

Timing of Annual Financial Disclosures by Issuers of Municipal Securities



MAY 2015



Municipal Securities Rulemaking Board

OVERVIEW

The Municipal Securities Rulemaking Board (MSRB) is releasing this update to its [2013 report](#) on the timing of submission of financial disclosures by municipal securities issuers and obligated persons to the MSRB's Electronic Municipal Market Access (EMMA®) system. Both reports measure how many days after the end of an issuer's fiscal year that audited financial statements and annual financial information for that year were made available to the public.¹

The MSRB collects financial disclosure documents associated with virtually all municipal securities and makes them available to investors for free through the EMMA website. Between January 2010 and December 2014, the MSRB received approximately 145,000 audited financial statement submissions and over 115,000 annual financial information submissions.

These financial disclosures generally are contractually required to be provided to the MSRB by municipal issuers and obligated persons as contemplated by Rule 15c2-12 under the Securities Exchange Act of 1934. Subject to certain exemptions set out in Rule 15c2-12, such contractual agreements exist for most municipal securities issued after July 3, 1995, although some issuers and obligated persons voluntarily provide continuing disclosures for older securities or for securities that are exempt from Rule 15c2-12.²

As with the 2013 MSRB report, the data in this report have been divided into two categories in an attempt to normalize the effect of "catch-up" submissions (*i.e.*, those made more than 12 months after the end of a fiscal year) made by submitters to fill in earlier gaps in disclosures. For the larger data set of all submissions, which includes delayed "catch-up" submissions for earlier years, the average number of days between the end of the reporting period and submission date for audited financial statements in 2014 was 448 calendar days, while annual financial information submissions were made, on average, 374 calendar days after the end of the applicable fiscal year.

Excluding catch-up disclosures, the timing of audited financial statement submissions in 2014 averaged 200 calendar days after the end of the applicable fiscal year. This figure is virtually unchanged from the previous four years, when the timing of submissions averaged between 199 days and 203 days. This same consistency is seen in the submission of annual financial information. These documents were submitted an average 188 calendar days after the end of the applicable fiscal year, nearly identical to the length of time observed in the four previous years, which ranged from 186 days to 189 days.

¹ Audited financial statements or CAFRs (Comprehensive Annual Financial Reports) submissions are hereinafter referred to as "audited financial statements" and annual financial information and operating data submissions are hereinafter referred to as "annual financial information."

² The provisions of the rule relating to financial disclosures, and the exemptions provided for under the Rule, are described in the MSRB Market Transparency Advisory.

METHODOLOGY

The data used in this report are based on submissions by issuers and obligated persons as part of the MSRB's continuing disclosure submission process. With the submission of a financial disclosure document, the MSRB records the date the document was received from the submitter and posted on EMMA (document receipt date) as well as the end date for the reporting period associated with a particular disclosure document, as reported by the submitter. These dates were used to calculate the number of days a submitter took to submit a document after the end of the reporting period.³ A document submission is counted in the month and calendar year in which it was made to EMMA. The data do not differentiate between issuers and other obligated persons, or between different types of issuers or obligated persons, but instead represent an aggregation of all submitters. In addition, the data rely on each submitter's categorization of the submission as either audited financial statements or annual financial information, and no attempt has been made to validate such categorization for purposes of this report.⁴

Submissions in which the document receipt date was before the reported end date for the disclosure time period were excluded from this report since these are likely erroneous submissions (e.g., the submitter reported the wrong fiscal year). Additionally, this report excludes disclosures submitted prior to 2010.

This report sets out below a series of tables and graphs providing statistical information regarding the submission of audited financial statements and annual financial information. The first set of statistics includes the full set of submissions between January 2010 and December 2014, regardless of how long after the end of a fiscal year a document relating to such fiscal year was submitted to EMMA.

The second set of statistics recasts the full data set by including only those submissions that were made within one full calendar year of the end of the fiscal year for which such documents were submitted. This data set aims to better understand the timing of submissions without the potentially distortive effects of delayed catch-up disclosures.

³ A simple average formula was used to calculate monthly and annual averages.

⁴ The proper categorization of financial disclosures is discussed in the MSRB Market Transparency Advisory — Suggested Practices in Submitting of Financial Disclosures to EMMA, [MSRB Notice 2013-18](#) (August 12, 2013).

