

May 15, 2020

XBRL US
State and Local Government Modernization Working Group

Dear Working Group Members,

On behalf of the staff of the Governmental Accounting Standards Board (GASB), we thank XBRL US for the opportunity to comment on *Version 0.3 of the Demonstration Release of a CAFR Taxonomy*. The comments expressed in this letter are solely those of the GASB staff. The official positions of the GASB only are reached after extensive due process and deliberations.

Consistent with the position presented in our March 18, 2019 letter, we believe that because of the development stage that this taxonomy is in, it is important to provide feedback on fundamental aspects of the taxonomy, rather than provide comments on an item by item basis. Therefore, the two issues that we address in this letter relate to the overall architectural design and scope of the taxonomy as follows: (1) the development of a single taxonomy to address reporting requirements of multiple authorities, and (2) the extension of the Version 0.3 Demonstration Release incorporates specific GASB Standards (Pensions and OPEB), but without incorporating all the reporting requirements of those standards.

Overall Taxonomy Architecture

In our March 18, 2019 comment letter (in response to *Version 0.1 of the Demonstration Release*), in a section called “Scope of the Taxonomy” we encouraged the Working Group to develop a taxonomy architecture document that would consider the use of Discoverable Taxonomy Sets (DTS).

A taxonomy does not have to be a single, self-contained organization. Taxonomies can reference and contain other taxonomies. The external taxonomies referenced in this way are known as a Discoverable Taxonomy Set (DTS) for the prime taxonomy. The external taxonomies can themselves reference additional taxonomies. All of the taxonomies in this chain are required

to understand the prime taxonomy. Employing a DTS is very useful as it allows developers to build on existing standards for specific applications.¹

We continue to believe that a DTS could be used to model certain data elements; for example, the identification of the type of government reporting, such as state, city, or county.

In our previous letter, also we pointed out that the DTS approach may be necessary to develop a set of related taxonomies to address the financial reporting requirements of a CAFR for circumstances in which an authority other than the GASB prescribes the information reported in the CAFR. An example of such a circumstance would be the accounts used in the budgetary information included in the Required Supplementary Information of a CAFR. As members of the Working Group are aware, the GASB establishes the basic format of the Statement/Schedule, but not the accounts presented in that format. Those accounts could be influenced by the measurement focus and basis of accounting applied by the government (for example, cash, current financial resources/modified accrual, or a hybrid model created during the government's budgetary process).

We also believe that it may be necessary to develop separate taxonomies that may be *unrelated* to a CAFR taxonomy. For example, we believe that a separate taxonomy is needed to address the reporting requirements for the single audit package.

Clarification of Authoritative Sources

In the development of *Version 0.2 of the Demonstration Release*, which we did not comment on, the Working Group included a *CAFR Demonstration Taxonomy Architecture Document* (June 2019) which noted the following:

Concept accounting references and concept documentation were also considered from various authoritative sources such as the GASB (Governmental Accounting Standards Board) Governmental Accounting Research System Online (GARS), Census of Governments Survey of Local Government Finances (form F-28) and the Government Finance Officers Association's (GFOA's) Governmental Accounting, Auditing, and Financial Reporting (GAAFR).

Unfortunately, we believe that references to other organizations other the GASB in this paragraph may cause confusion to readers. As members of the Working Group are aware, the GASB is the only body that promulgates authoritative accounting and financial reporting guidance for the preparation of basic financial statements included

¹ *XBRL Taxonomy Handbook, A Guide for XBRL Taxonomy Developers*; Public Comment Draft No. 1, November 2019. XBRL US.

in a CAFR. Some organizations (for example, the GFOA) provide nonauthoritative accounting and financial reporting guidance for the preparation of CAFRs. Other organizations (for example, the US Census Bureau) establish requirements for special purpose reporting that call for governments to provide information that could be sourced from a CAFR. Unlike the US Securities and Exchange Commission, the Financial Accounting Standards Board (FASB), or the GASB, neither of the bodies mentioned above establish US generally accepted accounting principles. We believe that this issue can easily be clarified in future releases.

Need for More Than One Taxonomy

Our biggest concern at this stage of the development of the taxonomy is the consideration of a single taxonomy to address the various financial reporting requirements that state and local governments are subject to, regardless of whether those requirements are consistent with GAAP. Although the information included in the current taxonomy release may appear bound in the same electronic-paper document presented as a CAFR, such information may be incongruous with the reporting requirements established by the GASB.

