



Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
Phone 312-977-9700 Fax 312-977-4806
www.gfoa.org

January 25, 2010

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: SEC Release 34-61237/SR-MSRB-2009-10/Amendment No. 1

Dear Ms. Murphy:

The Government Finance Officers Association (GFOA), a professional association representing 18,000 state, provincial and local finance officers in the United States and Canada, appreciates the opportunity to comment on SEC Release 34-61237/SR-MSRB-2009-10/Amendment No. 1. The GFOA is dedicated to the sound management of government financial resources and has actively promoted transparency in government finance. While we support most of the changes to the Electronic Municipal Market Access system (EMMA) brought forth both in SEC Release 34-60315/SR-MSRB-2009-10 and in this notice, we must express our continued concern with some of the proposed voluntary fields.

As outlined in our August 17, 2009 comment letter (attached), state and local governments provide significant financial information to the public that far exceeds what is found in the private sector. Furthermore, such financial information – including budgetary decisions – is discussed by governmental bodies in a public forum through hearings and the presentation of financial information. We believe the evidence is quite clear that more financial information exists in the public sector than in the private sector, and we remain concerned that the SEC and MSRB are working from a premise that does not reflect this reality. We respectfully suggest that the SEC and MSRB carefully review the GFOA's August 17th submission in addition to comments from other state and local governments in reference to this proposal, in order to grasp a clear understanding of the accountability standards and extensive financial information that governments provide to the public.

Our comments on the specific amendments are as follows:

Two fields: Issuer establishes an undertaking to submit annual financial information within 150 days of the end of its fiscal year and Issuer establishes an undertaking to submit annual financial information within 120 days of the end of its fiscal year.

We remain very concerned with the proposals that would create fields designating a specific timeframe for which a government should submit its annual financial information when a vast majority of governments would be unable to meet such deadlines. Such deadlines ultimately could reduce the quality of financial information that is provided to the public and investors, which runs counter to the outcome the SEC seeks. These deadlines do not take into account the unique challenges that GAAP

reporting for state and local governments entails, nor the fact that a "one size fits all" approach does not work well in the state and local government sector, as there are varying degrees of size and complexity within governmental units.

GFOA's own Certificate of Achievement for Excellence in Financial Reporting Program, which promotes the preparation of comprehensive annual financial reports (CAFRs) that go well beyond the requirements of GAAP (e.g., an extensive statistical section that features numerous schedules of 10-year financial trend information, as well as information on each individual fund of the government), sets a 180 day filing deadline, which many governments still struggle to meet. By creating 120 and 150 day deadlines, governments might feel forced to scale back the information they provide to a plain set of basic financial statements, versus the robust amount of information that is found in a CAFR today. We believe that providing less information is in contrast to what investors want from state and local governments, and we ask that these fields not be included in the EMMA system.

Our specific concerns regarding these fields are noted below –

1. Lack of understanding regarding the role of "component units" within a government's annual financial report. Many governments must include data from legally separate component units, which they do not control, in their year-end financials. It is nearly impossible for a government to have the necessary information from the component units, which typically have the same fiscal year end date as the overall government, in time to incorporate and reconcile that information and complete their own year-end financials within the time frames suggested in this notice.
2. Compromising the integrity of an audit. There are a limited number of auditing firms that are capable of completing governmental audits. This is especially true when a government receives federal funds and therefore must complete a "single audit". We have little confidence that a government can complete its year-end financials and have them audited by a firm with adequate governmental accounting experience within 120 or 150 days of the fiscal year end. We are concerned these deadlines would pressure governments to use auditing firms that are not well qualified in governmental accounting and auditing standards.
3. Increased use of estimates. In addition to abandoning the CAFR, governments also may be forced to use estimates, rather than actual data, when preparing their financial reports. This practice would decrease the reliability of information and is not beneficial to the government or to investors.
4. Additional costs placed on the issuer. While voluntary, these fields indirectly would pressure governments to meet them and therefore would increase both the costs associated with preparing annual financial reports and auditing costs.

Issuer establishes an undertaking to prepare its audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) or the Financial Accounting Standards Board (FASB).

