John M. W. Moorlach

Director of the Center for Public Accountability
California Policy Center

Certified Public Accountant (Retired)
Certified Financial Planner (Retired)
Orange County Treasurer-Tax Collector (Retired)
Orange County Supervisor, Second District (Retired)
California State Senator, 37th District (Retired)

P. O Box 3167
Costa Mesa, CA
92628-3167

(C) 714-785-2579

johnmoorlach@gmail.com


AN ADAM McKAY FILM
THE BIG SHORT
THIS IS A TRUE STORY
CHRISTIAN BALE
STEVE CARELL
RYAN GOSLING
BRAD PITT

National Attention

On April 15, 1994, *The Wall Street Journal* would explain the concern of rising interest rates and falling values:

“I can hold to maturity,” Mr. Citron says. “We don’t believe in taking paper losses and paper profits.”

Mr. Moorlach says he isn’t impressed by Mr. Citron’s comment. “Mutual funds and everyone else marks to market, and if I’m county treasurer, I will mark investments to market,” Mr. Moorlach says. Not marking to market is just a way of concealing losses, he charges.

“Orange County’s Financial Crisis — BLINDSIDED — What Happened to the Money?”

Los Angeles Times, Sunday, December 11, 1994

Detroit's Bankruptcy Is the Nation's Largest

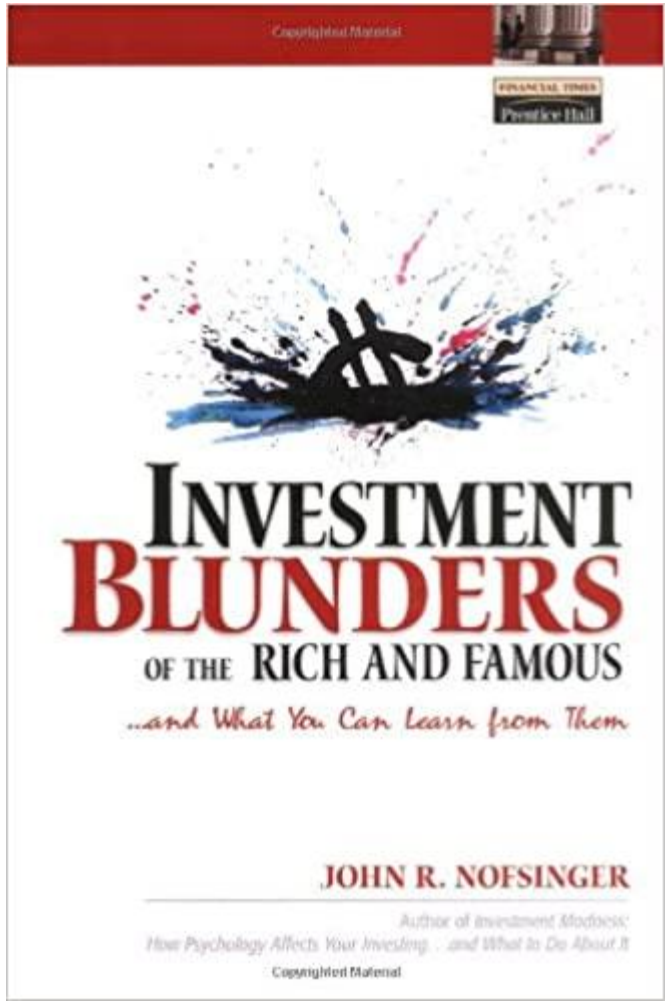
Detroit's debt dwarfs those of the five largest municipalities that filed for bankruptcy in the last 60 years. Detroit is also the most populous city to file for Chapter 9.

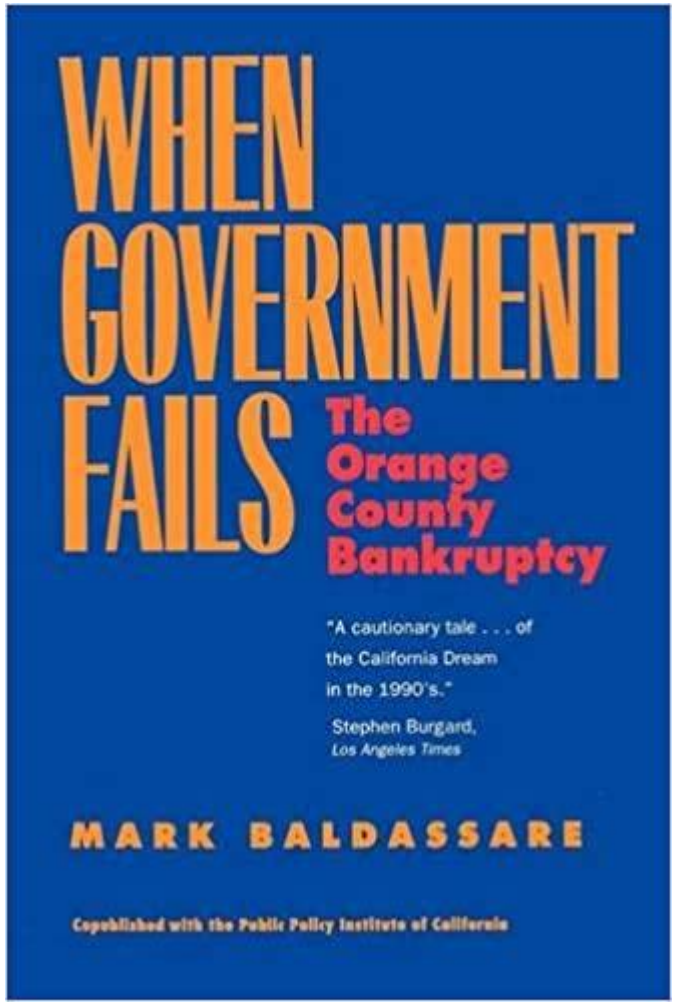
MUNICIPALITY	APPROXIMATE DEBT	POPULATION AFFECTED	YEAR FILED
Detroit	$18 billion	701,000	2013
Jefferson County, Ala.	$4.2 billion	659,000	2011
Orange County, Calif.	$2.0 billion	2.4 million	1994
Stockton, Calif.	$1.0 billion	292,000	2012
San Bernardino, Calif.	$492 million	213,000	2012
Vallejo, Calif.	$175 million	116,000	2008

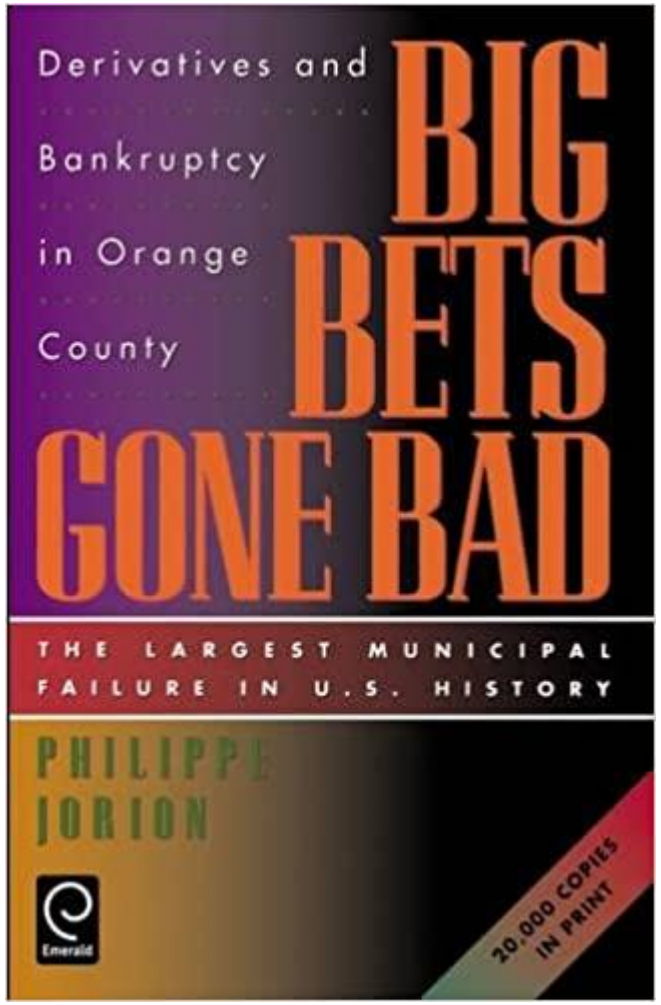
Note: Detroit's debt includes $9.2 billion in unfunded pension and health benefits.

Source: James Spiotto: Chapman and Cutler

THE NEW YORK TIMES


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BLUNDERS
OF THE RICH AND FAMOUS
...and What You Can Learn from Them
JOHN R. NOFSINGER
Author of Investment Madness:
How Psychology Affects Your Investing . . . and What to Do About It
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WHEN
GOVERNMENT
FAILS
The
Orange
County
Bankruptcy
"A cautionary tale . . . of
the California Dream
in the 1990's."
Stephen Burgard,
Los Angeles Times
MARK BALDASSARE
Copublished with the Public Policy Institute of California


Derivatives and
Bankruptcy
in Orange
County
BIG
BETS
GONE BAD
THE LARGEST MUNICIPAL
FAILURE IN U.S. HISTORY
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GASB 31 -- 1997

One of the byproducts of the 1994 Orange County Chapter 9 bankruptcy filing was the adoption of Pronouncement 31 by the Governmental Accounting Standards Board (GASB) issued in March of 1997.

It requires that municipalities report their investments at market value on their financial statements. An investment in cash equivalents and bonds loses value when interest rates rise.

This simple GASB requirement is known as marking to market, providing its fair market value.

“It is your ultimate responsibility as a leader to teach your people to face reality.”

Justin Menkes, *Better Under Pressure – How Great Leaders Bring Out the Best in Themselves and Others*, Harvard Business Review Press, 2011

Communicating Reality

Elected To The Orange County Board of Supervisors -- Chaired Board in 2008 (Great Recession) and 2012 and Wanted to Communicate Fiscal Status (Pension UAAL, Elimination of RDAs and Loss of VLF Revenues)

Decided to Acquire 2010 CAFRs (now referred to as ACFRs) from the other 57 California Counties and Do A Ranking

Used a simple metric: Unrestricted Net Position for Governmental Activities divided by the municipality's population

