

OCTOBER 2013

CONTINUING DISCLOSURE REPORT SUPPLEMENT: TIMING OF ANNUAL FINANCIAL DISCLOSURES

Prepared by the MUNICIPAL SECURITIES RULEMAKING BOARD



EXECUTIVE SUMMARY

This report from the Municipal Securities Rulemaking Board (MSRB) provides statistics on the timing of submissions to the MSRB's Electronic Municipal Market Access (EMMA[®]) system of audited financial statements and annual financial information made by municipal securities issuers and obligated persons. Specifically, this report measures how long after the end of an issuer's fiscal year certain financial disclosures regarding that fiscal year are made available to the public. The applicable contractual deadline for these disclosures was not taken into account. Thus, the focus of this report is not on contractual compliance but instead the length of time after the end of the fiscal year that investors and the general public gain access to audited financial statements and annual financial information.¹

The data have been divided into two main 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) that were made by submitters to fill in earlier gaps in disclosures. Excluding these catch-up disclosures, the timing of audited financial statement submissions averaged approximately 202 calendar days after the end of the applicable fiscal year, while annual financial information submissions averaged 188 calendar days after the end of the applicable fiscal year. The average timing of these "normal-course" submissions made within 12 months of the most recent fiscal year remained consistent from year to year.

As previously mentioned, submitters may have made delayed "catch-up" submissions for earlier fiscal years in which they previously failed to make them. When including both the catch-up and normal-course submissions, the statistics indicate that, in any given year, audited financial statements were submitted, on average, between 306 to 339 calendar days after the end of the applicable fiscal year, while annual financial information submissions were made, on average, between 222 and 260 calendar days after the end of the applicable fiscal year. The average timing of submissions in the full data set varied considerably from year to year as a result of volatility in the timing of delayed catch-up submissions.

The full statistical findings are included and discussed below.

¹ This report also does not address potential regulatory concerns, if any, with regard to failures by submitters to comply with their contractual obligations or of market professionals with regard to their receipt or review of disclosures.

OVERVIEW

This supplemental Continuing Disclosure Report published by the MSRB provides analysis of the timing of submissions of certain types of financial disclosures made to the MSRB's Electronic Municipal Market Access (EMMA[®]) system on an annual basis. The submissions analyzed include audited financial statements or CAFRs (Comprehensive Annual Financial Reports) (hereinafter referred to as "audited financial statements") and annual financial information and operating data submissions (hereinafter referred to as "annual financial information").² The MSRB analyzed and quantified the length of time between the end of an issuer's or obligated person's fiscal year and the date on which a submission for such fiscal year was made to EMMA.

The MSRB collects disclosure documents associated with virtually all municipal securities and makes them available to investors for free through the EMMA website. Between January 2010 and June 2013, the MSRB received 96,438 audited financial statement submissions and 75,927 annual financial information submissions. Combined, these two continuing disclosure categories accounted for 36 percent of all reported submissions from January 2010 through June 2013.

Continuing disclosures are either contractually required to be provided by municipal issuers and obligated persons as contemplated by Rule 15c2-12 under the Securities Exchange Act (the "Rule") or are provided voluntarily. Subject to certain exemptions set out in the Rule, 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 otherwise exempt from the Rule.³ Continuing disclosures generally are divided between those made to update financial or operating information about the issuer or obligated person and those that disclose specific events that may have an impact on the securities.

This report does not evaluate a submitter's compliance with its contractual requirement to make a submission to EMMA within a specified period of time, or to include specific items of information within its annual financial information, as set out in the applicable contractual agreement. Such timing and content requirements are established at the time such agreement is entered into and can differ from submitter to submitter and from new issue to new issue. Rather, this report measures how long after the end of a fiscal year certain financial disclosures regarding such fiscal year are made available to the public, regardless of the applicable contractual deadline. Thus, the focus of this report is not on contractual compliance but instead on how soon after the end of the fiscal year investors and the general public gain access to audited financial statements and annual financial information.