While the GFOA supports a field to indicate that a government has prepared its financial statements in accordance with GAAP, we do not believe it should reference a particular standard-setting body. Auditors cannot give an unqualified opinion on a report that materially violates standards set by their profession and be in conformity with GAAP. As the goal of the proposal is to provide an indicator noting that a government uses GAAP, it is redundant for the MSRB to also include the body in which GAAP standards are established. We therefore suggest that the MSRB create a field that indicates only whether the financial statements are prepared in accordance with GAAP.

Eliminating the field that indicates if a government has received the GFOA Certificate of Achievement for Excellence in Financial Reporting.

The goal of the GFOA's Certificate of Achievement for Excellence in Financial Reporting Program is to promote the preparation of high quality financial reports and has played an important role in improving financial reporting in the public sector. The certificate, which is earned by approximately 3,500 governments each year, including 88 percent of the nation's largest cities, has always focused on the presentation of financial information. We believe that such a field is useful to investors as it tells them which governments have exceptional reporting standards and helps them review the information when making their investment decisions. We request that the SEC and the MSRB include this voluntary field within EMMA.

Submission of a URL to an issuer's investor relations or other financial/operating information.

This field will provide investors with valuable information and is likely the most useful voluntary field proposed by the MSRB. Governments have embraced using their Web sites to post past, current and future financial information. Giving governments an easy way to file and investors an easy way to access this information allows for the wealth of financial data on their Web sites, including their CAFR, annual budget, economic data, and a vast array of historical data, to be showcased. We again encourage the MSRB to allow governments to include multiple links, with a description of each, so that as much of a government's financial information as possible can easily be accessed through EMMA.

The GFOA supports the SEC's and MSRB's goal to make market participants more aware of the immense amount of relevant financial information that is available and can be viewed through EMMA. We are especially pleased with the proposed field that allows issuers to post links in EMMA that would directly send investors to their financial and operating information. However, we remain concerned with the inclusion of fields that indicate if a government intends to submit their annual financial information within 120 and 150 days of the end of their fiscal year. Such fields would cause a significant step backwards for governmental reporting.

Thank you for the opportunity to comment on this Proposed Rule.

Sincerely,



Jeffrey L. Esser
Executive Director and CEO

Attachment: GFOA's 8/17 comment letter



Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
Phone 312-977-9700 Fax 312-977-4806
www.gfoa.org

August 17, 2009

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: SEC Release 34-60315/SR-MSRB-2009-10

Dear Ms. Murphy:

The Government Finance Officers Association (GFOA) is the professional association of state, provincial and local finance officers in the United States and Canada. The GFOA has served the public finance profession since 1906 and continues to provide leadership to government finance professionals through research, education and the identification and promotion of best practices. Our more than 18,000 members are dedicated to the sound management of government financial resources. Throughout its history, the GFOA has actively promoted transparency in government finance. We have consistently encouraged governments to produce financial reports, disclosure documents and budgets of the highest quality and to make them readily available to the public and other interested parties.

Sunshine laws and similar legislation have made the environment of public finance uniquely transparent to citizens and other interested parties. Hearings and meetings where a government's budget decisions are made and its financial standing reported are routinely announced in advance, held in public, and reported on extensively by the general media. Likewise, previous, current and future financial information from state and local governments normally is available on government Web sites for anyone who is interested. Nothing approaching this degree of openness can be found in the private sector. Indeed, reproducing private-sector practice would be a significant step *backward* for most governments.

The GFOA's longstanding leadership in governmental financial transparency is well-documented. Our leadership role in promoting enhanced financial reporting stretches at least as far back as the 1936 publication of the first edition of the now classic "Blue Book" (*Governmental Accounting, Auditing, and Financial Reporting*). Since 1945, the GFOA's Certificate of Achievement for Excellence in Financial Reporting Program has played a crucial role in promoting compliance with generally accepted accounting principles (GAAP). Likewise, the GFOA was a leader in the effort that led to the establishment of the Governmental Accounting Standards Board (GASB) in 1984 and has remained a significant financial supporter of the GASB ever since.