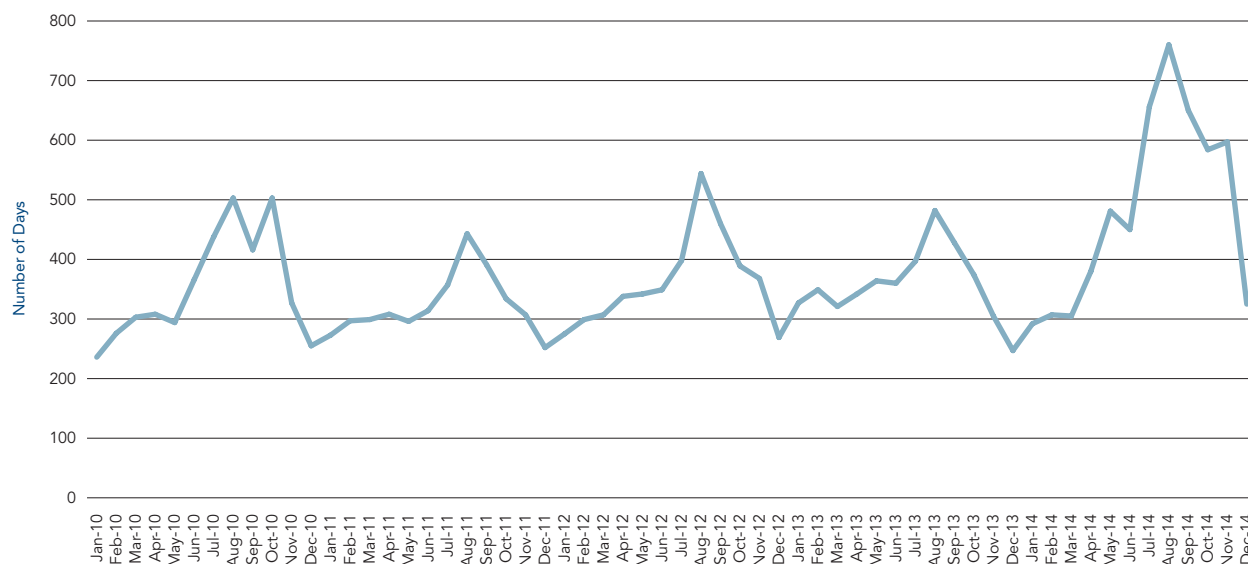
FULL DATA SET OF SUBMISSIONS

Figures 1A and 1B set out the average length of time between the end of the fiscal year and the date on which audited financial statements for such fiscal year were submitted to and made publicly available on EMMA, including catch-up submissions made by a submitter to fill in earlier gaps in disclosures.

FIGURES 1A AND 1B — AUDITED FINANCIAL STATEMENTS

Average Number of Days Between Document Receipt Date and End of Fiscal Year

	2010	2011	2012	2013	2014
Jan	236	273	275	327	292
Feb	276	297	299	349	307
Mar	303	299	307	321	305
Apr	308	308	338	342	380
May	294	296	342	364	481
Jun	366	314	349	360	450
Jul	438	357	398	397	656
Aug	503	443	544	482	760
Sep	416	391	460	428	650
Oct	503	334	389	374	584
Nov	327	307	368	305	597
Dec	255	252	269	247	325
Annual Average	330	307	340	342	448



The annual average length of time between the end of the fiscal year and the date on which audited financial statements were submitted to EMMA was 448 days in 2014, sharply above the average of 342 days in 2013. The significantly higher average number of days in 2014 compared to earlier years coincides with a significant increase in the number of audited financial statement submissions to EMMA in the second half of the year, a period in which the Securities Exchange Commission was undertaking its Municipal Continuing Disclosure Cooperation (MCDC) Initiative. The initiative was announced in March 2014 and