Out of 58 Counties, Orange County Was In 46th Place


CHECK
ENGINE

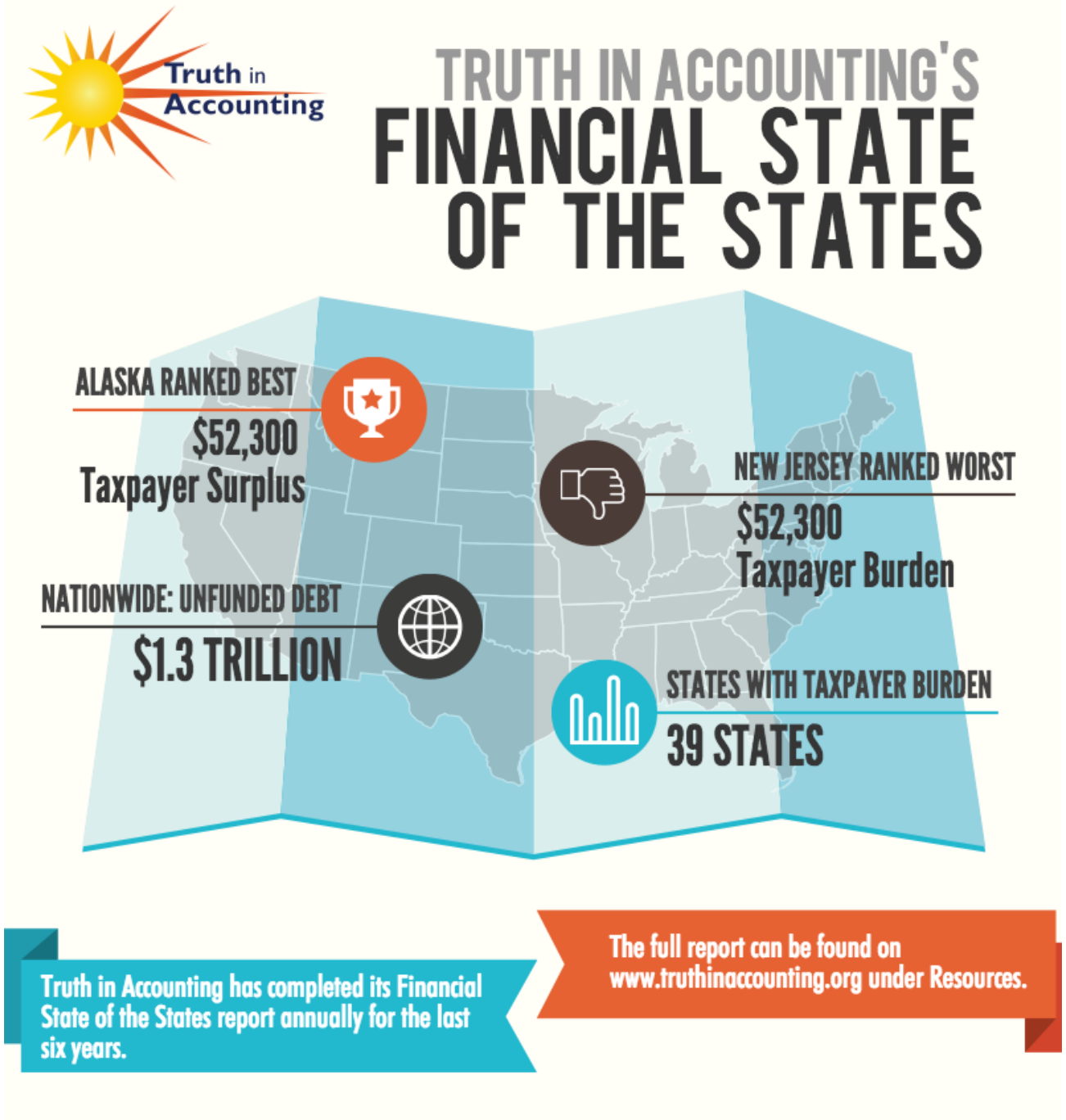
Decided to pursue the same exercise on the nation’s fifty states – where is California?



MERCATUS CENTER

George Mason University


BEST
U.S.News
& WORLD REPORT
RANKINGS


Truth in Accounting
TRUTH IN ACCOUNTING'S
FINANCIAL STATE OF THE STATES
ALASKA RANKED BEST
$52,300
Taxpayer Surplus
NEW JERSEY RANKED WORST
$52,300
Taxpayer Burden
NATIONWIDE: UNFUNDED DEBT
$1.3 TRILLION
STATES WITH TAXPAYER BURDEN
39 STATES
Truth in Accounting has completed its Financial State of the States report annually for the last six years.
The full report can be found on www.truthinaccounting.org under Resources.

While serving in the California State Senate, wanted to communicate the reverberations of finally including defined benefit pension plan and OPEB unfunded actuarial accrued liabilities (UAAL) on the audited financial statements for states, counties, cities, and school districts.

GASB 75 -- Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Supersedes GASB 45 and 57)

Effective July 15, 2017

GASB 67 -- Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25

Effective June 15, 2013

THE EPOCH TIMES

TRUTH AND TRADITION

After Lengthy Delays, All 50 States Provide Annual Audited Financial Statements

2023

https://www.theepochtimes.com/opinion/after-lengthy-delays-all-50-states-provide-annual-audited-financial-statements-5906937

US STATE RANKINGS

2023 Rank	State	2023 Population	2023 UNP	Per Capita	2022 Population	2022 UNP	Per Capita	2022 Rank	Change
1	Alaska	736,556	$13,419,927,000	$18,220	734,323	$17,769,579,000	$24,199	1	0
2	North Dakota	779,261	$13,582,081,892	$17,429	774,948	$11,480,822,225	$14,815	2	0
3	Wyoming	581,381	$5,224,267,231	$8,986	578,803	$4,574,333,305	$7,903	3	0
4	Tennessee	7,051,000	$19,273,296,000	$2,733	6,975,000	$13,442,770,000	$1,927	6	2
5	Utah	3,428,000	$8,488,002,000	$2,476	3,399,000	$6,020,128,000	$1,771	7	2
6	Oklahoma	4,019,271	$9,928,507,000	$2,470	3,987,000	$8,051,406,000	$2,019	5	-1
7	Minnesota	5,717,184	$13,691,892,000	$2,395	5,707,390	$7,212,796,000	$1,264	9	2
8	Idaho	1,989,000	$4,101,960,000	$2,062	1,940,666	$4,035,594,000	$2,079	4	-4
9	Nebraska	1,967,923	$3,857,133,000	$1,960	1,963,692	$3,297,599,000	$1,679	8	-1
10	Iowa	3,205,000	$5,319,075,000	$1,660	3,193,000	$3,373,160,000	$1,056	12	2
11	South Dakota	923,000	$1,437,200,000	$1,557	895,000	$1,064,339,000	$1,189	10	-1
12	Montana	1,123,000	$1,743,465,000	$1,553	1,106,000	$1,269,450,000	$1,148	11	-1
13	Oregon	4,296,800	$6,180,763,000	$1,438	4,294,500	$2,956,142,000	$688	16	3
14	North Carolina	10,833,737	$15,430,683,000	$1,424	10,645,992	$9,750,179,000	$916	13	-1
15	Virginia	8,705,000	$9,662,771,000	$1,110	8,667,000	$7,608,159,000	$878	14	-1
16	Indiana	6,833,000	$7,306,161,000	$1,069	6,785,528	$4,523,583,000	$667	18	2
17	Washington	7,951,200	$7,690,125,000	$967	7,864,400	$5,297,983,000	$674	17	0
18	Georgia	10,912,876	$9,420,604,000	$863	10,799,566	$4,130,094,000	$382	19	1
19	Arizona	7,359,197	$6,132,158,000	$833	7,276,316	$5,838,744,000	$802	15	-4
20	Florida	22,634,867	$15,185,018,000	$671	22,251,246	$7,824,612,000	$352	20	0
21	Kansas	2,937,150	$1,851,558,000	$630	2,934,582	$22,557,000	$8	24	3
22	West Virginia	1,764,786	$1,097,349,000	$622	1,781,860	$574,051,000	$322	21	-1
23	Ohio	11,756,000	$5,065,921,000	$431	11,780,000	$864,459,000	$73	23	0
24	Nevada	3,177,772	$1,221,511,000	$384	3,143,991	($538,387,000)	($171)	26	2
25	South Carolina	5,282,634	$963,030,000	$182	5,190,705	($788,747,000)	($152)	25	0
26	Missouri	6,178,000	$241,214,000	$39	6,168,000	($2,497,959,000)	($405)	28	2
27	Wisconsin	5,893,000	$150,176,000	$25	5,896,000	($2,525,248,000)	($428)	29	2
28	Colorado	5,913,000	($22,858,000)	($4)	5,890,000	$813,045,000	$138	22	-6
29	Michigan	10,034,000	($2,206,510,000)	($220)	10,051,000	($2,439,521,000)	($243)	27	-2
30	Arkansas	3,058,000	($1,195,922,000)	($391)	3,036,000	($2,066,187,000)	($681)	30	0
31	New Hampshire	1,404,000	($1,100,300,000)	($784)	1,398,000	($1,617,814,000)	($1,157)	31	0
32	Maine	1,394,000	($1,607,044,000)	($1,153)	1,383,000	($2,025,819,000)	($1,465)	33	1
33	Mississippi	2,940,057	($3,437,738,000)	($1,169)	2,949,965	($4,017,277,000)	($1,362)	32	-1
34	Pennsylvania	12,972,000	($15,935,789,000)	($1,228)	12,964,000	($23,171,439,000)	($1,787)	35	1
35	Alabama	5,074,296	($7,637,256,000)	($1,505)	5,039,877	($8,398,208,000)	($1,666)	34	-1
36	Texas	30,599,000	($47,266,888,000)	($1,545)	30,093,000	($77,944,748,000)	($2,590)	37	1
37	New Mexico	2,114,371	($3,536,668,000)	($1,673)	2,113,344	($3,860,356,000)	($1,827)	36	-1
38	New York	19,677,000	($38,498,000,000)	($1,956)	19,836,000	($63,028,000,000)	($3,177)	39	1
39	Louisiana	4,590,000	($10,907,322,000)	($2,376)	4,624,000	($12,756,975,000)	($2,759)	38	-1
40	Maryland	6,164,660	($22,179,245,000)	($3,598)	6,165,129	($27,701,749,000)	($4,493)	41	1
41	Rhode Island	1,094,000	($4,096,870,000)	($3,745)	1,096,000	($4,493,469,000)	($4,100)	40	-1
42	Vermont	647,064	($3,057,179,097)	($4,725)	645,570	($3,259,545,766)	($5,049)	42	0
43	Kentucky	4,512,310	($22,054,926,000)	($4,888)	4,509,394	($26,551,501,000)	($5,888)	44	1
44	California	39,041,000	($218,243,729,000)	($5,590)	39,143,000	($221,863,616,000)	($5,668)	43	-1
45	Delaware	1,015,000	($5,848,240,000)	($5,762)	1,003,000	($6,539,914,000)	($6,520)	45	0
46	Hawaii	1,436,000	($8,475,706,000)	($5,902)	1,435,000	($10,615,961,000)	($7,398)	46	0
47	Massachusetts	6,981,974	($69,430,923,000)	($9,944)	6,985,000	($72,260,222,000)	($10,345)	47	0
48	Illinois	12,582,000	($195,340,104,000)	($15,525)	12,671,000	($207,860,890,000)	($16,404)	48	0
49	Connecticut	3,606,000	($62,509,401,000)	($17,335)	3,606,000	($65,899,373,000)	($18,275)	49	0
50	New Jersey	9,262,000	($190,441,181,268)	($20,562)	9,267,000	($204,246,015,529)	($22,040)	50	0
			($747,363,951,242)			($927,173,356,765)			

Source: Public Financial Statements

2023

California in 44th Place

THE EPOCH TIMES

TRUTH AND TRADITION

The Big Story for 2024 State Finances: Errors and Corrections

Montana -- $187M; Oregon -- $5,620M; California -- $42,600M
https://www.theepochtimes.com/opinion/the-big-story-for-2024-state-finances-errors-and-corrections-6073030

Current Story for 2025 – Still waiting for Arizona, Mississippi, Nevada (State Controller Andy Matthews) and Oklahoma