GFOA also has been a leader in municipal disclosure. In the 1970s, the GFOA spearheaded the groundbreaking effort that led to the development of the highly regarded *Disclosure Guidelines for State and Local Government Securities*, which became the industry standard and accepted by all parties as the prime source for information on disclosure in connection with the issuance of municipal bonds. In 2001,

the GFOA published *Making Good Disclosure*, which provides an overview of municipal laws and disclosure obligations for issuers, and our best practice, “Maintaining an Investor Relations Program,” first adopted in 1996, has helped issuers develop important tools to ensure that investors and stakeholders are provided with important financial and operational information about governments.

The GFOA shares the Municipal Securities Rulemaking Board’s (MSRB) desire to make market participants more aware of the wealth of relevant financial information that is available to them and supports most of the MSRB’s proposal to create new voluntary disclosure fields within the Electronic Municipal Market Access (EMMA) system (MSRB Proposed Rule 2009-10). While the EMMA system currently allows for governments to voluntarily submit any documents related to their municipal securities, we support MSRB’s proposal to create specific information fields, most especially the ability to provide links to a government’s Web site, which would allow interested parties to review financial reports and approved budget documents while enjoying direct access to the government’s ongoing budgetary decision-making process. However, we do have serious concerns about promoting an undertaking to file annual financial documents within 120 days of the end of a government’s fiscal year, because such a requirement would place an undue burden on state and local governments and could disserve the very EMMA users it is intended to serve.

Our comments on the proposed new voluntary disclosure fields are as follows:

Issuer establishes an undertaking to submit annual financial information within 120 days of the end of its fiscal year.

GFOA fully supports the EMMA system and the creation of new voluntary disclosure fields. However, we strongly oppose the creation of a field that would indicate whether a government had undertaken to submit its annual financial information within 120 days of the end of its fiscal year. We take this position because we believe setting an “ideal” deadline of 120 days is unnecessary, arbitrary and likely harmful to the quality of financial reporting.

Currently under SEC Rule 15c2-12, issuers of municipal securities must submit their annual financial information to EMMA by the date indicated in their continuing disclosure agreement. That date is determined in connection with the issuance of the bonds and is set for a time when the government reasonably believes it can deliver the information. We certainly could support a voluntary disclosure field indicating that a government was, in fact, in compliance with its continuing disclosure agreement obligations.

We fear several unintended adverse consequences of promoting a “one-size-fits-all” 120 day deadline. First, thousands of state and local governments participate in the GFOA’s Certificate of Achievement Program, which promotes the preparation of comprehensive annual financial reports (CAFRs) that go well beyond the requirements of GAAP (e.g., an extensive statistical section that features numerous schedules of 10-year financial trend information, as well as information on each individual fund of the government). Often governments now have to struggle to meet the Certificate Program’s 180 day filing deadline. Promoting a 120 day deadline might reasonably be expected to persuade any number of such governments to abandon a CAFR altogether in favor of a plain set of basic financial statements. It is hard to understand how market participants would be served were CAFRs to be replaced by the much-reduced presentations found in a set of basic financial statements.

Local governments also face the challenge that GAAP requires their reports to include data from legally separate “component units” over which they often are able to exercise little practical control. For such governments, it often simply would not be within their power to undertake to meet a 120 day deadline,

since compliance would depend on the performance of legally separate entities that they cannot compel to comply.

State and local governments also face special audit challenges (specialized *Government Auditing Standards*, Single Audit, and a limited number of fully qualified audit firms). We object to a question that presupposes that a 120 day issuance date is practical for all or even most state and local governments. We especially fear that such an objective may put pressure on local governments to engage the services of audit firms that are not fully qualified to perform government audit engagements, thereby diminishing the significant quality improvements that have occurred in the governmental auditing sector over the past twenty years.

A 120 day timeframe also would force many governments to rely to a much greater extent on the use of estimates to prepare their financial reports. We believe the gains to be achieved by a slight improvement in timeliness could hardly justify the decrease in reliability that would inevitably result from an increased reliance upon estimation for financial reporting.

