For multiemployer plans (Pension and OPEB):
 - o Proportionate share of plan liability (%) (Albemarle, p. 85)
 - o Contractually required contribution (Albemarle, p. 85)
 - o Actual contribution (Albemarle, p. 85)
 - o Fiduciary net position as a % of total pension/OPEB liability (Albemarle p. 98)
 - o (Table) Schedule of Contractually Required Contribution, Actual Contributions, and Covered Payroll (Albemarle, p 85)
- For Pensions: The following tables should be tagged (tag the entire table as a single element):
 - o Changes in net pension liability (Los Angeles, p. 184)
 - o Components of plan membership (Los Angeles, p. 175)
 - o Pension actuarial methods and assumptions
 - o Pension mortality rates
 - o Total pension liability, fiduciary net position, and net pension liability (Los Angeles, p. 184)
 - o Pension Expense and Deferred outflows/inflows of Resources (Los Angeles, p. 186)
 - o Target Allocation and Expected Rate of Return by Asset Class (Los Angeles, p. 188)
 - o Sensitivity of Net Pension Liabilities to Changes in Discount Rates (Los Angeles, p. 185)
 - o Schedule of Pension ADC, Actual Contributions, and Covered Payroll (Los Angeles, p. 233)
- For OPEB: The following tables should be tagged (tag the entire table as a single element)
 - o Components of plan membership (Los Angeles, p. 191)
 - o Total pension liability, fiduciary net position, and net pension liability (Los Angeles, p. 195)
 - o Changes in net OPEB liability (Los Angeles, p. 195)
 - o Sensitivity of Net OPEB Liabilities to Changes in Discount Rates (Los Angeles, p. 185)
 - o Sensitivity of Net OPEB Liabilities to Changes in Healthcare Cost Trend Rates (Los Angeles, p. 196)
 - o OPEB Expense and Deferred outflows/inflows of Resources (Los Angeles, p. 197)
 - o Target Allocation and Expected Rate of Return by Asset Class (Los Angeles, p. 199)

- OPEB actuarial methods and assumptions (Los Angeles, p. 200)
- Schedule of OPEB ADC, Actual Contributions, and Covered Payroll (Los Angeles, p. 237)

2. Debt

Additional elements for debt came up more often than anything else in my discussions with analysts. Analysts use debt information in aggregate (e.g. debt per capita) and in granular form (tax supported long-term debt). I recommend the following additional elements for debt:

From the schedule of changes in long-term debt (showing debt at beginning of year of each type, additions, retirements, and ending balance):

- Decreases of unlimited tax general obligation bonds
- Decreases of limited tax general obligation bonds
- Decreases of unlimited tax general obligation school bonds
- Decreases of limited tax general obligation school bonds
- Decreases in public facility revenue bonds
- Decreases in sales tax bonds
- Decreases in leases, COPs, and appropriation obligations
- Decrease in capitalized lease obligations
- Balance, unlimited tax general obligation bonds
- Balance, limited tax general obligation school bonds
- Balance, public facility revenue bonds
- Balance, sales tax bonds
- Balance, leases, COPs, appropriation obligations
- Balance, capitalized lease obligations
- Balance, premium/discount, net
- Balance, claims payable
- Balance, net pension liability
- Balance, net OPEB liability
- Balance, compensated absences
- Balance, total long-term obligations
- Amounts due within one year – unlimited tax general obligation bonds
- Amounts due within one year – limited tax general obligation bonds
- Amounts due within one year – unlimited tax general obligation school bonds
- Amounts due within one year – limited tax general obligation school bonds
- Amounts due within one year – sales tax bonds
- Amounts due within one year – leases, COPs, appropriation obligations
- Amounts due within one year – capitalized lease obligations
- Amounts due within one year – public facility revenue bonds
- Amounts due within one year – total primary government

From the schedule of annual debt service requirements: (Alexandria, p. 96)

- GO debt Principal due in year 1
- Other LT debt principal due in year 1
- GO debt Principal due in year 2
- Other LT debt principal due in year 2
- GO debt Principal due in year 3
- Other LT debt principal due in year 3
- GO debt Principal due in year 4
- Other LT debt principal due in year 4
- GO debt Principal due in year 5
- Other LT debt principal due in year 5
- GO debt Principal due in years 6-10
- Other LT debt principal due in years 6-10
- GO debt Principal due in years 11-15
- Other LT debt principal due in years 11-15
- GO debt Principal due in years 16-20
- Other LT debt principal due in years 16-20
- GO debt Principal due in years 21+
- Other LT debt principal due in years 21+
- GO debt Interest due in year 1
- Other LT debt interest due in year 1
- GO debt Interest due in year 2
- Other LT debt interest due in year 2
- GO debt Interest due in year 3
- Other LT debt interest due in year 3
- GO debt Interest due in year 4
- Other LT debt interest due in year 4
- GO debt Interest due in year 5
- Other LT debt interest due in year 5
- GO debt Interest due in years 6-10
- Other LT debt interest due in years 6-10
- GO debt Interest due in years 11-15
- Other LT debt interest due in years 11-15
- GO debt Interest due in years 16-20
- Other LT debt interest due in years 16-20
- GO debt Interest due in years 21+
- Other LT debt interest due in years 21+
- Unamortized premium and discount