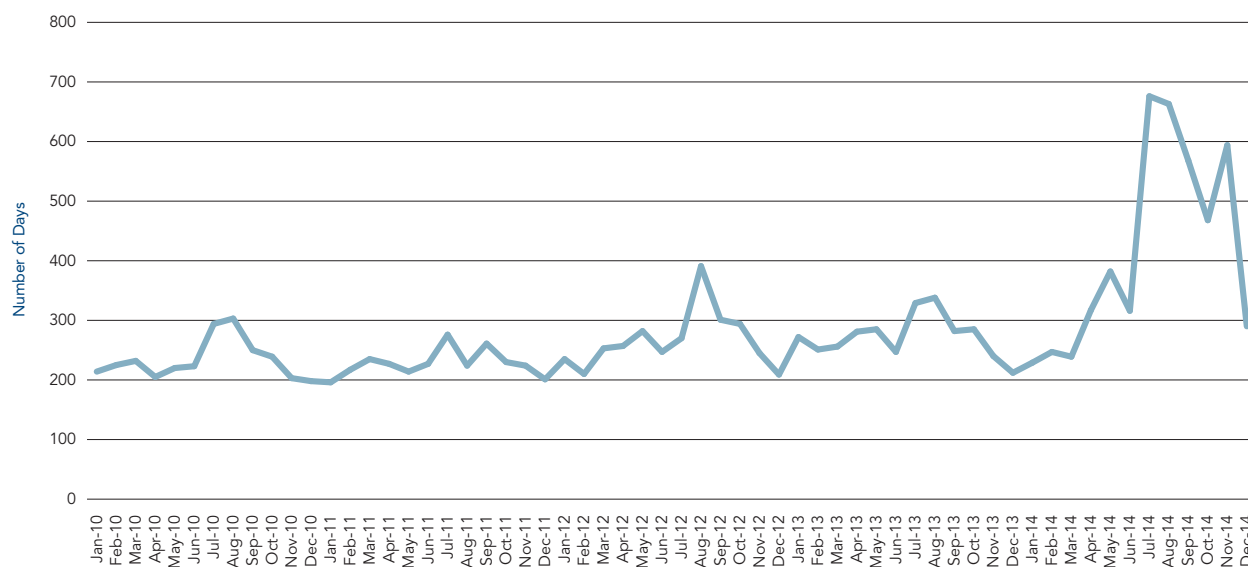
provided issuers and underwriters the opportunity to self-report previous instances of noncompliance with continuing disclosure and other obligations. For the entire data set, the average time to submit audited financial statements was approximately 361 days after the end of the fiscal year. The average length of time spiked significantly every year in August, averaging 546 days between the end of the fiscal year and date of submissions made in August, well above the average number of days for all audited financial statements.

Figures 2A and 2B set out the average length of time between the end of the fiscal year and the date on which annual financial information for such fiscal year was submitted to and made publicly available on EMMA, regardless of how long after the end of the fiscal year such annual financial information was submitted.

FIGURES 2A AND 2B — ANNUAL FINANCIAL INFORMATION

Average Number of Days Between Document Receipt Date and End of Fiscal Year

	2010	2011	2012	2013	2014
Jan	214	196	235	272	229
Feb	225	217	210	251	247
Mar	232	235	253	256	239
Apr	205	227	257	281	317
May	220	214	282	285	382
Jun	223	227	247	247	316
Jul	294	276	270	329	676
Aug	303	224	391	338	663
Sep	250	261	301	282	568
Oct	239	230	294	285	468
Nov	203	224	245	240	594
Dec	198	201	209	212	290
Annual Average	224	223	251	261	374



The annual average length of time between the end of the fiscal year and the date on which annual financial information for such fiscal year was submitted to EMMA also spiked in 2014, averaging 374 days compared to 261 days in 2013. As previously noted for audited financial statements, the increase in the average number of days for annual financial statements coincides with a significant increase in the number of annual submissions in the second half of the year, a time in which the SEC was undertaking its MCDC initiative.

SUBMISSIONS MADE WITHIN ONE YEAR OF FISCAL YEAR END

In most months since the MSRB became the official repository for continuing disclosures in 2009, audited financial statements and annual financial information have been submitted, on average, within one year after the end of the preceding fiscal year. The inclusion of delayed catch-up submissions of older documents in the statistics for the full data set shown above has a tendency to distort the average timing for submission of audited financial statements and annual financial information for submitters that submit such documents within, or reasonably close to (*i.e.*, within one full calendar year of the end of the fiscal year), the timeframes set out in their contractual agreements.