METHODOLOGY

The data used in this report were submitted by issuers and obligated persons as part of the MSRB's continuing disclosure submission process. With the submission of each document, the MSRB records the date the continuing disclosure document was received from the submitter and posted to the public 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 of such document. These two dates were used to calculate the number of days a submitter took to submit a document after the end of the disclosure period.⁴ A document submission is counted in the month and calendar year in which such submission was made to EMMA. The data do not differentiate between issuers and other obligated persons, or among 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.⁵

² These types of financial disclosures are described in greater detail in the MSRB Market Transparency Advisory – Suggested Practices in Submitting of Financial Disclosures to EMMA, MSRB Notice 2013-18 (August 12, 2013) (the "MSRB Market Transparency Advisory"). Note that, for purposes of this report, annual financial information includes submissions representing both annual financial information and customary financial information as described in the MSRB Market Transparency Advisory.

³ 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.

⁴ The monthly, annual and other averages included in this report were calculated as simple averages of all submissions made in the applicable monthly, annual or other period.

⁵ The proper categorization of financial disclosures is discussed in the MSRB Market Transparency Advisory.

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 likely represent erroneous submission of data by the submitter (e.g., the submitter reported the wrong fiscal year). Additionally, this report excludes disclosures submitted between July 2009 and December 2009, which represents the initial six months of operation of the EMMA continuing disclosure service during which industry participants were adapting to the transition away from the former decentralized system of dissemination that permitted paper submissions to the former Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and to the new all-electronic submission process through EMMA.

STATISTICS

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 June 2013, regardless of how long after the end of a fiscal year a document relating to such fiscal year was submitted to EMMA. For example, if a submitter that has previously failed to submit audited financial statements for prior fiscal years thereafter submits audited financial statements for the past five years in connection with an outstanding issue of bonds in anticipation of an upcoming new issue, the period between the end of the fiscal year and the submission date may be considerably longer than one year (*i.e.*, over five years for the oldest delayed audited financial statement submission).⁶ Thus, although in this example the submission of the most recent audited financial statements generally would reflect the submission of such document in the “normal course” following the end of the most recent fiscal year, the remaining four delayed submissions for prior fiscal years would represent “catch-up” submissions that fall outside the normal course of the submitter’s disclosure duties.

This first set of statistics representing the full data set is then followed by a series of tables and graphs depicting refined subsets of these submissions designed to provide a more nuanced understanding of the submission timing for audited financial statements and annual financial information. Thus, to better understand the timing of submissions made in the normal course of disclosure without the potentially distortive effects of delayed catch-up disclosures, 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.

⁶ As noted above, this report does not address potential regulatory concerns with regard to contractual or rule compliance in connection with any such delayed submissions.

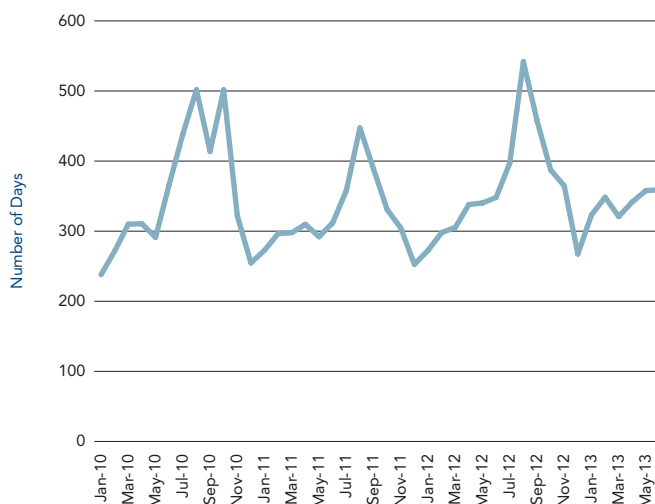
FULL DATA SET – COMBINED NORMAL COURSE AND CATCH-UP SUBMISSIONS

Figure 1A below sets 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, regardless of how long after the end of the fiscal year such audited financial statements were submitted. Thus, as described above, some submitters may have made multiple submissions simultaneously or within a compressed period of time for multiple prior fiscal years, and some of those delayed catch-up submissions may result in extended periods between the end of the fiscal year and the submission date for the corresponding document.