Finally, we object to state or local governments being indirectly pressured to incur significant additional costs that promise little in the way of substantive benefit to market participants. The GASB has issued a white paper, available on its Web site (www.gasb.org), on “Why Government Accounting and Financial Reporting Is—and Should Be Different.” That white paper explains how the users and uses of financial reports are significantly different in the public sector than in the private sector. We fear that the move toward a 120-day deadline represents a well-intentioned but misguided attempt to apply private-sector solutions to a sector in which their relevance is questionable.

Issuer establishes an undertaking to prepare its audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB).

We are firm advocates of state and local governments using GAAP. Indeed, the GFOA led the very first efforts to define GAAP for municipal governments. Likewise, the GFOA issued a best practice in 1983, “Governmental Accounting, Auditing, and Financial Reporting Practices” that urged all state and local governments to prepare their financial statements in conformity with GAAP. Accordingly, the GFOA supports a field within EMMA indicating that a government prepares its financial statements in accordance with GAAP. However, we believe the reference to a particular standard-setting body as proposed is both unnecessary and potentially harmful.

The proposed field is unnecessary because the audit profession specifies the recognized standard-setting body for GAAP in its professional standards for each sector, and auditors cannot give an unqualified opinion in conformity with GAAP on a report that materially violates standards set by that body. It is potentially harmful because some EMMA filers may, in fact, be required to use not-for-profit GAAP as set by the Financial Accounting Standards Board, rather than GASB standards. As the goal of the proposal is to provide an indicator noting that a government uses GAAP, it is redundant for the MSRB to also include the body in which GAAP standards are established. We therefore suggest that the MSRB create a field that simply indicates whether the financial statements are prepared in accordance with GAAP.

Issuer indicates if it has received the GFOA Certificate of Achievement for Excellence in Financial Reporting.

The GFOA's Certificate of Achievement for Excellence in Financial Reporting Program, which has been in existence since 1945, promotes the preparation of high quality financial reports and has played an important role in improving the quality of financial reporting in the public sector. An entity receives a Certificate for meeting exceptional standards in the presentation of its financial data. Each year approximately 3,500 governments participate in the program, including 88 percent of the nation's largest cities. This number compares to approximately 4,200 individual governmental and not-for-profit entities that issued bonds in 2008.

The GFOA supports the inclusion of a field in EMMA indicating if a government has received the GFOA's Certificate of Achievement for Excellence in Financial Reporting. However, it is important to clarify that when a government states that it has received a Certificate, it likely was awarded for the year prior to the annual financial report that is being submitted to EMMA. Providing room in the field to note the fiscal year or years in which the Certificate was awarded would provide greater clarity and understanding of the Program for investors and the public. We also recommend that the MSRB create an area on the EMMA Web site where the public could readily access the GFOA's posting of all Program participants on our Web site, where there is also access to many of the program participants' CAFRs.

In addition to acknowledging a government's receipt of the Certificate of Achievement for Excellence in Financial Reporting Program, we encourage the MSRB also to include a voluntary field within EMMA where governments and governmental entities can indicate if they have received the GFOA's Distinguished Budget Presentation Awards. This GFOA program, created in 1984, recognizes governments that prepare budget documents in accordance with the guidelines established by the National Advisory Council on State and Local Budgeting and the applicable GFOA best practices on budgeting. In fiscal year 2006, more than 1,100 Distinguished Budget Presentation awards were announced, and 91 percent of those governments provided a hyperlink to their budget document. A comprehensive list of all award recipients and access to these budget documents can be found on the GFOA's Web site, similar to the Certificate of Achievement for Excellence in Financial Reporting Program. We further recommend that the MSRB create a link enabling the public to access this listing.

Submission of a URL to an issuer's investor relations or other financial/operating information.

Over the past decade, the GFOA has strongly supported the posting of Web links to a government's financial and budget information (GFOA Best Practices – Web site Presentation of Official Financial Documents (2009), Using Web sites to Improve Access to Budget Documents and Financial Reports (2003), Using a Web site for Disclosure (2002). Many governments post a wealth of financial data on their Web sites, including their CAFR, annual budget, economic data, and a vast array of historical data. We encourage the MSRB to allow governments to include multiple links, with a description of each, so that as much of a government's financial information as possible can easily be accessed through EMMA.