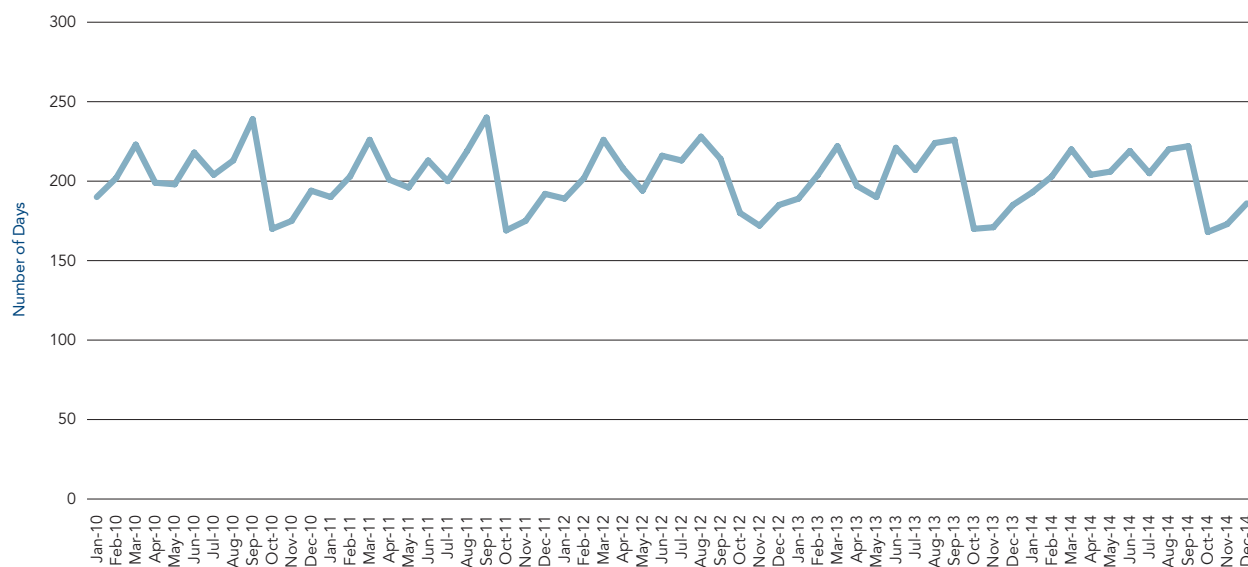
Figures 3A, 3B and 3C recast the full data set by including only those submissions that were made within one full calendar year of the end of the fiscal year for which such documents were submitted. However, it should be noted that not all submissions eliminated by the one-year screening necessarily represent catch-up submissions for earlier fiscal years but also likely include some normal-course submissions for the immediately preceding fiscal year that were made more than one year after the end of such fiscal year as discussed later in this report.

Figures 3A and 3B illustrate the average length of time between the end of the fiscal year and the date on which audited financial statements for such fiscal year were submitted to EMMA for those submissions made within one year after the end of the fiscal year.⁵

FIGURES 3A AND 3B— AUDITED FINANCIAL STATEMENT SUBMISSIONS MADE WITHIN ONE YEAR OF FISCAL YEAR

Average Number of Days Between Document Receipt Date and End of Fiscal Year

	2010	2011	2012	2013	2014
Jan	190	190	189	189	193
Feb	202	203	202	204	203
Mar	223	226	226	222	220
Apr	199	201	208	197	204
May	198	196	194	190	206
Jun	218	213	216	221	219
Jul	204	200	213	207	205
Aug	213	219	228	224	220
Sep	239	240	214	226	222
Oct	170	169	180	170	168
Nov	175	175	172	171	173
Dec	194	192	185	185	186
Annual Average	203	202	201	199	200