FIGURE 1A — AUDITED FINANCIAL STATEMENTS

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

	2010	2011	2012	2013
Jan	238	273	273	323
Feb	272	297	298	348
Mar	310	298	305	321
Apr	310	310	338	342
May	291	292	340	358
Jun	367	312	348	359
Jul	438	358	397	
Aug	502	447	542	
Sep	414	389	458	
Oct	501	331	387	
Nov	322	304	365	
Dec	255	253	267	
Annual Average	329	306	339	339



The annual 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 dropped about 7 percent from calendar year 2010 to 2011, then increased 11 percent for calendar year 2012 and remained elevated for the first six months of calendar year 2013. For the entire data set, the average time to submit audited financial statements was approximately 328 days after the

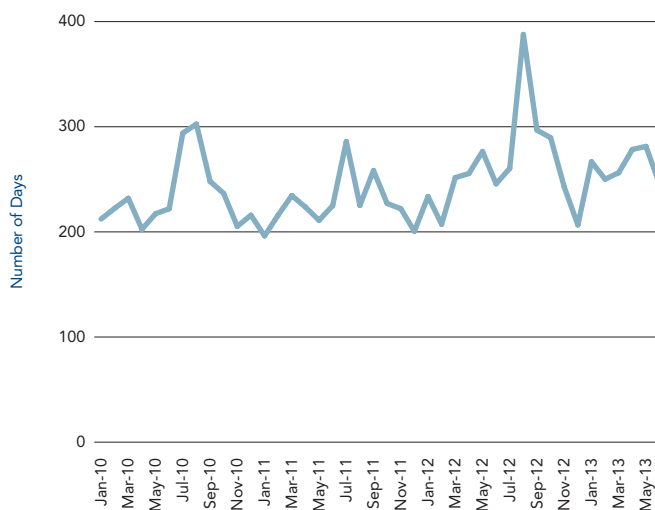
end of the fiscal year. The average length of time spiked significantly every August in 2010, 2011 and 2012, averaging 502 days between the end of the fiscal year and date of submission, well above the 328 day average for all audited financial statements.

Figure 1B below sets 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. Similar to the example provided above with regard to audited financial statements, if a submitter that has previously failed to submit annual financial information for prior fiscal years thereafter makes catch-up submissions of such information, the period between the end of the fiscal year and the submission date may be considerably longer than one year.

FIGURE 1B — ANNUAL FINANCIAL INFORMATION

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

	2010	2011	2012	2013
Jan	212	196	234	267
Feb	222	216	207	250
Mar	232	234	252	256
Apr	202	224	256	278
May	217	211	276	281
Jun	222	225	246	245
Jul	294	286	260	
Aug	302	225	388	
Sep	248	258	297	
Oct	237	227	290	
Nov	205	222	243	
Dec	216	200	207	
Annual Average	226	222	249	260



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 decreased slightly from calendar year 2010 to 2011, and then increased 12 percent for calendar year 2012 and another 5 percent in the first six months of calendar year 2013. From January 2010 through June 2013, the average time to submit annual financial information was approximately 238 days after the end of the fiscal year. January 2011 saw the shortest average period between the end of the fiscal year and the

submission of annual financial statements of 196 days, or approximately 6.5 months. August 2012 was the only month, on average, in which annual financial information submissions took over one year (388 days), or nearly 13 months.

Figure 1C below illustrates the average difference in timing between the submission to EMMA of audited financial statements and annual financial information.