We note that some organizations have commented on liability and anti-fraud concerns for the posting of Web links and when 'dead' or incorrect links are found. In order to quell these concerns, we ask that the SEC and/or the MSRB provide clarity on the obligations of all parties involved in a municipal bond transaction when links are submitted to EMMA directing the public to a government's Web site for financial information. Additionally, the EMMA system should provide a mechanism for governments to withdraw and replace URLs in order to ensure that the links connect to the most current and correct data that is available.

Conclusion

In summary, the GFOA shares the MSRB's goal to make market participants more aware of the immense amount of relevant financial information that is available and supports the majority of the MSRB's proposal to create new voluntary disclosure fields within the EMMA system. We especially support providing links to a government's Web site, which allows interested parties to review financial reports and approved budget documents while enjoying direct access to the government's ongoing budgetary decision-making process. However, we oppose the field for the filing of annual financial documents within 120 days of the end of a government's fiscal year, as it would cause undue burdens to state and local governments and could ultimately disserve the public audience EMMA is intended to serve.

We appreciate the opportunity to comment on the proposed changes to EMMA and applaud the MSRB on their creation of a system that is easy to use at no cost to issuers and investors, and is an important and valuable tool for governments and the public alike. However, our support for EMMA and the voluntary submission fields discussed in these comments, does not diminish our position that neither the SEC nor the MSRB should have direct authority over municipal securities issuers or directly or indirectly impose additional regulations on the municipal securities disclosure regime that would be burdensome to state and local governments.

Thank you for the opportunity to comment on this Proposed Rule. We look forward to a continued dialogue on these and other municipal disclosure issues in the future.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey L. Esser". The signature is written in a cursive, flowing style.

Jeffrey L. Esser
Executive Director and CEO



**GOVERNMENT FINANCE OFFICERS ASSOCIATION
BEST PRACTICE**

Maintaining an Investor Relations Program (1996 and 2003)

Background. Investors are a primary source of capital for state and local governments. When a governmental entity sells debt, it enters into a long-term contract to make timely debt service payments to investors. Other stakeholders, such as bond insurers, liquidity providers, rating analysts, trustees, credit enhancers, counterparties, and constituents are interested in obtaining financial and operation information on issuers. An effective investor relations program that responds to the informational needs of these diverse groups **may** lower borrowing costs for issuers.

Recommendation. The Government Finance Officers Association (GFOA) recommends that governmental issuers consider developing an investor relations program. The centerpiece of such a program is a commitment to provide full and comprehensive disclosure of annual financial, operating, and other significant information in a timely manner consistent with federal, state and local laws. Issuers may consider providing additional information to investors beyond that provided for in their contractual commitments. An investor relations program should address the following:

1. Identify the individual(s) who is (are) responsible for speaking on behalf of the issuer. Establish steps to ensure that all external communication regarding disclosure is approved by this (these) person(s).
2. After giving consideration to the size and organizational structure of the entity, consider creating a “Disclosure Board” or other appropriate group, to establish the events to be disclosed and periodicity of disclosure items. Positions on the Disclosure Board may include: the debt manager, the chief financial officer, a representative of the legislative body, an administrative officer, the financial advisor, and bond counsel or issuer’s counsel.
3. The Disclosure Board, or other appropriate group, should establish policies and procedures for the Investor Relations Program. Policies and procedures should be simple and clear, and should address:
 - a) Identification and selection of information, both positive and negative, to be made available to investors, including material events, changes in financial or operating position, and changes in government policies. Documents that could be a source of such information include:
 - Annual budgets, financial plans or comprehensive annual financial reports,
 - Materials sent to governing bodies for council or board meetings, and
 - Ordinances or resolutions adopted by a governing body.
 - b) Identification of ways to stay abreast of issues that are likely to be of concern to investors, such as issuer policies and practices pertaining to investments, fund balance, and accounting practices.
 - c) Identification and maintenance of a database of investors and analysts who review the purchase of the issuer’s debt instruments.