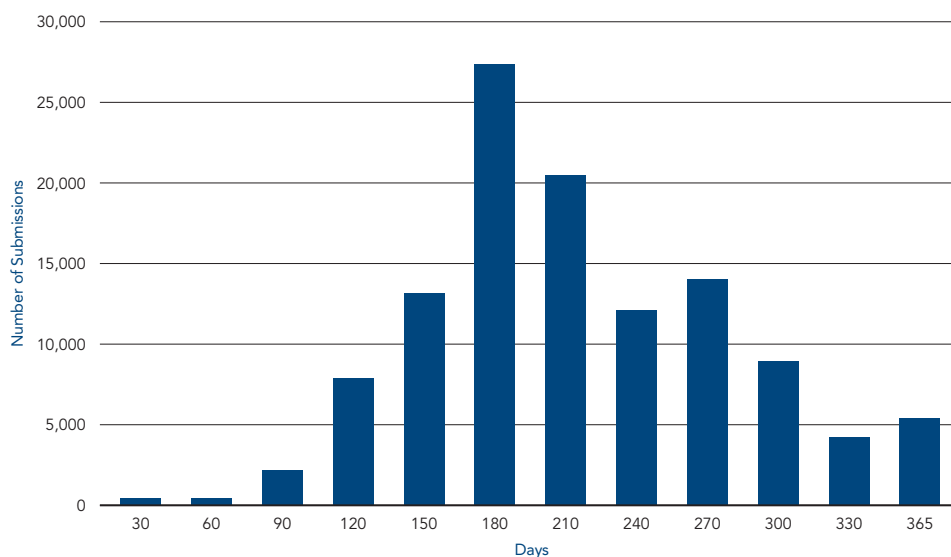


⁵ This data excludes audited financial statement submissions between January 2010 and December 2014 in which the number of days between the date the MSRB received the document and the end of the fiscal year was higher than 365 (1 year). As a result, 28,557 audited financial statement submissions were excluded from the full data set of approximately 145,000 audited financial statement submissions, constituting 20 percent of submissions to EMMA of audited financial statements. See Figure 5.

By eliminating submissions occurring more than one year after the end of the fiscal year, the timeframes are considerably reduced, as compared to the full data set, and the annual average number of days between the end of the fiscal year and the date on which audited financial statements for such fiscal year were submitted to EMMA remained nearly unchanged year over year. Between 2010 and 2014, the average number of days ranged from 199 days to 203 days, with the 2014 average of 200 days just one day higher than then the average of 199 days in 2013. For the modified dataset, the average time to submit audited financial statements was approximately 201 days after the end of the fiscal year. The exclusion of submissions occurring more than one year after the end of the fiscal year normalized the average time and the overall potential impact of the SEC's MCDC initiative.

Figure 3C illustrates the frequency of all catch-up audited financial statement submissions between 2010 and 2014. Nearly 40 percent of all catch-up audited financial statement disclosures were submitted between 150 and 210 days after the end of the fiscal year. Furthermore, only 2.6 percent of the disclosures were submitted in the first 90 days after the end of the fiscal year.