FIGURE 1C — AUDITED FINANCIAL STATEMENTS AND ANNUAL FINANCIAL INFORMATION COMPARISON

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

	2010	2011	2012	2013 ⁷
Audited Financial	329	306	339	339
Annual Financial	226	222	249	260
Difference	103	84	90	79

On average, the gap between submission of audited financial statements and annual financial information was relatively consistent and the submission of audited financial statements seems to normally lag submission of annual financial information by between approximately 80 and 100 days.

ONE-YEAR HORIZON — NORMAL-COURSE SUBMISSIONS ONLY

In most months during the 3.5 calendar years included in the full data set, audited financial statements and annual financial information have been submitted, on average, within one year after the end of the preceding fiscal year. As noted above, if a submitter that has previously failed to submit documents for prior fiscal years thereafter submits such documents, the period between the end of the fiscal year and the submission date may be considerably longer than one 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 mask the average timing for submission of audited financial statements and annual financial information for submitters that, in the normal course, 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 2A, 2B and 2C below recast the full data set by including only those normal-course submissions that were made within one full calendar year of the end of the fiscal year for which such documents were submitted. For example, if a submitter that has failed for five years to submit audited financial statements thereafter submits five years of audited financial statements, the data below would include the submission for the most recently completed fiscal year but would exclude the catch-up submissions for the four prior fiscal years. 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.

Figure 2A below sets 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 EMMA for those submissions made in the normal course within one year after the end of the fiscal year.⁸

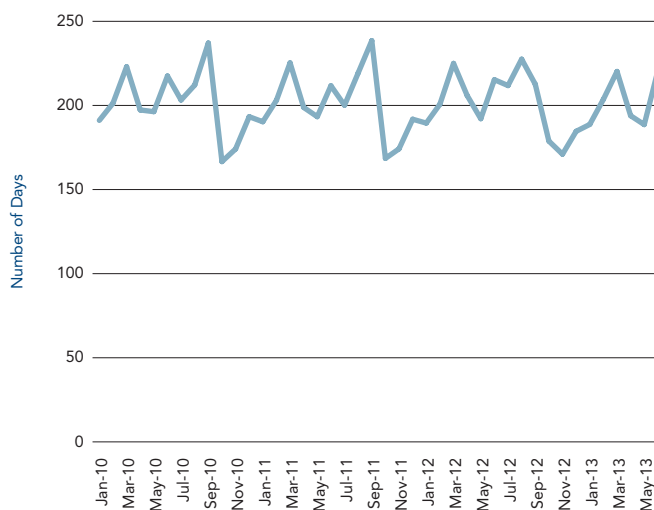
⁷ January 2013 through June 2013

⁸ This data excludes audited financial statement submissions between January 2010 and June 2013 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, 16,151 audited financial statement submissions were excluded from the full data set of 96,438 audited financial statement submissions, constituting 16.7 percent of submissions to EMMA of audited financial statements. See Figure 3C below.

FIGURE 2A — AUDITED FINANCIAL STATEMENT SUBMISSIONS MADE IN THE NORMAL COURSE WITHIN ONE YEAR OF FISCAL YEAR END

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

	2010	2011	2012	2013
Jan	191	190	189	189
Feb	201	203	201	204
Mar	223	225	225	220
Apr	197	199	206	194
May	196	193	192	189
Jun	218	212	215	221
Jul	203	200	212	
Aug	212	219	227	
Sep	237	239	213	
Oct	167	169	179	
Nov	174	174	171	
Dec	193	192	185	
Annual Average	202	202	200	204