US STATE RANKINGS

2024 Rank	State	2024 Population	2024 UNP	2024 Per Capita	2023 Population	2023 UNP	2023 Per Capita	2023 Rank	Change
1	North Dakota	783,926	$15,300,989,672	$19,518	779,261	$13,582,081,892	$17,429	2	1
2	Alaska	736,812	$11,395,639,000	$15,466	736,556	$13,419,927,000	$18,220	1	-1
3	Wyoming	584,057	$5,318,083,252	$9,105	581,381	$5,224,267,231	$8,986	3	0
4	Utah	3,462,000	$9,867,887,000	$2,850	3,428,000	$8,488,002,000	$2,476	5	1
5	Tennessee	7,126,000	$19,648,601,000	$2,757	7,051,000	$19,273,296,000	$2,733	4	-1
6	Oklahoma	4,019,271	$9,928,507,000	$2,470	4,019,271	$9,928,507,000	$2,470	6	0
7	Montana	1,131,000	$2,635,002,000	$2,330	1,123,000	$1,743,465,000	$1,553	12	5
8	Nebraska	1,978,379	$4,564,137,000	$2,307	1,967,923	$3,857,133,000	$1,960	9	1
9	Idaho	2,002,000	$4,535,901,000	$2,266	1,989,000	$4,101,960,000	$2,062	8	-1
10	Minnesota	5,737,915	$12,392,292,000	$2,160	5,717,184	$13,691,892,000	$2,395	7	-3
11	Iowa	3,207,000	$6,638,653,000	$2,070	3,205,000	$5,319,075,000	$1,660	10	-1
12	South Dakota	919,000	$1,667,733,000	$1,815	923,000	$1,437,200,000	$1,557	11	-1
13	Virginia	8,737,000	$13,224,140,000	$1,514	8,705,000	$9,662,771,000	$1,110	15	2
14	North Carolina	10,976,837	$15,324,422,000	$1,396	10,833,737	$15,430,683,000	$1,424	14	0
15	West Virginia	1,766,107	$2,404,124,000	$1,361	1,764,786	$1,097,349,000	$622	22	7
16	Indiana	6,785,528	$7,310,852,000	$1,077	6,833,000	$7,306,161,000	$1,069	16	0
17	Georgia	11,029,227	$11,046,558,000	$1,002	10,912,876	$9,420,604,000	$863	18	1
18	Arizona	7,359,197	$6,132,158,000	$833	7,359,197	$6,132,158,000	$833	19	1
19	Arkansas	3,079,000	$2,535,022,000	$823	3,058,000	($1,195,922,000)	($391)	30	11
20	Washington	8,035,700	$6,604,956,000	$822	7,951,200	$7,690,125,000	$967	17	-3
21	Kansas	2,940,546	$2,116,721,000	$720	2,937,150	$1,851,558,000	$630	21	0
22	Nevada	3,194,176	$2,042,533,000	$639	3,177,772	$1,221,511,000	$384	24	2
23	Florida	23,002,597	$12,036,549,000	$523	22,634,867	$15,185,018,000	$671	20	-3
24	South Carolina	5,373,555	$2,587,314,000	$481	5,282,634	$963,030,000	$182	25	1
25	Oregon	4,259,132	$1,196,339,000	$281	4,296,800	$6,180,763,000	$1,438	13	-12
26	Colorado	5,958,000	$1,657,593,000	$278	5,913,000	($22,858,000)	($4)	28	2
27	Ohio	11,786,000	$2,458,636,000	$209	11,756,000	$5,065,921,000	$431	23	-4
28	Michigan	10,037,000	($1,183,074,000)	($118)	10,034,000	($2,206,510,000)	($220)	29	1
29	Missouri	6,196,000	($1,260,053,000)	($203)	6,178,000	$241,214,000	$39	26	-3
30	Wisconsin	5,910,000	($1,331,381,000)	($225)	5,893,000	$150,176,000	$25	27	-3
31	Maine	1,402,000	($1,335,498,000)	($953)	1,394,000	($1,607,044,000)	($1,153)	32	1
32	New Hampshire	1,410,000	($1,355,528,000)	($961)	1,404,000	($1,100,300,000)	($784)	31	-1
33	Pennsylvania	12,962,000	($12,650,825,000)	($976)	12,972,000	($15,935,789,000)	($1,228)	34	1
34	Mississippi	2,940,057	($3,437,738,000)	($1,169)	2,940,057	($3,437,738,000)	($1,169)	33	-1
35	Texas	30,618,000	($39,684,753,000)	($1,296)	30,599,000	($47,266,888,000)	($1,545)	36	1
36	Alabama	5,108,468	($6,709,603,000)	($1,313)	5,074,296	($7,637,256,000)	($1,505)	35	-1
37	New York	19,571,000	($27,426,000,000)	($1,401)	19,677,000	($38,498,000,000)	($1,956)	38	1
38	New Mexico	2,130,256	($3,746,933,000)	($1,759)	2,114,371	($3,536,668,000)	($1,673)	37	-1
39	Louisiana	4,574,000	($9,579,715,000)	($2,094)	4,590,000	($10,907,322,000)	($2,376)	39	0
40	Hawaii	1,432,000	($4,687,529,000)	($3,273)	1,436,000	($8,475,706,000)	($5,902)	46	6
41	Maryland	6,180,253	($21,102,158,000)	($3,414)	6,164,660	($22,179,245,000)	($3,598)	40	-1
42	Rhode Island	1,096,000	($3,790,084,000)	($3,458)	1,094,000	($4,096,870,000)	($3,745)	41	-1
43	California	39,199,000	($168,171,253,000)	($4,290)	39,041,000	($218,243,729,000)	($5,590)	44	1
44	Kentucky	4,526,154	($20,534,088,000)	($4,537)	4,512,310	($22,054,926,000)	($4,888)	43	-1
45	Vermont	647,464	($3,185,734,895)	($4,920)	647,064	($3,057,179,097)	($4,725)	42	-3
46	Delaware	1,028,800	($5,344,354,000)	($5,195)	1,015,000	($5,848,240,000)	($5,762)	45	-1
47	Massachusetts	7,001,399	($67,288,210,000)	($9,611)	6,981,974	($69,430,923,000)	($9,944)	47	0
48	Illinois	12,582,000	($195,340,104,000)	($15,525)	12,582,000	($195,340,104,000)	($15,525)	48	0
49	Connecticut	3,617,000	($59,939,537,000)	($16,572)	3,606,000	($62,509,401,000)	($17,335)	49	0
50	New Jersey	9,365,000	($183,113,624,107)	($19,553)	9,262,000	($190,441,181,268)	($20,562)	50	0
			($649,626,435,078)			($747,363,951,242)			

Source: Public Financial Statements

2024

California in 43rd Place

My New Pen Pal – Andy Matthews

(Waiting on Arizona, Mississippi, Nevada and Oklahoma)



Newport Beach

2017	32nd Place	$ (1,269)
2018	30th Place	$ (1,374)
2019	27th Place	$ (1,170)
2020	26th Place	$ (1,052)
2021	24th Place	$ (842)
2022	19th Place	$ (98)
2023	17th Place	$ 241
2024	17th Place	$ 340
2025	11th Place	$ 707

Costa Mesa

(20th Place in 2010)

2017	34th Place	$ (1,419)
2018	34th Place	$ (1,949)
2019	34th Place	$ (2,086)
2020	34th Place	$ (2,190)
2021	34th Place	$ (2,163)
2022	34th Place	$ (2,026)
2023	33th Place	$ (1,494)
2024	33th Place	$ (1,537)
2025	33th Place	$ (1,860)


SUMMERS
ORLANDO SENTINEL
LOCAL GOVERNMENTS
TAXPAYERS

LOCAL FISCAL HEALTH DASHBOARD

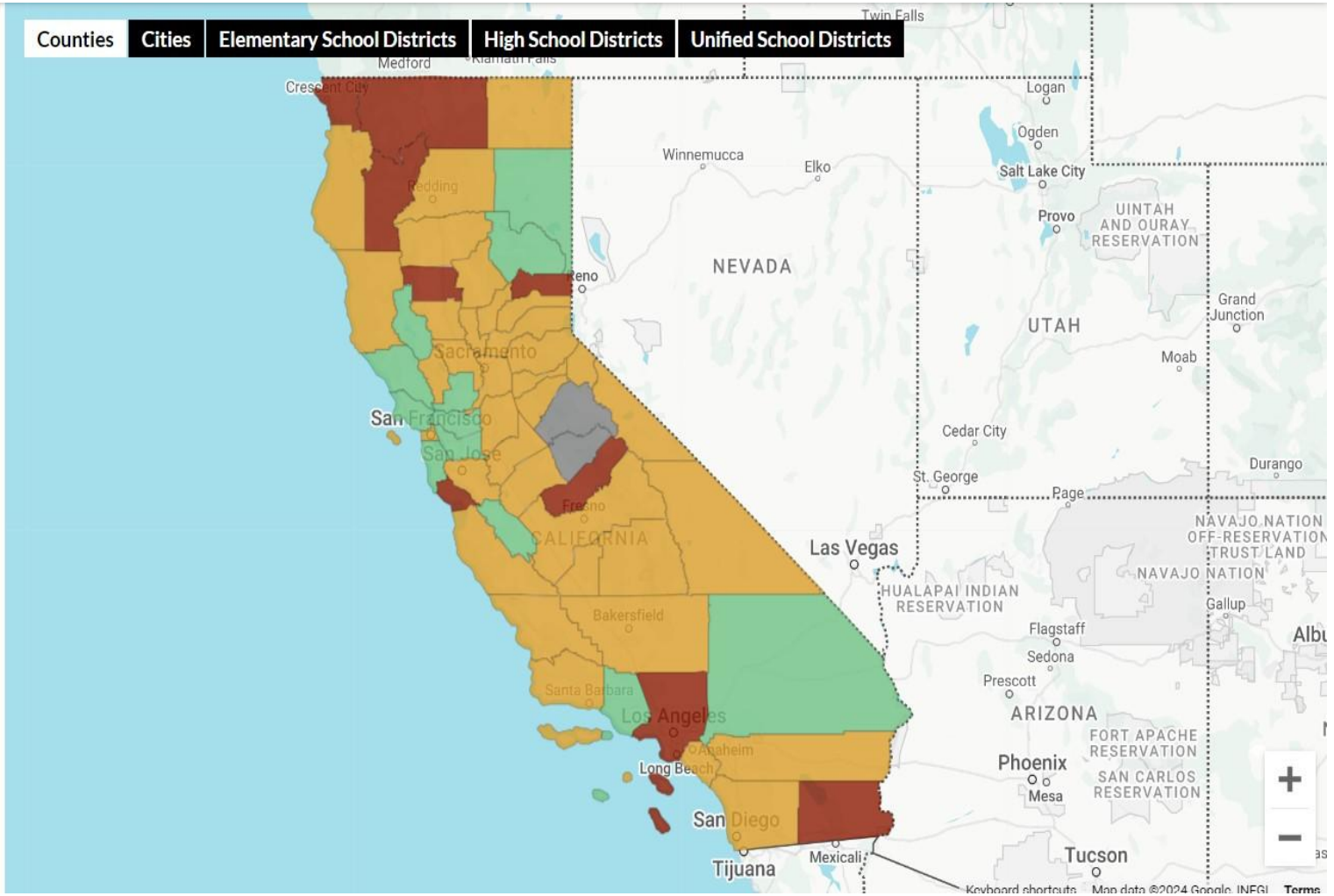
LEADERBOARD

County, City, or School | Search

Use the search bar above to find your jurisdiction of choice.

Dashboard Methodology & Glossary

Dashboard Tutorial



Newport Beach = B

Costa Mesa = D

Two major concerns I've found in reviewing the audited financial statements:

1. Timeliness
2. Accuracy
    A. "Net Investment in Capital Assets"
    B. Restricted Assets
    C. Unrestricted Net Position

Solutions?

CALIFORNIA LEGISLATIVE EFFORTS

California State Senator Steven Choi (R - Irvine, 37th SD)

Senate Bill 595 (2025) -- Penalties for delinquent annual comprehensive financial reports

Senate Bill 1126 (2026) -- Requirement for school districts to post audited financial statements timely on websites (Just signed by Governor on August 22nd)



Maybe GASB 103, Financial Reporting Model Improvements (Issued 04/24), is not enough. Requiring a disclosure detailing "Net Investment in Capital Assets" would be very helpful.