FIGURE 3C — FREQUENCY OF AUDITED FINANCIAL STATEMENT SUBMISSIONS MADE WITHIN ONE YEAR OF FISCAL YEAR

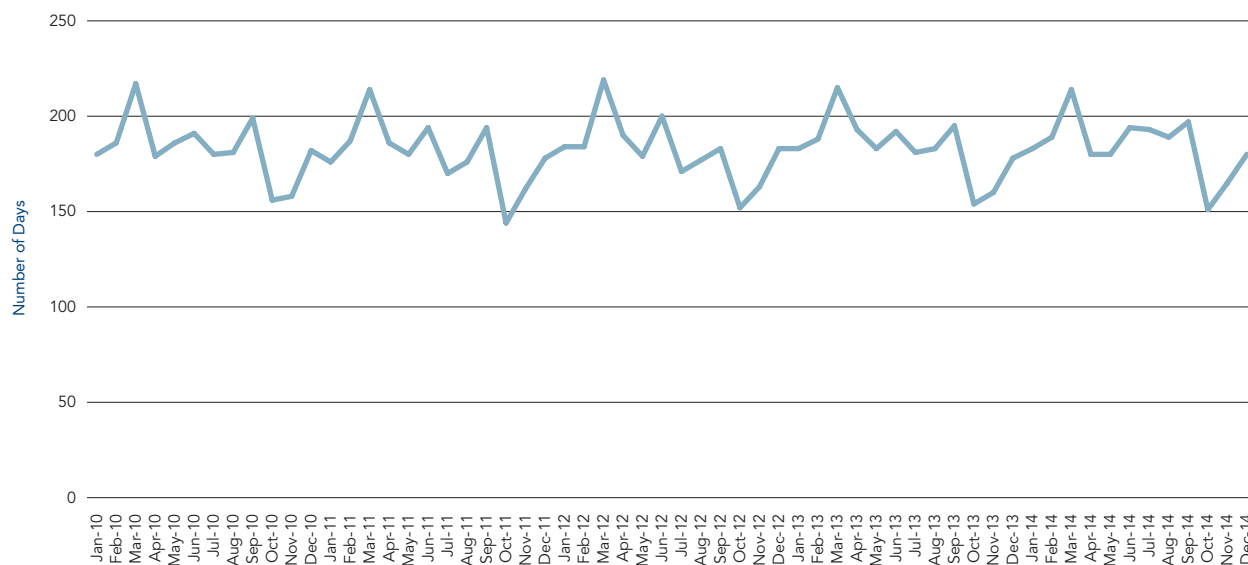


Figures 4A and 4B set out the average length of time between the end of the fiscal year and the date on which annual financial information for such fiscal year was submitted to EMMA for those submissions made within one year after the end of the fiscal year.⁶

FIGURES 4A AND 4B — ANNUAL FINANCIAL INFORMATION SUBMISSIONS MADE WITHIN ONE YEAR OF FISCAL YEAR

Average Number of Days Between Document Receipt Date and End of Fiscal Year

	2010	2011	2012	2013	2014
Jan	180	176	184	183	183
Feb	186	187	184	188	189
Mar	217	214	219	215	214
Apr	179	186	190	193	180
May	186	180	179	183	180
Jun	191	194	200	192	194
Jul	180	170	171	181	193
Aug	181	176	177	183	189
Sep	199	194	183	195	197
Oct	156	144	152	154	151
Nov	158	162	163	160	165
Dec	182	178	183	178	180
Annual Average	188	186	189	188	188



⁶ This data excludes annual financial information submissions between January 2010 and December 2014 in which the number of days between the date the MSRB received the document and the end of the fiscal year was higher than 365 (1 year). As a result, 11,966 annual financial information submissions were excluded from the full data set of approximately 112,000 annual financial information submissions, constituting 11 percent of submissions to EMMA of annual financial information. See Figure 5.

Similar to audited financial statement submissions, focusing solely on annual financial disclosures that exclude submissions occurring more than one year after the end of the fiscal year caused the average number of days to remain relatively unchanged, as compared to the full data set, and remain within a much tighter range. The average period to submit annual financial information in the normal course between January 2010 and December 2014 was 188 days.

Figure 4C depicts the frequency distribution of catch-up annual financial submissions since 2010. Nearly 27 percent of disclosures were submitted between 150 and 180 days, with another 15 percent of the submissions occurring in the first 120 days.