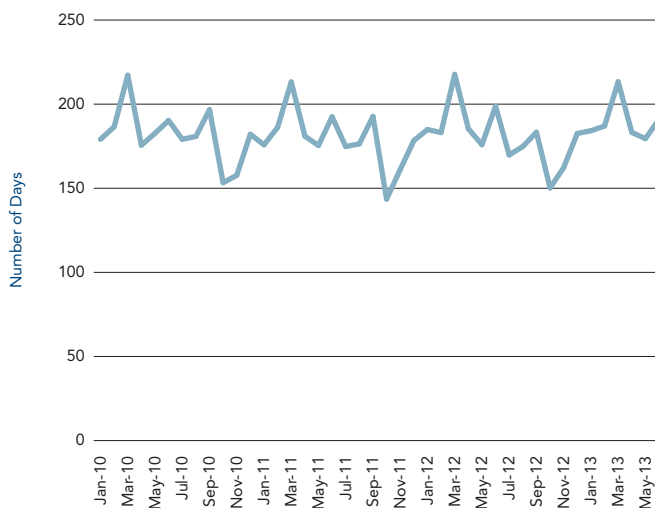
By eliminating submissions occurring more than one year after the end of the fiscal year and focusing solely on normal-course submissions, the timeframes are considerably reduced, as compared to the full data set, and the annual average number of days between the end of the fiscal year and the date on which audited financial statements for such fiscal year were submitted to EMMA changed very little from year to year. For both calendar years 2010 and 2011, the annual average time of normal-course submissions was 202 days, compared to 200 days in calendar year 2012 and 204 days in the first six months of calendar year 2013. For the entire modified sample, the average time to submit audited financial statements in the normal course was approximately 202 days after the end of the fiscal year. October 2010 had the shortest average period between the end of the fiscal year and the submission of audited financial statements of 167 days, or about 5.5 months. September 2011 saw the longest average period between the end of the fiscal year and the submission of audited financial statements at 239 days, or approximately 8 months.

Figure 2B below sets 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 in the normal course within one year after the end of the fiscal year.⁹

FIGURE 2B — ANNUAL FINANCIAL INFORMATION SUBMISSIONS MADE IN THE NORMAL COURSE WITHIN ONE YEAR OF FISCAL YEAR END

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

	2010	2011	2012	2013
Jan	179	176	185	184
Feb	186	186	183	187
Mar	217	213	218	213
Apr	176	181	185	183
May	183	175	176	179
Jun	190	192	199	191
Jul	179	175	170	
Aug	181	176	175	
Sep	197	193	183	
Oct	153	144	150	
Nov	158	161	162	
Dec	182	178	183	
Annual Average	187	185	188	194



⁹ This data excludes annual financial information submissions between January 2010 and June 2013 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, 5,174 annual financial information submissions were excluded from the full data set of 75,927 annual financial information submissions, constituting 6.8 percent of submissions to EMMA of annual financial information. See Figure 3C below.

Similar to audited financial statements submissions, focusing solely on normal-course submissions of annual financial information by excluding submissions occurring more than one year after the end of the fiscal year caused the average number of days to decrease significantly, as compared to the full data set, and remain within a much tighter range. The annual average time of normal-course submissions of annual financial information decreased from 187 days in calendar year 2010 to 185 days in calendar year 2011 but then increased to 188 days in calendar year 2012 and 194 days in first six months of calendar 2013. The average period to submit annual financial information in the normal course between January 2010 and June 2013 was 188 days. October 2011 had the shortest average period with 144 days, or slightly less than five months, and March 2012 had the longest with 218 days, or approximately seven months.

Figure 2C below sets out the average difference in timing between the submission to EMMA of audited financial statements and annual financial information for those submissions made in the normal course within one year after the end of the fiscal year.

**FIGURE 2C — COMPARISON OF AUDITED FINANCIAL STATEMENT
AND ANNUAL FINANCIAL INFORMATION SUBMISSIONS MADE
IN THE NORMAL COURSE WITHIN ONE YEAR OF FISCAL YEAR END**

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

	2010	2011	2012	2013 ¹⁰
Audited Financial	202	202	200	204
Annual Financial	187	185	188	194
Difference	15	17	12	10

Once submissions occurring more than one year after the end of the fiscal year are excluded, the difference in the average number of days of normal course submissions between audited financial statements and annual financial information decreases significantly compared to the full data set, ranging from 10 to 17 days.