The State of Ohio Cities: 2025 FHI Snapshot



Critical Outlook Financial Health Indicators: **2** Cautionary Outlook Financial Health Indicators: **3**

Critical Outlook

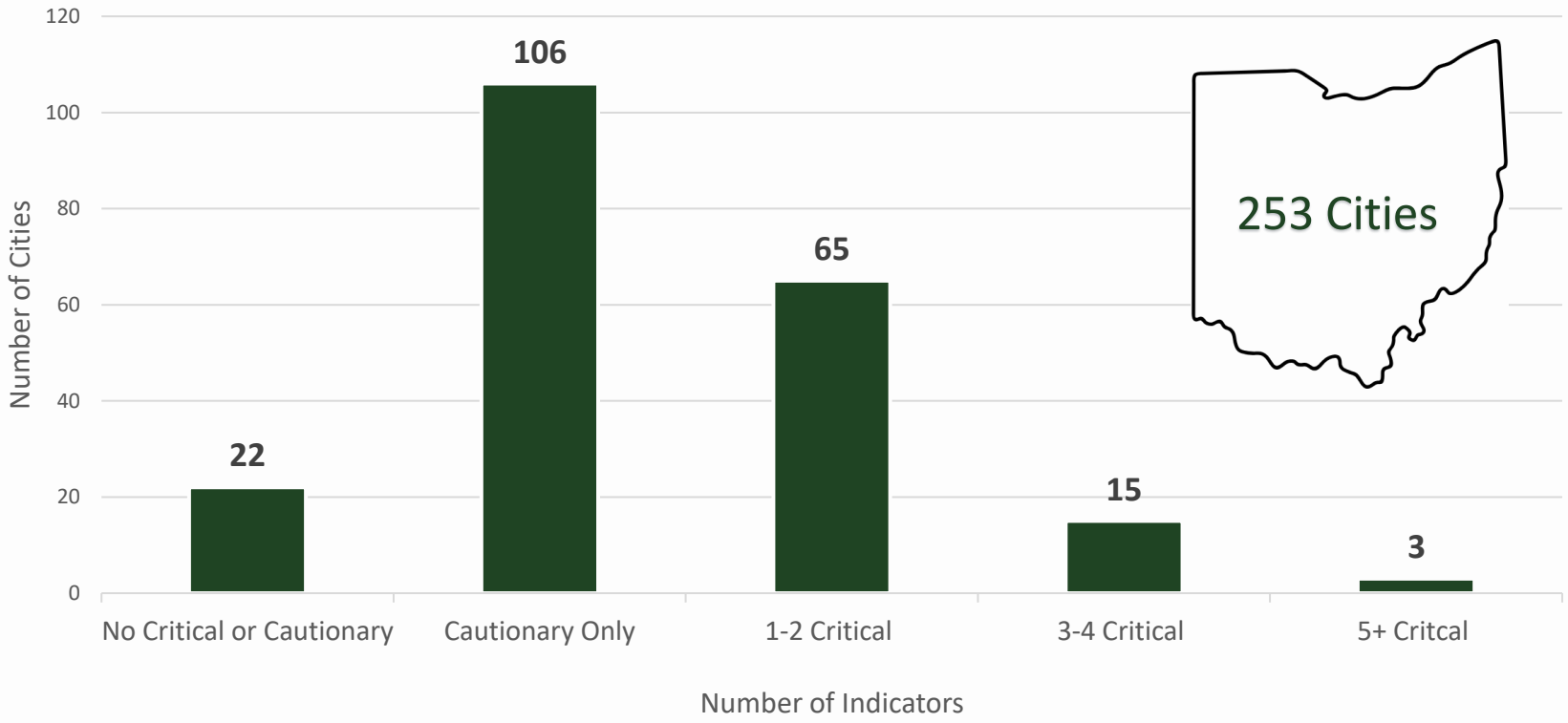
The most serious outcome of the FHI analysis. An indicator with a Critical Outlook signals a potential high risk of fiscal stress.

Cautionary Outlook

Signals a situation that, left unchecked, could develop into a Critical Outlook

Positive Outlook

Suggests a stable financial position



Fiscal Health of State and Local Government Finances

Oliver Giesecke

September 22, 2026

Why we need comparable measures of fiscal health?

- State and local governments deliver essential public services and employ approximately **20 million people**.
- Annual revenues and expenditures show how governments finance current services. They provide an **incomplete picture of financial health**.
- Reserves and liquidity determine the capacity to absorb shocks. Debt and retirement promises place claims on future revenues.
- Public financial reports contain this information, but **fragmented and heterogeneous reporting** has made comparisons difficult.

Annual financial reports and consistent metrics

- Collect assets and liabilities from **annual comprehensive financial reports (ACFRs)** for states, cities, and counties.
- Organize the reports into a **common set 10 measures** covering financial resources and obligations consistently across many government entities and years.

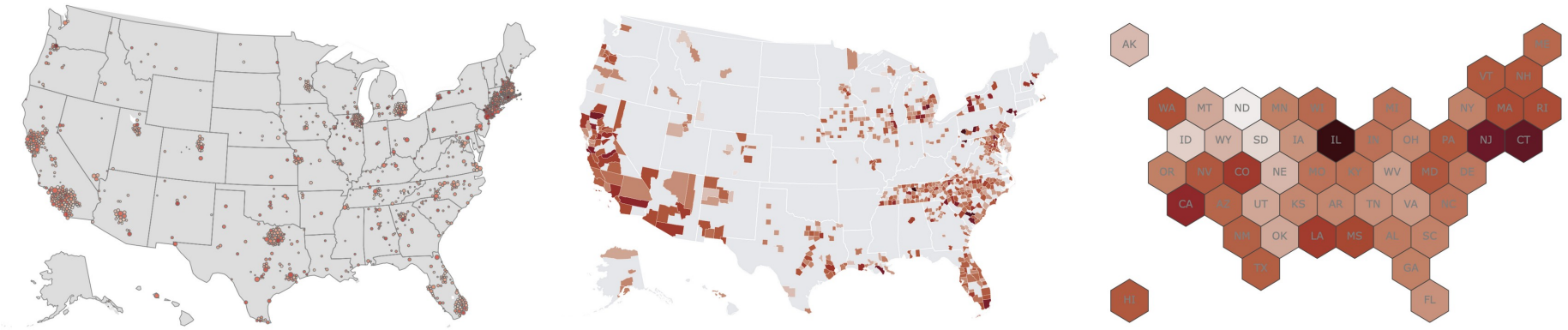
$\Rightarrow$ Consistent reporting allows for comparisons across years and across the cross-section of governments.

Ten dimensions of fiscal health

Financial dimension	**Weight**
General fund reserves	15%
Debt burden	15%
Liquidity	10%
Revenue trend	5%
Pension obligations	10%
Pension funding	5%
Pension costs	5%
OPEB obligations	10%
OPEB funding	5%
Unrestricted net position	20%

- Weighting allows to express all 10 dimensions into an aggregate indicator: **Overall fiscal strength indicator** (out of 100).

Stanford/Hoover Municipal Finance Dashboard



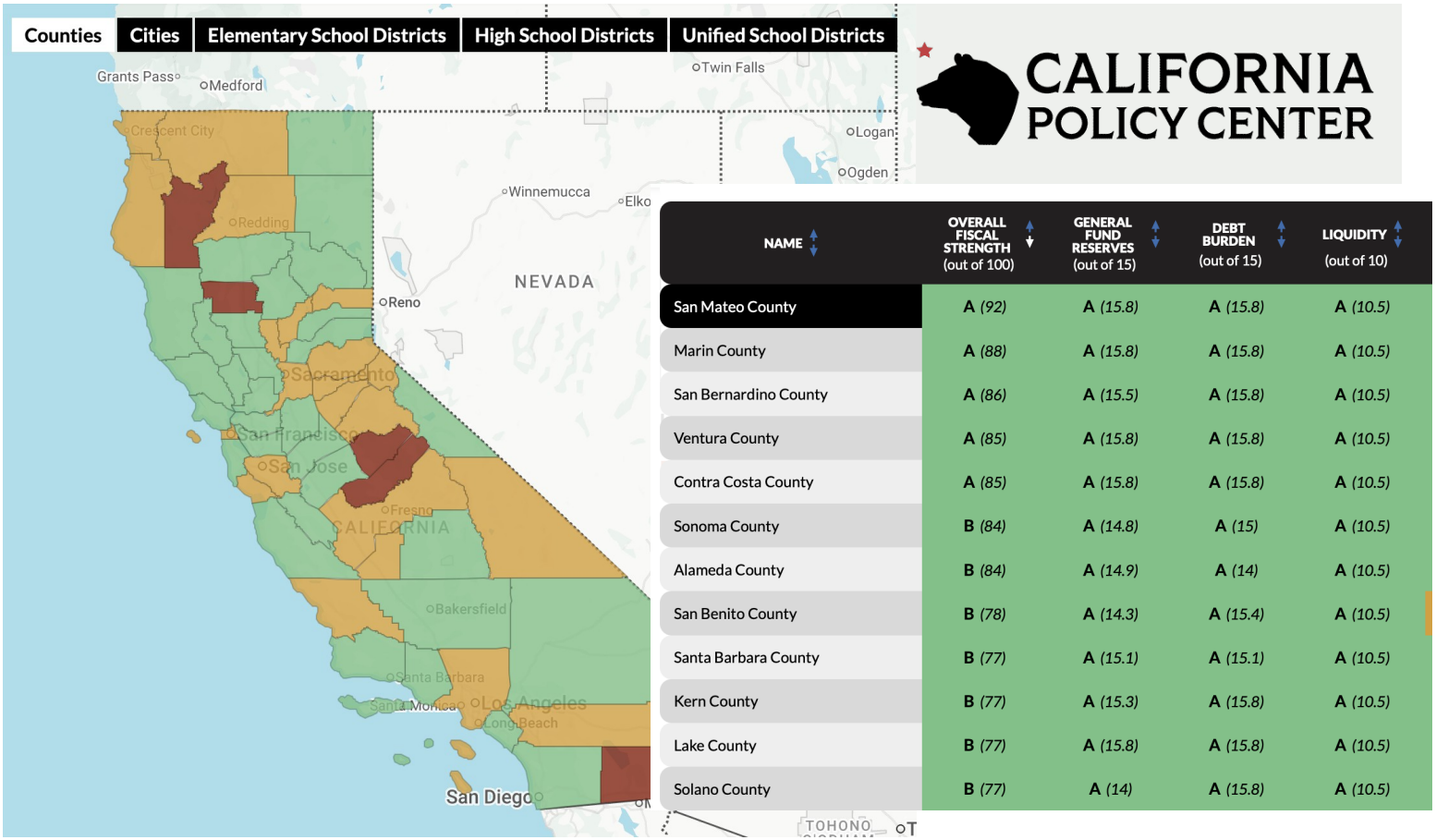
- The Stanford/Hoover Municipal Finance Dashboard covers all state county, and local government with revenues above 30 million
- This encompasses 2,000 cities, 1,000 counties, and all 50 states

Stanford/Hoover Municipal Finance Dashboard

- **Compare governments** with peers and track their financial positions over time.
- **Inspect the components** to understand the sources of fiscal strength and vulnerability.
- **Download city, county, and state fundamentals** for independent analysis and research.
- Annual accounting measures describe fiscal fundamentals. Daily **option-adjusted municipal bond spreads** add a timely market assessment.