FIGURE 4C — FREQUENCY OF ANNUAL FINANCIAL INFORMATION SUBMISSIONS MADE WITHIN ONE YEAR OF FISCAL YEAR

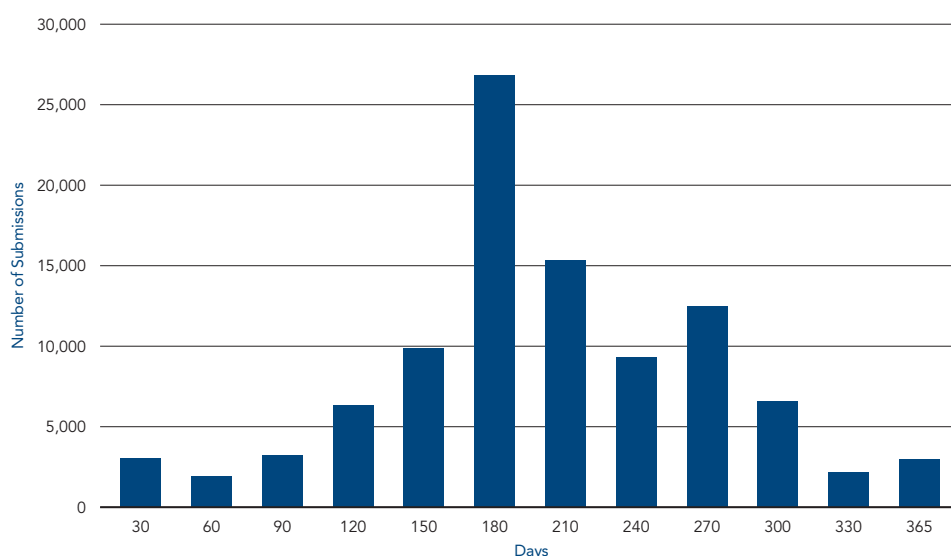


FIGURE 5 — PERCENTAGE OF CATCH-UP AUDITED FINANCIAL STATEMENT AND ANNUAL FINANCIAL INFORMATION SUBMISSIONS INCLUDED IN FULL DATA SET FOR EACH CALENDAR YEAR

	2010	2011	2012	2013	2014
Audited Financial	17%	16%	19%	19%	26%
Annual Financial	6%	7%	9%	9%	19%

The somewhat elevated rate of catch-up submissions in more recent years may reflect a combination of delayed awareness by some submitters that these documents are to be submitted to EMMA rather than to the former nationally recognized municipal securities information repositories, or NRMSIRs, increasing levels of enforcement activities and marketplace diligence in the area of compliance with continuing disclosure undertaking, and for 2014, the increased number of annual submissions in the period in which the SEC was undertaking its MCDC initiative.

About the MSRB

The MSRB protects investors, state and local governments and other municipal entities, and the public interest by promoting a fair and efficient municipal securities market. The MSRB fulfills this mission by regulating the municipal securities firms, banks and municipal advisors that engage in municipal securities and advisory activities. To further protect market participants, the MSRB provides market transparency through its [Electronic Municipal Market Access \(EMMA®\) website](#), the official repository for information on all municipal bonds. The MSRB also serves as an objective resource on the municipal market, conducts extensive education and outreach to market stakeholders, and provides market leadership on key issues. The MSRB is a Congressionally-chartered, self-regulatory organization governed by a 21-member board of directors that has a majority of public members, in addition to representatives of regulated entities. The MSRB is subject to oversight by the Securities and Exchange Commission.

About EMMA®

The MSRB's EMMA website, at emma.msrb.org, is the official online repository for information on virtually all municipal securities. EMMA provides free public access to official disclosures, trade data, credit ratings and other information about the municipal securities market. The EMMA website was established to increase transparency and provide access to vital disclosure and information in the municipal securities market.

EMMA houses municipal disclosure documents including offering documents, called official statements, for most new offerings of municipal bonds, notes, 529 college savings plans and other municipal securities issued since 1990. EMMA also provides access to advance refunding documents, which detail arrangements made when new bonds are issued to establish escrows to pay off existing bonds (usually to refinance their debt at a lower interest rate). Ongoing disclosures about municipal bonds throughout the life of the bonds also are available on EMMA.

These continuing disclosures, which include annual financial statements and notices of material events, reflect the financial or operating condition of the issuer and events that can affect the ability of an issuer to repay its bonds and the value of the bond, among other things. Current municipal securities credit ratings from Kroll Bond Ratings, Fitch Ratings and Standard & Poor's also are provided on EMMA.

EMMA disseminates market transparency data, which includes real-time prices and yields at which bonds and notes are bought and sold, for most trades occurring on or after January 31, 2005. Interest rates for municipal securities, including those for auction rate securities and variable rate demand obligations, are available on EMMA as well. A market statistics section on EMMA provides a summary of municipal securities transaction activity since 2006 and EMMA's Education Center houses useful information for the public and investors about municipal bonds. EMMA is a service of the Municipal Securities Rulemaking Board.

The information and data provided in this report are provided without warranties or representations and on an "as is" basis. The MSRB hereby disclaims all representations and warranties (express or implied), including, but not limited to, warranties of merchantability, non-infringement and fitness for a particular purpose. Neither the MSRB, nor any supplier, shall in any way be liable to any recipient of the information and/or data contained in this report, regardless of the cause or duration, including, but not limited to, any inaccuracies, errors, omissions or other defects in the information and/or data or for any damages resulting therefrom.