MULTIPLE-YEAR HORIZON

In order to better understand how catch-up submissions affect the average length of time between the end of the fiscal year and the date a document is submitted, as well as to capture those normal-course submissions that occur more than one year after the end of the fiscal year (*i.e.*, a submission made more than 365 days after the end of the fiscal year that does not represent a submission meant to make up for a prior failed submission), Figures 3A and 3B below recast the full data set by excluding audited financial statements and annual financial information submissions between January 2010 and June 2013 in which the number of days between the end of the fiscal year and the submission date was longer than two years¹¹ (730 days), three years¹² (1,095 days) and five years¹³ (1,825 days), respectively. These figures also include the annual averages shown above for the full data set and the one-year horizon (normal-course submissions) for ease of comparison.

¹⁰ January 2013 through June 2013

¹¹ 7,943 audited financial statement submissions and 2,303 annual financial information submissions were excluded.

¹² 5,044 audited financial statement submissions and 1,481 annual financial information submissions were excluded.

¹³ 1,348 audited financial statement submissions and 306 annual financial information submissions were excluded.

FIGURE 3A — AUDITED FINANCIAL STATEMENT SUBMISSIONS MADE WITHIN ONE, TWO, THREE AND FIVE YEARS OF FISCAL YEAR END, AND ALL SUBMISSIONS

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

	2010	2011	2012	2013 ¹⁴
1 Year	202	202	200	204
2 Years	229	231	231	231
3 Years	249	250	256	256
5 Years	293	284	309	314
Full Data Set	329	306	339	339

FIGURE 3B — ANNUAL FINANCIAL INFORMATION SUBMISSIONS MADE WITHIN ONE, TWO, THREE AND FIVE YEARS OF FISCAL YEAR END, AND ALL SUBMISSIONS

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

	2010	2011	2012	2013 ¹⁵
1 Year	187	185	188	194
2 Years	199	199	200	206
3 Years	204	205	210	218
5 Years	214	217	237	251
Full Data Set	226	222	249	260

The average number of days between the document receipt date and the end of the fiscal year grows as the horizon for the included submissions is lengthened. Based on Figures 3A and 3B, the volatility and range in the full data set (Figure 1A) is mainly associated with submissions made more than three years after the end of the fiscal year. Submissions made within two years (*i.e.*, normal-course submissions plus catch-up submissions made one year after the normal course) and three years (*i.e.*, normal-course submissions plus catch-up submissions made one or two years after the normal course) after the end of the fiscal year are relatively stable from year to year, with a maximum increase between years of seven days for audited financial statements and 14 days for annual financial information. The average length of time begins to increase considerably when looking at all submissions made within five years after the end of the fiscal year (that is, adding catch-up submissions made three or four years after the normal course). For audited financial statements, submissions made within five years increased from an average of 284 days in calendar year 2011 to 314 days in the first six months of calendar year 2013, while annual financial information increased from 214 days in calendar year 2010 to 251 days in the first six months of calendar year 2013.

¹⁴ January 2013 through June 2013

¹⁵ January 2013 through June 2013

In addition, the yearly variation in the average number of days between the document receipt date and the end of the fiscal year in the full data set, shown in Figures 1A and 1B above, generally parallels, and would tend to drive, the yearly variation in the number of catch-up submissions made in each successive year, as shown in Figure 3C below.

FIGURE 3C — 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 ¹⁶
Audited Financial	16.5%	15.6%	18.5%	16.4%
Annual Financial	5.8%	6.5%	8.1%	7.8%

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 NRMSIRs and increasing levels of enforcement activities and marketplace diligence in the area of compliance with continuing disclosure undertakings, resulting in more catch-up submissions being made upon discovery of prior submission failures and for fiscal years prior to the establishment of the EMMA continuing disclosure service.

¹⁶ January 2013 through June 2013

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