municipalfinance.stanford.edu

California Fiscal Health Dashboard



NAME	OVERALL FISCAL STRENGTH (out of 100)	GENERAL FUND RESERVES (out of 15)	DEBT BURDEN (out of 15)	LIQUIDITY (out of 10)
San Mateo County	A (92)	A (15.8)	A (15.8)	A (10.5)
Marin County	A (88)	A (15.8)	A (15.8)	A (10.5)
San Bernardino County	A (86)	A (15.5)	A (15.8)	A (10.5)
Ventura County	A (85)	A (15.8)	A (15.8)	A (10.5)
Contra Costa County	A (85)	A (15.8)	A (15.8)	A (10.5)
Sonoma County	B (84)	A (14.8)	A (15)	A (10.5)
Alameda County	B (84)	A (14.9)	A (14)	A (10.5)
San Benito County	B (78)	A (14.3)	A (15.4)	A (10.5)
Santa Barbara County	B (77)	A (15.1)	A (15.1)	A (10.5)
Kern County	B (77)	A (15.3)	A (15.8)	A (10.5)
Lake County	B (77)	A (15.8)	A (15.8)	A (10.5)
Solano County	B (77)	A (14)	A (15.8)	A (10.5)

- California Policy Center's Fiscal Health Dashboard covers all counties, cities and school districts in California



GovFin 2026
FDTA Update

Liz Sweeney, President, Nutshell Associates

Financial Data Transparency Act (FDTA)



Enacted December 23, 2022

Goal to make financial regulatory reporting machine-readable and interoperable; directed 9 federal agencies:

- Department of the Treasury
- Securities and Exchange Commission (SEC)
- Commodities and Futures Trading Commission (CFTC)
- Federal Deposit Insurance Corporation (FDIC)
- Office of the Comptroller of the Currency (OCC)
- Bureau of Consumer Financial Protection (CFPB)
- Federal Reserve System
- National Credit Union Administration (NCUA)
- Federal Housing Finance Agency (FHFA)

Municipal Bond Issuance in FDTA



Section 5823 calls for data transparency relating to municipal securities, to be implemented by the SEC:

- Affects governments/nonprofits with outstanding municipal securities
- No change in what governments are required to disclose
- Changes formatting/structure of disclosures to MSRB EMMA

Final Joint Data Standards

- Published June 2026
- Effective October 1, 2026
- Agencies have two years to finalize

Voluntary Digital Financial Reporting Update

GASB Taxonomy Development

Alsan Skelton, RTA Director

The views expressed in this presentation are those of
Official positions of the GASB are reached only after extensive due process and deliberations.

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Voluntary Digital Financial Reporting:
2026 and Beyond

- **Issue Discussion Memorandum in September 2026**
  - Taxonomy development of Statements and Funds

Taxonomy Development



- **Comment period ends: 11/30/26**
  - Taxonomy Consultative Group meeting in 2027
  - Education and feedback meetings

Stakeholder Outreach



- Continue monitoring regulation (for example FDTA)
- Monitor state of technology in governments

Monitoring



GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

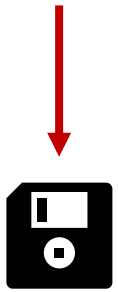
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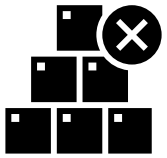
Project Background

GASB and Electronic Financial Reporting

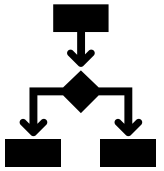
Early days	First Taxonomy Attempts	2018—2023	2024—Forward	2026 Issue a DM
Focused on digitizing paper	XBRL pilots mid 2000s	Monitor Developments	Development of a GASB-GAAP Taxonomy	











GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Staff has been engaged in Electronic Financial Reporting for over a decade.

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What is a taxonomy?

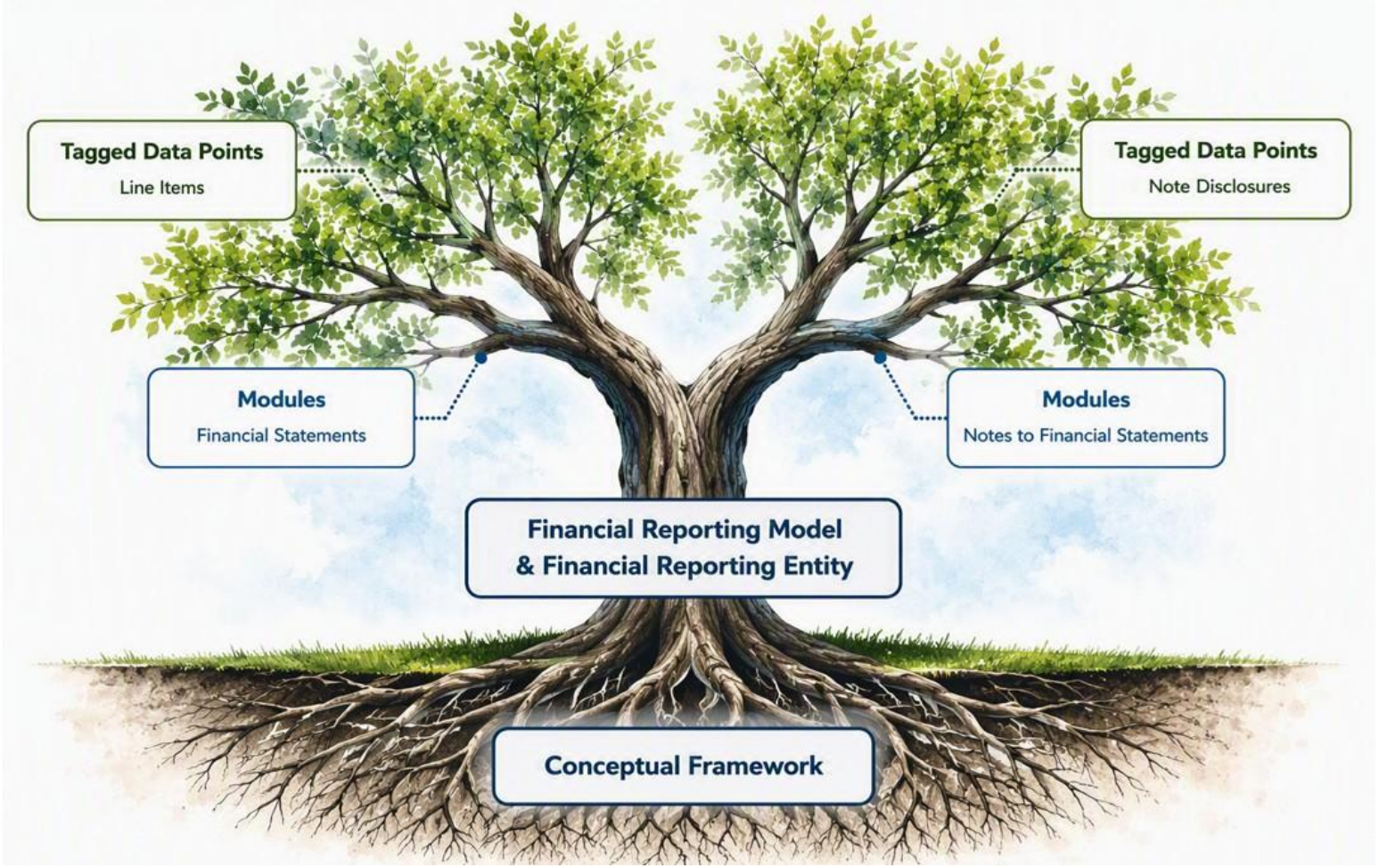
A taxonomy organizes things into groups of like items.



By organizing items into a taxonomy, we make it easier to find, manage, and understand them.

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What is a Taxonomy?



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Data Requirements: Statement of Activities

City of ABC
For Year Ended December 31, 2023
(dollars in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	$ 585,790	$ 98,597	$ 41,812	$ 9,747
Public safety	630,018	100,680	35,115	12
Transportation and infrastructure	329,635	80,085	23,840	27,548
Human services	176,068	340	100,919	-
Health	156,791	3,575	24,299	-
Parks and recreation	131,187	11,892	4,544	17,192
Cultural activities	173,674	87,626	5,280	4,035
Community development	183,775	59,550	57,730	142
Economic opportunity	22,117	-	12,779	-
Interest on long-term debt	64,181	-	-	-
Total Governmental Activities	**2,453,236**	**442,345**	**306,318**	**58,676**

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Data Requirements: Statement of Activities

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For Year Ended December 31, 2023
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Primary Government				
Governmental Activities:				
General government	$ 585,790	$ 98,597	$ 41,812	$ 9,747
Public safety	630,018	100,680	35,115	12

Fact Properties:
In USD
Scaled, thousands
Credit Balance
Accrual Basis of Accounting
Element of Duration
Year end: December 31, 2023

Reported amount
100,680,000

Reportable element:
Program Revenue

Function/Program:
Public safety

Type of program revenue:
Charges for services

Type of activity:
Governmental activities

Reporting entity
component: primary
government

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What is Not?

A taxonomy does not change to reporting requirements

Digital Reporting does not change to process of producing ACFRs

A taxonomy does not mean that a government should change its chart of accounts

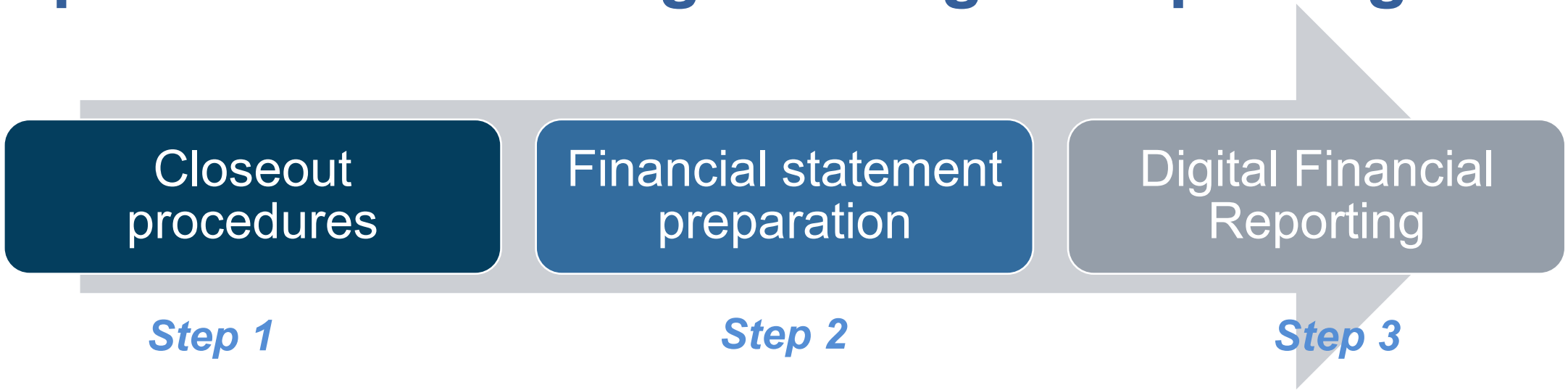
A taxonomy is not a template

Digital Reporting does not require a new ERP*

*A government may choose to improve its reliance on technology solutions.

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Preparers: What changes in digital reporting?