- d) Use of CUSIP (Committee on Uniform Securities Identification Procedures) numbers.
 - e) Identification of means of disseminating information. Consideration should be given to: NRMSIRs (Nationally Recognized Municipal Securities Information Repository), e-mail, Web sites, postal distribution, and investor meetings.
 - f) Format of the document (e.g., .html or .pdf if electronically disseminated).
 - g) Timing of a release of information with any sale of debt instruments, if necessary.
 - h) Responding to investor questions. Consideration should be given to means of communication to all investors when a single investor poses a question.
 - i) Ensuring the majority of investors have access to the information.
 - j) Ensuring that preliminary official statements are received one week in advance of a bond sale.
 - k) Maintaining a good relationship with the rating agencies and fund analysts including distribution of disclosure information and keeping them informed of any changes that could affect credit quality and actions to address financial problems.
 - l) Ensuring that financial statements or other information needed for disclosure purposes are completed on a consistent schedule from year-to-year and prior to the date established in any contractual commitments.
 - m) Engaging in marketing activities to alert investors of a pending bond sale, especially if the debt instruments are sold competitively. Such activities may include preparation of special reports for investors, the scheduling of investor meetings, conference calls, and Webcasting of issuer conference calls and on-site visits.
4. Consideration should be given to the fact that any record created as a result of the Investor Relations Program may be subject to internal policies and/or federal, state and local laws concerning document retention and freedom of information.

The municipal marketplace is changing, and the need to provide additional information with greater frequency is significant. Issuers should maintain an awareness of changes in current practice in the area of investor relations. Investor Relations Programs that go beyond the legally mandated requirements of Securities and Exchange Commission (SEC) Rule 15c2-12 promote the efficient sale of debt instruments in both the primary and secondary markets and improve the reception of debt offerings. Expansive disclosure is encouraged, but consideration should be given to the ongoing commitment for such disclosure.

References.

- GFOA Best Practice: *Using a Web Site for Disclosure*, GFOA, 2002.
- *Making Good Disclosure*, Robert Dean Pope, GFOA, 2001.
- *Disclosure Handbook for Municipal Securities*, National Federation of Municipal Analysts, 1992 Update.
- "Securities and Exchange Commission Enforcement Actions in the Municipal Securities Markets," *Government Finance Review*, August 1996.

Approved by GFOA's Executive Board, February 28, 2003.



**GOVERNMENT FINANCE OFFICERS ASSOCIATION
BEST PRACTICE**

Governmental Accounting, Auditing, and Financial Reporting Practices (1983, 1997, and 2006)

Background. Since its inception early in the last century, the Government Finance Officers Association (GFOA) has been committed to the transparency and reliability of public-sector financial reports. As a result, GFOA has long been at the forefront of efforts to promote the highest standards of accounting, auditing, and financial reporting as represented by generally accepted accounting principles (GAAP), generally accepted auditing standards (GAAS), and *Government Auditing Standards* (GAS). GFOA also believes that state and local governments should not be satisfied with issuing only the basic financial statements required by GAAP, but should instead publish a comprehensive annual financial report (CAFR).

Recommendation. GFOA urges every state and local government to do all of the following to fulfill its financial reporting responsibilities:

- Maintain an accounting system adequate to provide all of the data needed to allow for the timely preparation of financial statements for the entire financial reporting entity in conformity with GAAP;
- Issue timely financial statements for the entire financial reporting entity in conformity with GAAP as part of a CAFR; and
- Have those financial statements independently audited in accordance with either GAAS or GAS, as appropriate.

Furthermore, GFOA recommends that state governments enact legislation requiring local governments to maintain an accounting system adequate to provide all of the data needed to prepare timely financial statements in conformity with GAAP and to have those financial statements independently audited in accordance with GAAS or GAGAS.

References.

- GFOA's Certificate of Achievement for Excellence in Financial Reporting Program

Approved by the GFOA's Executive Board, February 24, 2006.