Other debt information:

- Short term debt outstanding - RANS, TRANS

- Draws on lines of credit outstanding
- Other short-term debt outstanding

3. Statistical Section

- The schedule of Real Estate Tax Levies and Collections Last 10 years
 - o Tag the entire table, and
 - o Tag the following elements:
 - Year
 - Taxes Levied
 - Total Collections
 - % of Levy Collected
- Real and Personal Property Tax Assessments and Rates Last Ten Calendar Years
 - o Tag the entire table
 - o Tag the following elements:
 - Year
 - Real property assessed – Residential
 - Real Property Assessed – Commercial
 - Real Property Assessed – Total
 - Tax Rate per \$100
- Total direct tax rate per \$100
- Population
- Principal Taxpayers
 - o Tag the entire table
 - o Tag the following elements
 - Taxpayer/Company/Owner 1 Name
 - Taxpayer/Company/Owner 2 Name
 - Etc. through Taxpayer/Company/Owner 10 Name
 - Taxpayer/Company/Owner 1 Assessed Value
 - Taxpayer/Company/Owner 2 Assessed Value
 - Etc. through Taxpayer/Company/Owner 10 Assessed Value
 - Taxpayer/Company/Owner 1 Percent of assessed value
 - Taxpayer/Company/Owner 2 Percent of assessed value
 - Etc. through Taxpayer/Company/Owner 10 Percent of assessed value
- Direct and Overlapping Government Activities Debt
 - o Tag the entire table
 - o Tag the following elements
 - Total Overlapping Debt
 - Total Direct Debt
 - Total Direct and Overlapping Debt

4. Notes to the financial statements

I recommend that the following notes to the financial statements be added to the taxonomy:

- Summary of Significant Accounting Policies
- Legal Compliance – Budgets
- Reconciliation of Government-Wide and Fund Financial Statements
- Deposits and investments
- Receivables
- Capital Assets
- Risk Management
- Operating Leases
- Commitments and Contingencies
- Long Term Debt
- Interfund balances and transactions
- Grants
- Intergovernmental revenue
- Due from other governments
- Joint Ventures
- Related party Transactions
- Employee Retirement Systems
- Other Post-Employment Benefits
- Termination Benefits
- Tax Abatements
- New Accounting Standards and Restatements
- Subsequent Events

5. Additional Tables

In addition to tables discussed above in other sections, I recommend the following tables be added to the taxonomy:

- General fund balance detail (Alexandria, p. 58)
- Primary Government Changes in Capital Assets (Alexandria, page 71)
- Long-term debt (Alexandria, p. 85)
- Long-term debt amortization schedule (Alexandria, p. 96)
- Legal debt margin (Alexandria, p. 96)
- Changes in long-term obligations and amounts due in one-year (Alexandria, p. 97)
- Schedule of due from other governments (Alexandria, p. 103)
- General fund budget to actual, plus the following individual elements (Alexandria, page 30)
 - o Original budget total general fund revenues, transfers and other resources
 - o Actual total general fund revenues, transfers and other resources
 - o Original budget general fund total expenditures, transfers and other uses
 - o Actual general fund total expenditures, transfers, and other uses

- Original budget change in general fund balance
- Actual general fund change in fund balance

6. Miscellaneous

Based on discussions with credit analysts, I recommend the addition of the following elements:

From the table generally titled “Capital Assets”: (Alexandria, p. 71, 72)

- Total additions of capital assets not being depreciated
- Total capital assets being depreciated
- Capital assets not being depreciated – Land
- Capital assets not being depreciated – Construction in progress
- Capital assets being depreciated – school construction in progress
- Capital assets being depreciated – buildings and improvements
- Capital assets being depreciated – other improvements
- Capital assets being depreciated – School buildings and improvements
- Capital assets being depreciated – Furniture, Equipment and Vehicles
- Capital assets being depreciated - Intangibles
- Depreciation expense – general government administration
- Depreciation expense – judicial administration
- Depreciation expense – public safety
- Depreciation expense – public works
- Depreciation expense – education
- Depreciation expense –parks, recreation, and cultural
- Depreciation expense – community development
- Depreciation expense - total

To accommodate school districts:

- Intergovernmental revenue – federal
- Intergovernmental revenue – state
- Intergovernmental – other
- Instructional expenditures
- FTE student enrollment

Thank you for your consideration.

Liz Sweeney