Closeout Procedures:

1. Reconciliations
2. Account balance reviews
3. Year-end adjusting Entries

No changes expected associated with digital financial reporting

Financial Statement Preparation:

1. Export trial balances and format financial statements
2. Craft narratives for unstructured data
3. Develop supporting schedules

Possible changes IF a government chooses to implement a reporting tool

Digital Financial Reporting:

1. Take "files" (Excel, Word, or other format) from Step 2 and tag them with XBRL data
2. Generate an HTML file

New step associated solely with digital financial reporting

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Project Plan

GASB-GAAP Taxonomy
Voluntary Digital Financial Reporting Project



Phase I

- Basic Financial Statements
- Required Supplementary Information



Phase II

- Supplementary Information

Basic Financial Statements:

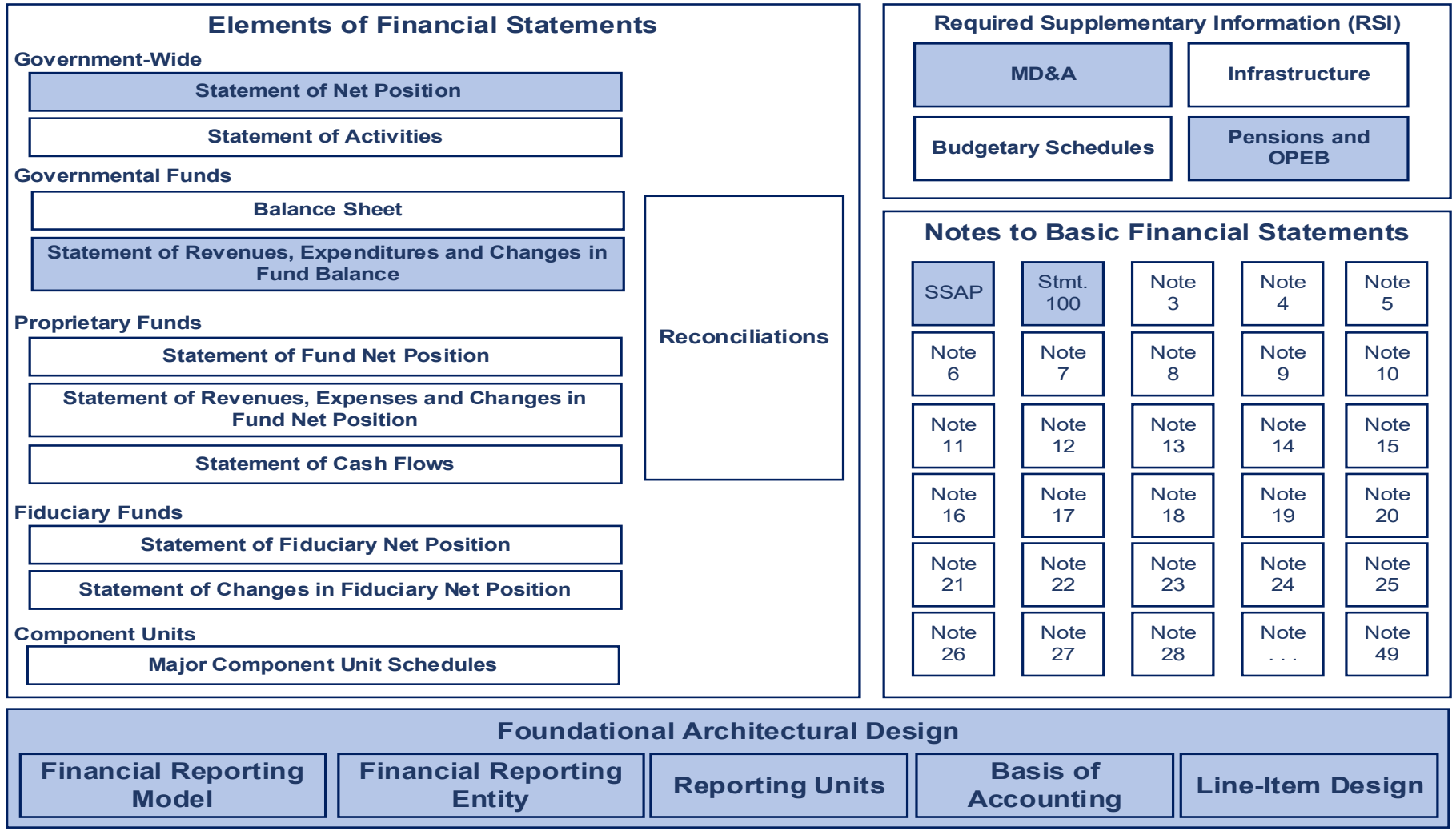
- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Required Supplementary Information:

- Pensions and OPEB Schedules
- Infrastructure Schedule
- Budgetary Schedules
- MD&A

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GASB GAAP Taxonomy—Phase I Components Selected for Exposure



Components scheduled for exposure in Discussion Memorandum.

Selected to Illustrate the Architectural Design choices:

1. Position Statement
2. Flow Statement
3. Basis of Accounting
4. Unstructured Text
5. RSI Schedules

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Taxonomy Development

Financial Reporting Model and Financial Reporting Entity: Effects in the Taxonomy Modules (Chapter 3 of DM)

Modules and Column Headers

Modules

General-Purpose Governments: Each financial statement is modeled as a module

Special-Purpose Governments: Reuse, in combined formats, the modules developed for general-purpose governments.

Headers

Column Headers: represent reporting units applicable to each financial statement

Column Headers: also include GAAP optionality

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Column Headers Applicable to the Government-Wide Statement of Activities

Financial Reporting Entity					
Primary Government including Blended Component Units			Discretely Presented Component Units [0 or 1]		
Governmental Activities [0 or 1]	Business-Type Activities [0 or 1]	Total [0 or 1]	Major Discretely Presented Component Units [0 to n]	Nonmajor Discretely Presented Component Units [0 or 1]	Total [0 or 1]
			Name of Reporting Unit		

- [0 or 1]: a column can be included or not
- [o to n]: there can be zero columns or multiple columns

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Taxonomy Model—Column Header Design

Financial Reporting Entity						
Primary Government including Blended Component Units			Option 1		Option 2	
Governmental Activities [0 or 1]	Business-Type Activities [0 or 1]	Total [0 or 1]	Major Discretely Presented Component Units [0 to n]	Nonmajor Discretely Presented Component Units [0 or 1]	Discretely Presented Component Units Total [0 or 1]	Total [0 or 1]
			Name of the Reporting Unit			

TOWN OF ABC
STATEMENT OF NET POSITION
JUNE 30, 20XX
Primary Government

	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
ASSETS				
Cash and cash equivalents	$ 30,102,777	$ 5,689,428	$ 35,792,205	$ 17,106,725
Investments	3,411,370	1,746,443	5,157,813	-
Taxes receivable, net	3,809,178	-	3,809,178	944,205
Receivables, net	6,450,991	6,644,728	13,095,719	1,269
Interfund notes receivable	-	1,762,541	1,762,541	-

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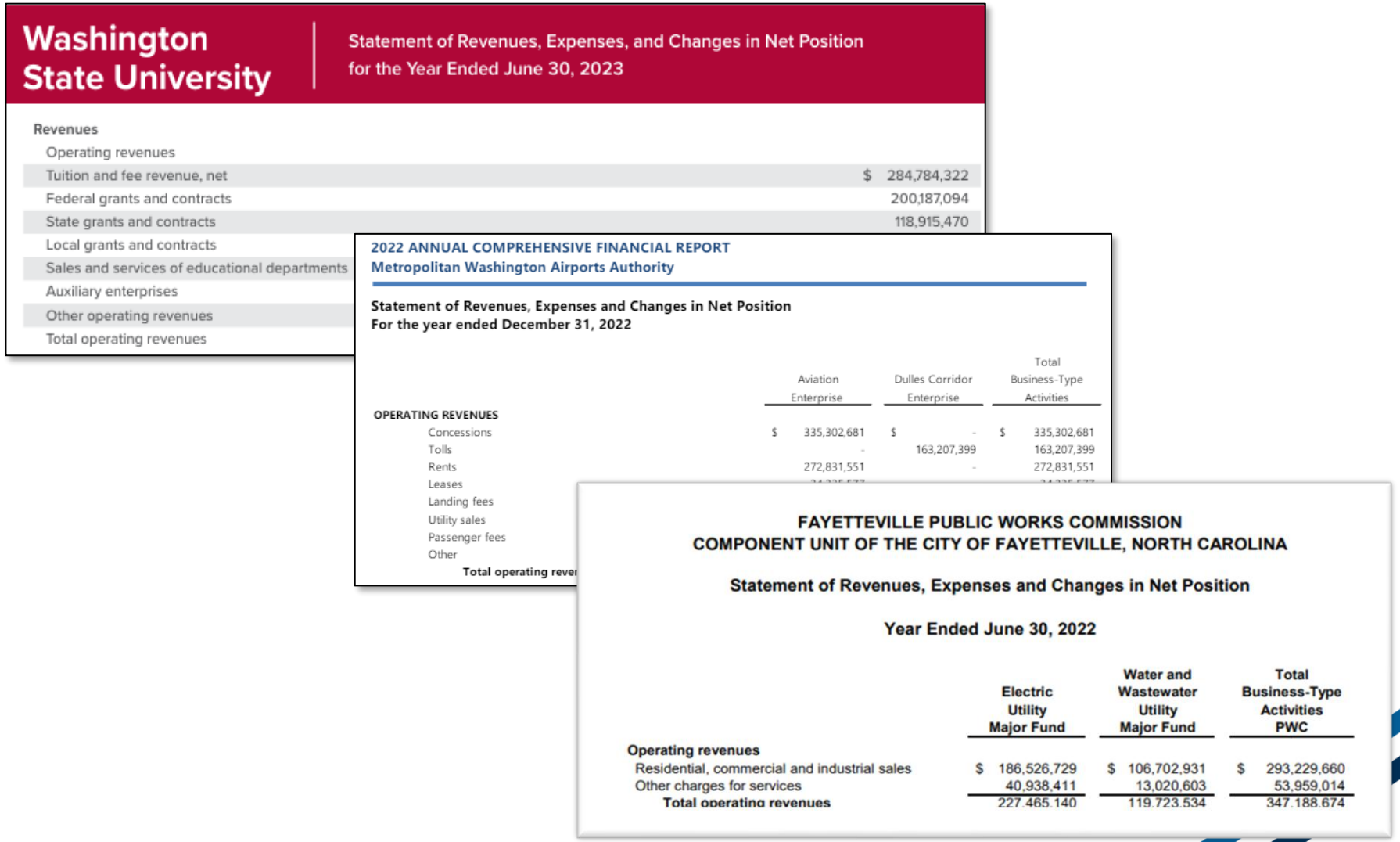
Taxonomy Development

Line Item Design: Elements of Financial Statements (Chapter 4 of DM)

Industry Concerns—How Many Taxonomies do We Need?