Single Audit Package

An example of incongruencies caused by the inclusion of reporting requirements derived from multiple authorities can be illustrated by the introduction of data elements related to the Single Audit Package in Version 0.3 of the Demonstration Release. Specifically, data elements have been proposed to address the Schedule of Expenditures of Federal Awards (SEFA), as well as the auditor's opinion related to findings and questioned costs. We do not express a view with regard to the inclusion of auditors' opinions (either with regard to the basic financial statements or with regard to single audit compliance requirements).

Our major concern with including single audit package information in this taxonomy release relates to the incongruencies that a single taxonomy will cause with regard to GAAP information reported in the CAFR. The preparation of the SEFA is prescribed by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. However, those reporting requirements do not identify specific recognition or measurement principles for the preparation of the schedule. As result, state and local governments may report information in the SEFA following GAAP or non-GAAP recognition and measurement principles. For this reason, the inclusion of the SEFA data elements into the same taxonomy used to model GAAP basic financial statements would create incongruencies in the data element definitions between GAAP and non-GAAP schedules.

We believe that the approach of comingling multiple **reporting** requirements established for different purposes into a single XBRL taxonomy would inherently

hinder the Working Group’s ability to develop appropriate data elements, concepts, or definitions, because those elements would be incongruous among the different schedules currently considered in the scope of this taxonomy. That inconsistency may cause confusion among preparers of financial statements. For that reason, we recommend an architectural design that clearly separates taxonomies and aligns those taxonomies with the respective reporting requirements (for example, CAFR, single audit, Census Bureau reporting).

Pensions and OPEB

In Version 0.3 of the Demonstration Release, the Working Group also introduced data elements related to the note disclosure reporting requirements (referred to as “footnotes”) for Pensions and OPEB, mostly related to GASB Statement No. 67, *Financial Reporting for Pension Plans*; Statement No. 68, *Accounting and Financial Reporting for Pensions*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. While we recognize the importance of that information to users of financial statements, we also are concerned about the approach taken with regard to the *partial* inclusion of the reporting requirements of those pronouncements. We believe that if a specific pronouncement is considered for incorporation into the taxonomy, it should either be included in its entirety, or not included at all. Therefore, if a pronouncement is designated for inclusion, then *all* the reporting requirements of that pronouncement should be included in the taxonomy.

We identified the following *examples* of note disclosure requirements related to pensions and OPEB that it appears have not been included in the taxonomy elements:²

- Cost-sharing employer plan requirements
- Descriptions of changes in assumptions, benefit terms, description of formulas, COLA or ad-hoc post-employment benefit changes, among other note disclosure requirements, are not incorporated
- A data element for the effect of the change in benefit terms

In the development of accounting and financial reporting requirements, the GASB carefully considers the recognition, measurement, presentation, and disclosure

² The examples noted in this paragraph are only intended to convey that note disclosure requirements are not included in its entirety. The GASB staff has not performed a full cross reference of the completeness or accuracy of the note disclosure requirements included in the Pension and OPEB data points considered in this taxonomy release.

requirements to ensure that the information required by a specific pronouncement meets the essential needs of users of financial statements. Taking a piecemeal approach to the incorporation of specific note disclosure requirements of certain pronouncements could be viewed by some as questioning the Board's overall assessment of the essentiality³ of such information. We believe this could be avoided by incorporating specific pronouncements in their entirety.

Conclusion

In summary, we believe that it is important for all stakeholders to have a clear understanding that a single instance filing of government financial information is not achievable by relying on a single taxonomy.

We also would like to reiterate our recommendation to the Working Group to focus on the development of a substantive architectural design document that clearly identifies the scope, reporting authority, and structure of the multitude of taxonomies necessary to resolve financial reporting in the government environment; we recognize that this appears to be the current aim of the Working Group.

Thank you again for the opportunity to comment on the demonstration taxonomy. If you have any questions regarding this response, please contact Paulina Haro at (203) 956-3449 or by email at pharo@gasb.org.

Sincerely,



David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board

³ GASB Concepts Statement No 3, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements*, paragraphs 34 through 39.