



# The Investor's Guide to Financial Disclosures

## ABOUT FINANCIAL DISCLOSURES

Financial disclosure from issuers of municipal securities consists of important financial information and operating data about an issuer and/or other entity that may be obligated to repay investors in the securities, frequently referred to as an obligated person. This information is typically provided in the issuer's official statement when the municipal securities are first issued, and on an ongoing basis as continuing disclosures throughout the life of the security. Financial disclosures provide a snapshot of the issuer or obligated persons' financial and operating condition at a specified point in time, and taken together can indicate how that condition is evolving over time.

*An evaluation of financial disclosure information can assist investors in making informed decisions with respect to their municipal securities portfolios.*

An evaluation of financial disclosure information can assist investors in making informed decisions with respect to their municipal securities portfolios, including determinations about whether to buy, hold or sell a municipal security. This guide assists investors in:

- Understanding the different types of financial disclosure documents
- Determining the availability of financial disclosures for municipal securities
- Locating financial disclosure documents

### Understanding the Different Types of Financial Disclosure Documents

There are four categories of financial disclosures that can be provided by an issuer or obligated person for municipal securities that are subject to the provisions of the Securities and Exchange Commission's Rule 15c2-12, depending on the type of municipal securities offering: annual financial information, audited

financial statements, customary financial information and failure to file notices. Generally these types of documents will be submitted by the issuer or obligated person on the municipal securities to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA<sup>®</sup>) system. While this document provides brief generalized descriptions of financial disclosures under Rule 15c2-12, investors should review the terms of the continuing disclosure agreement for their securities (typically included or summarized in the official statement) to determine the specific types and content of financial disclosures that the issuer or obligated person has contractually committed to provide.

### Annual Financial Information

Annual financial information normally consists of audited financial statements (or, in many cases, comprehensive annual financial reports or CAFRs) and additional quantitative data such as



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financial information and/or operating data included within text, tables, charts or other materials describing financial and/or operational matters presented in the official statement.

**TIP!** *Look for an attachment to the official statement, titled “continuing disclosure agreement,” or a summary of the agreement within the official statement, to locate the date by which such information must be provided annually.*

### Audited Financial Statements

Audited financial statements have been examined by an independent auditor charged with providing a professional opinion on the statements. Audited financial statements for the issuer or obligated person may sometimes be submitted separately from the annual financial information provided to EMMA. This generally occurs if the audited financial statements were not included in the official statement but are nonetheless prepared for the issuer.

**TIP!** *Some state and local governmental issuers prepare a comprehensive annual financial report (CAFRs) that includes basic audited financial statements as well as a substantial amount of other financial information and management discussion and analysis. If available, these CAFRs may provide the best way for investors to get a better understanding of the issuer’s financial position.*

### Customary Financial Information

For certain types of small issuers, customary financial information prepared by the issuer or obligated person in the normal course of business may be submitted in lieu of standard annual financial information and/or audited financial statements if neither the issuer nor any obligated person has more than \$10 million of municipal securities outstanding, including the current offering.

**TIP!** *Investors should review the security’s official statement or consult with their broker to determine whether this exemption, often called the small issuer exemption, applies to their securities.*

### Failure to File Notice

A failure to file notice indicates that any annual financial information that must be filed under the continuing disclosure agreement has not been filed on or will not be filed before the deadline specified in the agreement. In some cases, the notice may include information describing the nature and/or cause of the failure to meet the contractual deadline for submitting annual financial information, and indicate the approximate timeframe for when the complete annual financial information will be submitted to EMMA.

**TIP!** *A failure to file notice does not excuse the issuer or obligated person from filing the applicable document once it becomes available. Investors may wish to check EMMA after the missed deadline to see if the document has since been posted.*

#### MSRB RESOURCES

- Read more about the official statement in the [Investor’s Guide](#).
- Read more continuing disclosures in the [MSRB Education Center](#).



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## Determining the Availability of Financial Disclosures for Municipal Securities

Financial disclosures should be available for most municipal securities offered after July 3, 1995. However, certain kinds of municipal securities may legally provide less or even no financial disclosure information.

The two best ways for investors to determine whether financial disclosure information are expected to be made available for a particular municipal security on an ongoing basis:

- Review the official statement on EMMA.



*Review the continuing disclosure agreement, often attached to the official statement, or the summary of the key provisions of this document in the official statement to determine what disclosures the issuer or obligated person has agreed to provide.*

- Locate the security on EMMA to determine whether the underwriter of the security has indicated that the issuer or obligated person has agreed to provide continuing disclosure information.



*If the underwriter has reported this information to EMMA — a requirement since February 2011 — this statement will be listed under the Continuing Disclosure tab for the security.*

## Locating Financial Disclosure Documents

Financial disclosure documents are posted to, and made publicly available to investors free of charge on, EMMA at [emma.msrb.org](http://emma.msrb.org). These documents may be accessed on the Continuing Disclosure tab for a security on EMMA. Investors may search for a specified security with the use of a quick or advanced search function on EMMA.



*Eliminate the need to conduct the same search or continually check the EMMA website for newly posted financial disclosure documents by setting up MyEMMA alerts which will automatically notify a subscriber when new disclosure documents are posted for selected securities.*

### MSRB RESOURCES

- [Watch a video about using EMMA.](#)
- [Read the Investor's Guide to learn more about understanding continuing disclosures.](#)

### MSRB RESOURCES

- [Learn more about the information available on EMMA.](#)
- [Sign up for and manage MyEMMA alerts.](#)
- [Learn more about MyEMMA and its ability to help you evaluate municipal securities and monitor municipal security investments in the EMMA Introductory Guide for Investors.](#)



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