Structure of Financial Statements

Line items are different in each industry



Washington State University

Statement of Revenues, Expenses, and Changes in Net Position
for the Year Ended June 30, 2023

Revenues	
Operating revenues	
Tuition and fee revenue, net	$ 284,784,322
Federal grants and contracts	200,187,094
State grants and contracts	118,915,470
Local grants and contracts	
Sales and services of educational departments	
Auxiliary enterprises	
Other operating revenues	
Total operating revenues	

2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT
Metropolitan Washington Airports Authority

Statement of Revenues, Expenses and Changes in Net Position
For the year ended December 31, 2022

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
OPERATING REVENUES			
Concessions	$ 335,302,681	$ -	$ 335,302,681
Tolls	-	163,207,399	163,207,399
Rents	272,831,551	-	272,831,551
Leases			
Landing fees			
Utility sales			
Passenger fees			
Other			
Total operating reve			

FAYETTEVILLE PUBLIC WORKS COMMISSION
COMPONENT UNIT OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Revenues, Expenses and Changes in Net Position

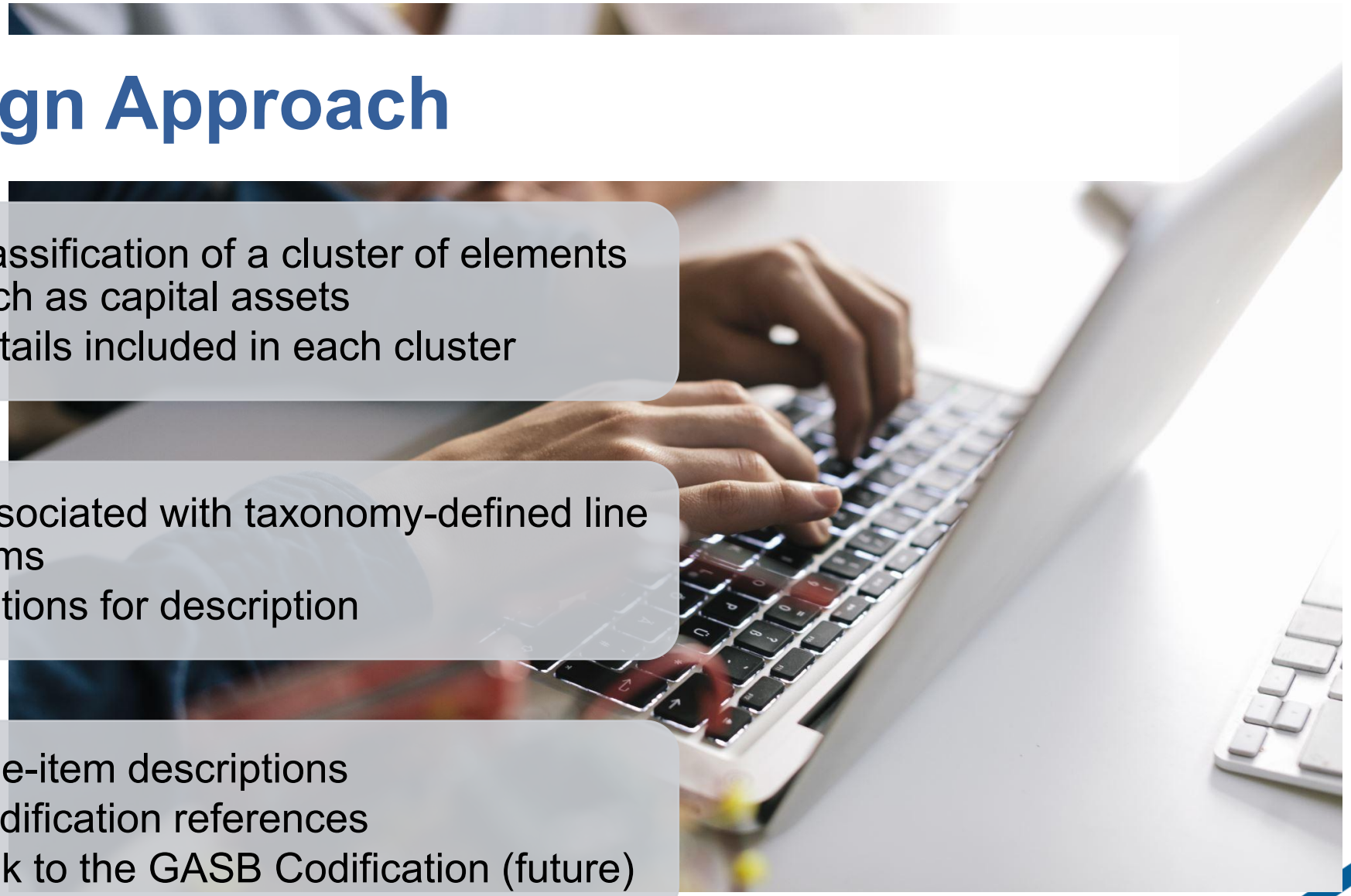
Year Ended June 30, 2022

	Electric Utility Major Fund	Water and Wastewater Utility Major Fund	Total Business-Type Activities PWC
Operating revenues			
Residential, commercial and industrial sales	$ 186,526,729	$ 106,702,931	$ 293,229,660
Other charges for services	40,938,411	13,020,603	53,959,014
Total operating revenues	227,465,140	119,723,534	347,188,674

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Line-Item Design Approach



Taxonomy-Defined Line Items

- Classification of a cluster of elements such as capital assets
- Details included in each cluster

Government-Specific Line Items

- Associated with taxonomy-defined line items
- Options for description

Information Applicable to Taxonomy Provided Line Items

- Line-item descriptions
- Codification references
- Link to the GASB Codification (future)

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Example of Net Position Cluster

Net Position [Abstract]

- Investment in Capital Assets
- Net Investment in Capital Assets
- **Net Position, Restricted [Abstract]**
  - Net Position, Restricted, Expendable
  - Net Position, Restricted, Nonexpendable
  - **Net Position, Restricted, by Purpose [Abstract]**
    - Net Position, Restricted for Capital Purpose
    - Net Position, Restricted for Debt Service
- Net Position (Deficit), Unrestricted
- Net Position

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Government-Specific Line Items: Anchoring

STATEMENT OF NET POSITION
June 30, 20XX (In Thousands)

	Governmental Activities
Net Position	
Net investment in capital assets	$ 411,940
Restricted for:	
Public safety	3,100
Debt service	2,379
Public Works	2,015
Capital projects	1,890
Other purposes	860
Unrestricted	42,200
Total Net Position	$ 464,384

Taxonomy - Net Position Cluster

- Net Position [Abstract]
  - Investment in Capital Assets
  - Net Investment in Capital Assets
  - Net Position, Restricted [Abstract]
    - Net Position, Restricted Expendable
    - Net Position, Restricted Nonexpendable
    - Net Position, Restricted, by Purpose [Abstract]
      - Net Position, Restricted for Capital Purpose
      - Net Position, Restricted for Debt Service
    - Net Position, Restricted
  - Net Position (Deficit), Unrestricted
  - Net Position

Government-specific line items are anchored to a taxonomy-defined line item: Net Position, Restricted

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Taxonomy Development

Unstructured Data Modeling (Chapter 5 of DM)

Unstructured Data: General Data Modeling Approach

3. Securities Lending

State Statutes permit the State Treasurer to lend its securities, through the use of agents, to broker-dealers and other entities with simultaneous agreement to return the collateral for the same securities in the future. The State's agents lend securities, of the type on loan at year-end, for collateral in the form of cash or other securities at 100% of value for US Treasury Strips and US Treasury Bills, and 102% of value for other securities. The State, through its agents, measures the fair value of the securities loaned against the fair value of the collateral on a daily basis. Additional collateral is obtained as necessary to ensure such transactions are adequately collateralized. Securities lent for securities collateral are classified according to the category of the collateral. At year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The contract with the State's agent requires the agent to indemnify the State if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the State for income distributions by the securities' issuers while the securities are on loan.

The following represents the balances relating to the securities lending transactions at the financial statement date:

Without WYO-STAR:

Report of Securities Lending - Without WYO-STAR
June 30, 2023

Securities Lent	Fair Value of Underlying Securities without Accrued Interest	Cash Collateral Received/Securities Collateral Value
Lent for Cash Collateral		
U.S. Governments	$ 3,236,874,620	$ 3,315,933,782
U.S. Corporate Securities	345,185,368	356,741,200
U.S. Equities	551,739,838	563,743,345
Non U.S. Governments (USD)	3,554,172	3,655,633
Non U.S. Equities	58,738,273	60,710,138
Total Lent for Cash Collateral	4,196,092,271	4,300,784,098
Lent for Securities Collateral		
U.S. Governments	1,389,586,164	1,424,574,498
U.S. Corporate Securities	5,201,617	5,416,144
U.S. Equities	110,828,489	114,055,005
Non U.S. Equities	25,111,629	26,396,303
Total Lent for Bulk (Securities) Lending	1,530,727,900	1,570,441,951
Total Securities Lending	$ 5,726,820,170	$ 5,871,226,049

Details for Unstructured Data

- Large block text: Level 1
- Discrete block text: Level 2
- Detailed items: Level 3

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The Discussion Memorandum

And Next Steps

Stakeholder Feedback

Issued in September 2026

Comment period ends
November 30, 2026

Taxonomy Consultative Group
Discussion scheduled for
February 2027

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Exposed Taxonomy Files and Questions for Stakeholders

- Two files are part of the exposed content
  - GASB-GAAP Taxonomy files in XBRL format
  - A Microsoft Excel workbook presenting similar taxonomy information
- XBRL files: for technology specialists, software providers, and others reviewing the structure in its native digital format
- Excel workbook: a readable view of the taxonomy - modules, column headers for reporting units, and line items of the government-wide statement of net position
  - For preparers, auditors, and users, without specialized software
- Questions for stakeholder input
  - Chapters 3-5 include questions for input
  - The Excel workbook is helpful in responding
- Respondents should focus on areas most relevant to their experience and expertise
  - Preparers and auditors: taxonomy design of the financial statements (Chapters 3-4)
  - Users: level of detail for notes to financial statements (Chapter 5)

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Technology Today versus Technology Tomorrow

- GASB-GAAP Taxonomy is XBRL
- Concerns with preparers "tagging" data

Today



- Can AI "tag" the information instead?
- LLMs training models for analytics

Tomorrow



GASB-GAAP Taxonomy is envisioned to be flexible to adjust to new technologies

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Questions

Thank you





GovFin 2026

Modernizing Municipal Data Analysis

Campbell Pryde, President and CEO, XBRL US

Trends in AI for data analytics



- LLM costs are rising as VC/PE funders recoup investment
- Competition may ultimately drive down prices, as more LLMs enter the market
- Retail investors are at a disadvantage to institutions (institutions can use AI more efficiently/cost-effectively)
- Data processing costs paid by the user (investor or regulator) will be borne by the issuer as higher cost of capital

Risks in AI



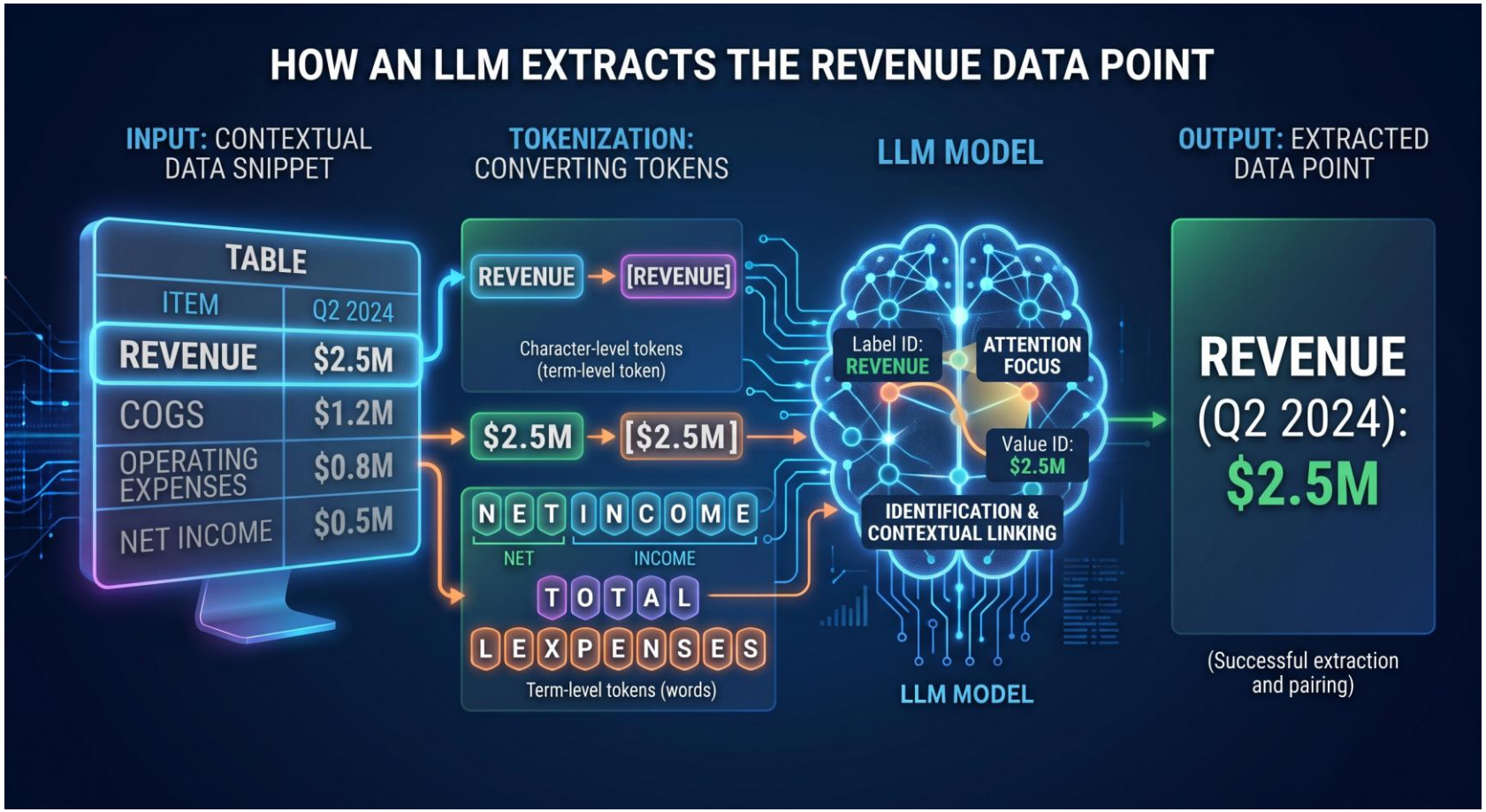
- Inaccuracy
- Inconsistency across LLMs
- Cost (tokens)