**GOVERNMENT FINANCE OFFICERS ASSOCIATION
BEST PRACTICE**

Using a Web site for Disclosure (2002)

Background. Technology significantly impacts the way in which information is communicated and, in some cases, has fundamentally changed the way business is conducted. Utilizing technology allows issuers to be more efficient and effective in communicating with municipal market participants. Many issuers are using their Web sites to provide disclosure information electronically. Preliminary Official Statements (POS), audited financial statements, feasibility reports and other related documents have been made available electronically in connection with bond sales. Continuing disclosure filings and other important financial information have been provided on issuers' Web sites. Issuer Web sites have also been used in addition to, or in lieu of, traditional press releases to communicate important events. Investors and analysts have applauded the use of Web sites for disclosure. The use of Web sites to disseminate information electronically is the wave of the future and has been embraced by the Securities and Exchange Commission (SEC) as promoting transparency, liquidity and efficiency in the capital markets. As delivery of electronic information gains momentum, the need for guidance to issuers on how to prudently incorporate Web-based disclosure into their normal business practices becomes ever more important.

Recommendation. The Government Finance Officers Association (GFOA) recommends that governmental issuers use their Web sites to disseminate information to the municipal securities market regarding their debt, financial condition and other related information. The Internet, in general, and issuers' Web sites, in particular, provide a powerful tool for communicating with, and disclosing information to, credit analysts, investors, underwriters and other municipal market participants. By using a Web site, issuers can augment other means of communicating with the municipal market. Web sites can be an integral part of an effective investor relations program, (see "Debt Management Best Practice - Maintaining an Investor Relations Program" 1996). A Web site can be used to make POS and other documents used in connection with bond sales available electronically. A Web site can also be used to provide ongoing disclosure information to the market, serving the same purposes as annual filings required by SEC Rule 15c2-12. Lastly, the Web site can be used to archive or store historical documents such as audited financial statements, Comprehensive Annual Financial Reports (CAFRs), continuing disclosure filings and Official Statements (OS) so that they are available to investors for reference purposes.

Making disclosure information more accessible will help improve the efficiency of the municipal market and can possibly lower borrowing costs by improving the liquidity of an issuer's bonds. Other advantages to issuers in using their Web site for disseminating disclosure information include:

- Web sites provide the simultaneous release of disclosure information to the entire market, thus avoiding inappropriate preferential treatment of investors.
- Issuers control the content and timing of the release of Web site information which assures the accuracy and completeness of information not available when depending on the media for reporting.

- Web sites provide an efficient, low-cost medium for communicating timely information to investors.
- The most current information available can be provided to the market and updated as circumstances warrant.
- Web sites can be used in addition to or, depending on the circumstances, in lieu of, press releases to notify investors of significant events.
- Web site disclosure can both accelerate and broaden the distribution of timely disclosure information to the market.
- Web site disclosure can enhance an issuer's reputation in the capital markets and strengthen investor confidence in an issuer.
- The consistent and ready availability of complete and timely disclosure information can facilitate secondary market liquidity of an issuer's bonds by making them more attractive to investors.
- Web site disclosure reduces investor inquiries and satisfies investor requests for more accessible and less costly disclosure information.

However, there are certain burdens associated with providing disclosure information electronically which issuers should evaluate, such as the administrative time, effort and expense necessary to design, deploy and maintain a Web site used for disclosure. In cases in which an issuer's Web site has been developed for other purposes, a portion of it can be dedicated to information specifically designed for investors with very little or no additional cost. In any case, issuers should evaluate the costs and benefits of using their Web site for disclosure based on their own unique circumstances.

If a Web site is used for disclosure purposes, the issuer should consider the following in designing, deploying and monitoring the part of their Web site used for disclosure:

1. Information solely intended for investors should be segregated from other information and clearly identified as being intended for investors.
2. A formal process for reviewing and approving any information posted on the Web site should be required to ensure the accuracy, consistency and completeness of the information. Statements indicating the most recent date that a web page has been updated should be posted.
3. Care should be taken in the design, organization and selection of information to be included on a Web site to maximize its usefulness to investors.
4. Outdated reports and other stale information (such as prior year's CAFRs or audited financial statements and final Official Statements) should be clearly identified as dated information for historical reference only. Historical or outdated information should be segregated from current information. A "library" or "archive" section of the Web site for such information is advisable.
5. Terms of use should be included on the Web site so that, prior to accessing the information users are aware of or preferably required to acknowledge limits on how the Web site may be used and what obligations an issuer is undertaking by making disclosure available on its Web site (e.g., the information does not constitute an offer to sell bonds, the historical information speaks as of its date and the issuer has no express or implied obligation to continuously update information).
6. The security of an issuer's Web site should be evaluated to protect it from manipulation by external or unauthorized persons.
7. Issuers should design a system of internal controls to ensure the accuracy, completeness, consistency and freshness of information posted on the Web site.

