VGFOA

Virginia Government Finance Officers' Association

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Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
Station Place
100 F Street, NE Washington, DC 20549

Re: File No. SR-MSRB-2009-09 and SR-MSRB-2009-10

Dear Ms. Murphy:

The Virginia Government Finance Officers Association (VGFOA) would like to take this opportunity to respond to the proposed rule changes that would affect the Electronic Municipal Market Access (EMMA) primary market disclosure service and the continuing disclosure service.

As we understand the proposed rule changes they would expand the continuing disclosure data to be submitted to the MSRB's EMMA system and would also require earlier submission of audited financial information by municipal issuers. While we support the goal of encouraging transparency in the market for municipal securities, it is our opinion that the MSRB should assess both the expected benefits and the potential impacts of the proposed changes before voting on the proposed changes.

The VGFOA supports all of the suggested changes proposed in *SR-MSRB-2009-09 and SR-MSRB-2009-10* with one concern, the voluntary reporting requirement to have financial information to the one Nationally Recognized Municipal Securities Information Repository (NRMSIR) within 120 days of the end of the fiscal year. This requirement, although voluntary, would likely become practice and may eventually become a required practice. This proposed change would create several hardships on local governments, school districts, and special purpose governments who produce a Comprehensive Annual Financial Report (CAFR).

The Government Financial Officers Association (GFOA), who the SEC cites as an organization whose CAFR award would be important information to a user of financial statements, allows up to six months to submit the CAFR to the program for evaluation. Currently many localities base their financial reporting timelines on making this deadline as well as the deadline set in law. In Virginia, the *Code of Virginia,* in § 15.2-2511 states, "The certified public accountant shall present a detailed written report to the local governing body at a public session by the following December 31." The financial report, which is often a CAFR, is not considered a public document until after the presentation by the auditors at a public meeting of the local governing body and is therefore not available for public distribution until after the meeting.

Other concerns include the fact that obtaining a component unit's audited financial information in time for the primary government to finish its own financial statements would create significant strain on the component unit. The proposed 120 day requirement would constrain the component unit's production a great deal and potentially create a situation in which the 30 to 60 day revenue accruals would not be possible. The reduction of the accrual period on a modified basis of accounting would cause a significant reduction in revenue in the year of implementation as well as reducing net assets (fund equity) in each subsequent year.

The last concern that the VGFOA has with regard to the 120 day reporting requirement is that it will increase costs to local governments, school districts, and special purpose governments. These costs will increase because of the reduced flexibility of audit firms in the scheduling of their governmental clients as the time available the external auditors to perform audits would be compressed from 5 months to essentially 3 months. From a practical standpoint audits would need to be performed only in the August, September and October timeframe.

To summarize, the proposed 120 day requirement may create problems that include conflict with the GFOA’s requirement for submission of CAFRS to its Award for Excellence in Financial Reporting program, it may conflict with state law (in Virginia it does), it will cause a compressed timeline which will make collection of component unit information difficult, it will make the selection of a 30 or 60 day revenue accrual policy impossible directly reducing revenues, and it will increase audit fees.

The VGFOA respectfully requests that there be more discussion about the proposed 120 day requirement before it is implemented. In conclusion, it is our recommendation that the final decision on the proposed changes be postponed until a thorough analysis of its costs and benefits has been performed.

Sincerely,

Marycarol C. White

Marycarol C. White, CPA, CPFO
President
Virginia Government Finance Officers’ Association