How LLMs find meaning

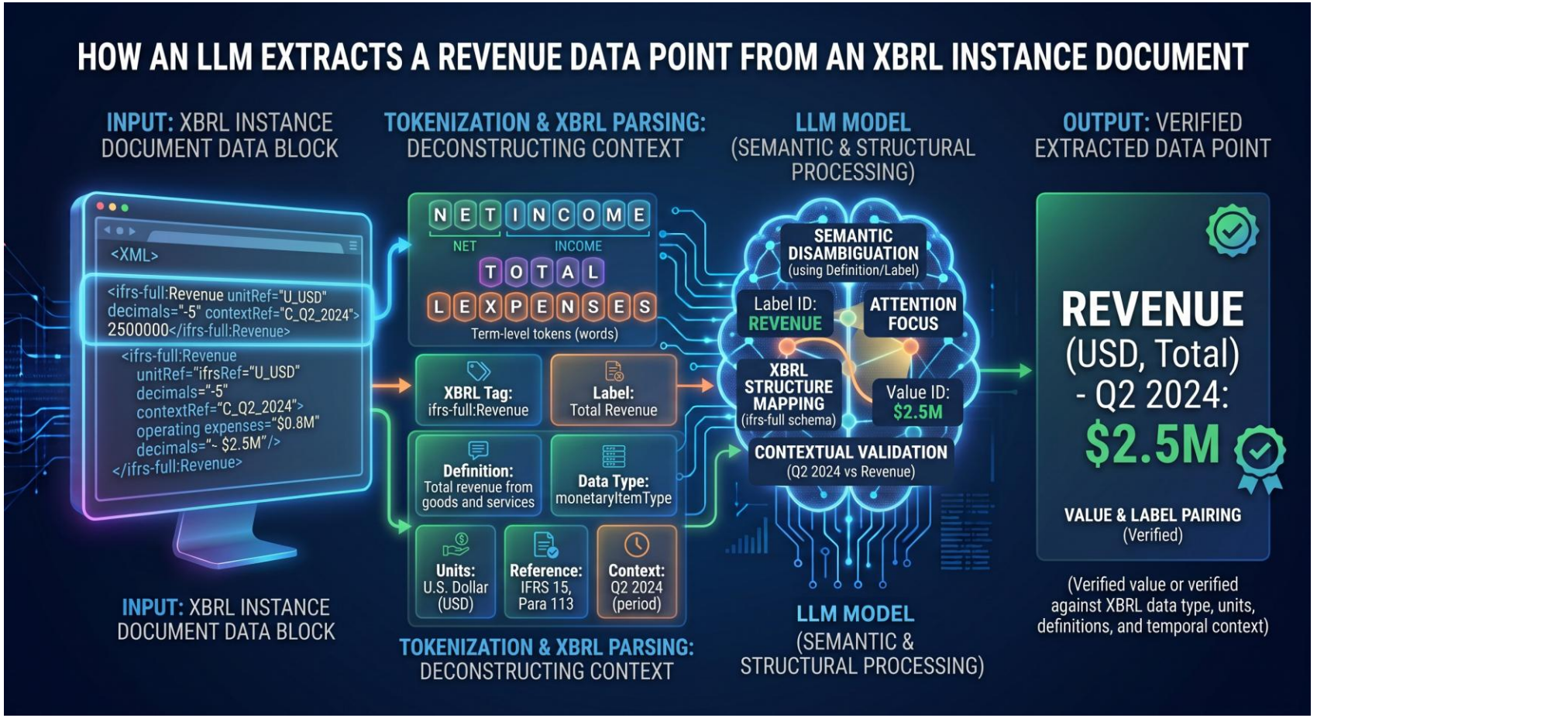


- Breaks content into tokens
- Organizes tokens based on location, contextual information provided, and other learning the LLM has acquired
- Makes predictions about what comes next based on information available

How LLMs find meaning



How LLMs find meaning



How LLMs find meaning



Unstructured content

- Information that gives meaning:
  - visual structure (rows and columns, font weight),
  - other LLM learning,
  - predictions
- Challenges:
  - Every PDF/text/HTML file is structured differently
  - tokenization can misalign table structure

Structured content

- Information that gives meaning:
  - granular context (data type, definition, label, dimensional characteristics, relationships between values),
  - consistent structure (LLM finds meaning in all XBRL data the same way),
  - other LLM learning
  - predictions which improve because of the consistency of structured data

How LLMs find meaning



FLINT COMMUNITY SCHOOLS
Genesee County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Change in Net Position: Government Type Activities
Instruction	$ 23,089,213	$ 0	$ 20,664,115	$ 0	$ (2,425,098)
Support Services	30,855,411	381,848	27,616,527	0	(2,857,036)
Community Services	1,700,730	0	70,731	0	(1,629,999)
Athletics	246,730	6,904	0	0	(239,826)
Food Services	3,084,925	101,524	2,858,617	0	(124,784)
Student Activities	56,367	0	44,420	0	(11,947)
Transfers to (from) Other Districts	0	481,221	0	0	481,221
Interest on Long-Term Debt	1,239,418	0	0	0	(1,239,418)
Total	$ 60,272,794	$ 971,497	$ 51,254,410	$ 0	(8,046,887)
General Revenues:					
Property Taxes, Levied for General Purposes					8,711,734
Property Taxes, Levied for Debt Purposes					2,034,803
Property Taxes, Levied for Sinking Fund Purposes					905,936
State School Aid - Unrestricted					23,217,421
Investment Earnings					28,738
Miscellaneous					561,003
Total General Revenues					35,459,635
Change in Net Position					27,412,748
Net Position - Beginning (Restated)					(48,888,312)
Net Position - Ending					$ (21,475,564)

Finding meaning from a PDF



- LLM derives meaning of the value by counting columns and rows to determine where it belongs
- Token use estimated at 230-375 tokens for one value, approximately 43,700 tokens for a full report extracting meaning for 92 values

AS EXTRACTED FROM THE PDF TEXT STREAM

```
Function                Expenses    Charges
for  Operating Grants
                                    Services
and Contributions
Instruction           23,089,213    0
20,664,115
Support Services      30,855,411    381,848
27,616,527
Community Svcs.        1,700,730    0
70,731
```

51,254,410 does not appear in this row at all — that number is *outside the visible slice* above, several rows down, and the model has to trust column alignment held across the whole table to attribute it correctly.

Finding meaning from structured data



- LLM identifies the meaning of the value by reading the “wrapper” around it which carries name, context, unit, precision.
- Token use estimated at 45 for one value, approximately 4,400 tokens for a full report extracting meaning for 92 values

By using structured data, token cost is 85% less expensive for one value, 90% less expensive for a full report

AS TAGGED IN THE INLINE XBRL

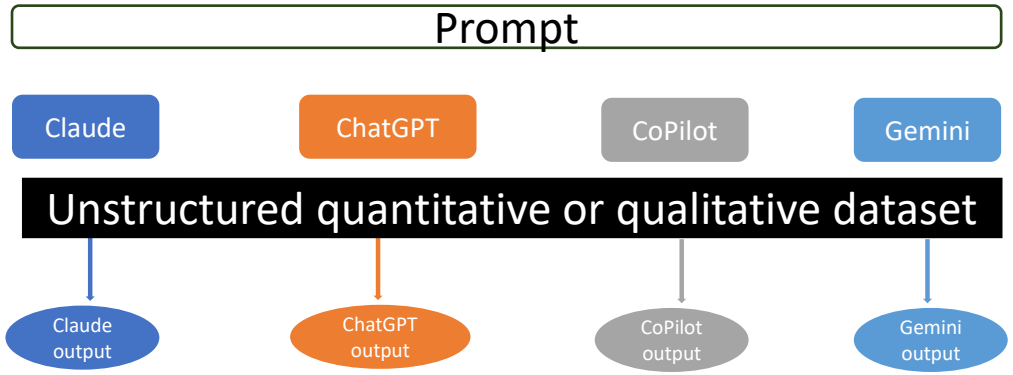
```
<ix:nonFraction
  name="acfr:ProgramRevenues"
  contextRef="D20230630_ProgramRevenu

esFromOperatingGrantsAndContributionsMe
mber"
  unitRef="USD"
  decimals="0"
  format="ixt:numdotdecimal">
  51,254,410
</ix:nonFraction>
```

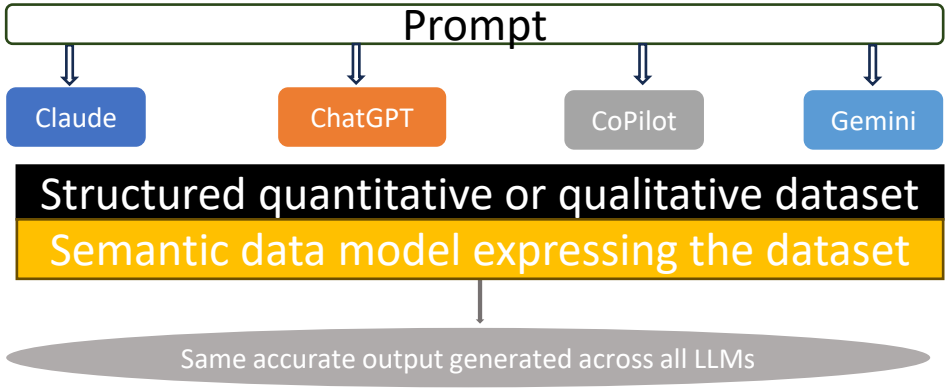
Concept, dimensional slice, unit, and precision travel with the value itself — nothing about its meaning depends on where it sits on the page.



Inconsistent outcomes



Consistent outcomes when anchored to a semantic data model



AI use in regulatory disclosure



- AI makes structured digital data management more efficient (faster, less expensive)
  - Reporting tools increasingly have AI features to facilitate structured, standardized data reporting
  - Building taxonomies, data collection and extraction tools can be generated faster/better/cheaper with AI
- Structured, digital data makes AI performance better
  - The contextual wrapper enables more reliable, accurate understanding
  - Taxonomy anchors data meaning - cheaper to process, consistent understanding across LLMs, data users