



# Making Financial Disclosures: A Guide for Issuers

## ABOUT FINANCIAL DISCLOSURES

Issuers of most municipal securities sign a continuing disclosure agreement that lays out the contractual obligations of each party in an offering to provide updated information that may affect the repayment of the offering. Underwriters are required to confirm that issuers have signed these agreements to ensure compliance with Securities and Exchange Commission (SEC) Rule 15c2-12, which establishes the kinds of information that must be submitted to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA®) system.

Financial disclosures required under continuing disclosure agreements may differ depending upon the type of the municipal securities offering. Financial disclosure consists of important financial information and operating data about an issuer and/or other entity that may be obligated to pay debt service, frequently referred to as an obligated person. This information, to be provided on an ongoing basis throughout the life of the security, updates the information provided in the official statement when the security was first issued. 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 understanding of required financial disclosure information is essential to an issuer's ability to provide information to investors and protect an issuer's access to the municipal securities market. This

document serves as an introductory guide to assist issuers in:

- Understanding the different types of financial disclosure documents
- Submitting financial disclosure documents to EMMA

### Understanding the Different Types of Financial Disclosure Documents

SEC Rule 15c2-12 provides for four categories of financial disclosures 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 to EMMA. While this document provides brief generalized descriptions of financial disclosures required under Rule 15c2-12, each issuer must review the terms of its particular continuing disclosure agreement to determine the specific types and content of financial disclosures that it has contractually committed to provide.

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## 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 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!** *Review the continuing disclosure agreement to determine what you need to include in your annual financial information submission to EMMA. Of course, many issuers choose to provide additional financial information or operating data beyond the minimum requirements of their continuing disclosure agreements.*

## Audited Financial Statements (including CAFRs)

Even if audited financial statements were not included in the official statement and therefore are not considered to be part of the formal required annual financial information, they normally are required to be submitted to EMMA separately from the annual financial information if the issuer or obligated person prepares audited financial statements. Audited financial statements also sometimes need to be submitted to EMMA separately from the annual financial information if they were not prepared in time to file with the annual financial information but later become available.

**TIP!** *A submission to EMMA of “Annual Financial Information and Operating Data” that includes audited financial statements should be categorized as both Annual Financial Information and Audited Financial Statements to avoid potential misperceptions that the issuer or obligated person failed to submit its audited financial statements.*

## 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!** *Issuers should consult with their bond or disclosure counsel to confirm whether this exemption, often called the small issuer exemption, applies to their securities, as its applicability affects the kinds of disclosure they will be required to make under the continuing disclosure agreement.*



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## 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 or will not be filed on or before the deadline specified in the agreement.

**TIP!** *If you must submit a failure to file notice, ideally you should 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.*

### ► MSRB RESOURCES

- Learn about municipal bond issuance in the [MSRB Education Center](#).
- View the [disclosure resources](#) in the MSRB Education Center.
- To learn more about financial disclosures for all types of offerings, read the [MSRB's Market Transparency Advisory](#).

## Submitting Financial Disclosure Documents

Issuers should be conscious of the deadlines, typically set out in the continuing disclosure agreement, for posting applicable financial information to EMMA. Investors rely on this commitment to submit ongoing financial information to EMMA by the applicable deadline when looking for updated financial information about their municipal securities investments.

Financial disclosure documents are submitted to EMMA Dataport and made publicly available, free of charge, on EMMA at [emma.msrb.org](http://emma.msrb.org).

**TIP!** *Utilize the free MSRB resources listed below to better understand the document submission process and learn how to use EMMA Dataport.*

### ► MSRB RESOURCES

- [Watch a video tutorial about submitting financial disclosure documents to EMMA.](#)
- [Read the user manual about submitting continuing disclosures to EMMA Dataport.](#)
- [Access a checklist to help in preparing to submit financial disclosures.](#)



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