8. Issuers should not use hyperlinks to other Web sites in their POS and OS because an issuer may be responsible for the accuracy and completeness of the information on the hyperlinked Web sites. If other hyperlinks are included on a Web site, a pop-up screen warning should be used to notify investors they are leaving an issuers' Web site.
9. Issuers should evaluate which products/technology are best suited for the disclosure of information using electronic media.
10. Documents on the Web site used in connection with a sale of bonds (e.g., POS documents, audited financial statements and feasibility reports) should be an exact replica of printed versions of the documents. In addition, information on an issuer's Web site intended for use in a bond sale should be segregated from other information.
11. Issuers should consider the need to involve other departments and professionals to ensure that all necessary parties are involved in developing and deploying disclosure information on the Web site.
12. Issuers should consider ease of use and accessibility in designing a Web site for investors and be specific when referencing or addressing a specific place on the issuer's Web site intended for investors. Issuers should also include a contact person to answer questions or provide users with assistance and consider using CUSIP numbers and the required copyright acknowledgment to assist investors in identifying information related to specific bonds.
13. Issuers should post their continuing disclosure filings on their disclosure Web site. However, they should realize that posting their continuing disclosure on the Web site will not satisfy their obligation to file continuing disclosure documents with the nationally recognized municipal securities information repositories (NRMSIRs). Issuers that choose not to post their continuing disclosure filings on their Web site should consider the efficacy of providing continuing disclosure filings electronically through private sector vendors.
14. It is appropriate for issuers to evaluate the possibility of increased exposure to liability under the securities laws when evaluating the cost/benefit of using a Web site for disclosure. However it should not be given undue weight by an issuer in determining its best practices.
15. Issuers should be familiar with the SEC's "Interpretive Release on Use of Electronic Media" or have the portion of its Web site dedicated to investors reviewed by counsel.

References.

- *Making Good Disclosure - The Role and Responsibilities of State and Local Officials Under Federal Securities Laws*, Robert Dean Pope, GFOA, 2000.
- GFOA Best Practice, Maintaining an Investor Relations Program, 2003.
- Recommended Best Practices in Disclosure for General Obligation and Tax-Supported Debt, National Federation of Municipal Analysts, December 2001.
- Providing Information to the Secondary Market Regarding Municipal Securities, National Association of Bond Lawyers, September 20, 2000.
- Interpretive Release on Use of Electronic Media, Securities and Exchange Commission, Release No. 34-42728, April 30, 2000. www.sec.gov/rules/interp/34-42728.htm

Approved by the GFOA's Executive Board, February 15, 2002.



**GOVERNMENT FINANCE OFFICERS ASSOCIATION
BEST PRACTICE**

Using Web sites to Improve Access to Budget Documents and Financial Reports (2003)

Background. The Government Finance Officers Association (GFOA) has long encouraged governments to publish high quality budget documents and CAFRs. A high quality budget document not only facilitates and enhances the budget process, but also promotes greater stakeholder participation, thereby helping to realize an essential element of the mission of the budget process as defined by the National Advisory Council on State and Local Budgeting.¹ Similarly, a high quality CAFR is an unparalleled means of demonstrating financial accountability, as recognized by the National Council on Governmental Accounting (NCGA)² and reiterated by the Governmental Accounting Standards Board (GASB).³

The objectives of the budget document and the CAFR can only be fully realized if they are readily available to all interested parties. Presentation on a government's Web site offers an unparalleled means of providing easy access to both documents.

Specific benefits of including the budget document and the CAFR on the government's Web site include the following:

- *Increased awareness.* Many potential users of the information provided in the budget document and the CAFR are completely unaware of the existence of these important sources of financial data. Presentation on the government's Web site is a practical means of ensuring that all those with a potential interest in the government's finances are able to profit from the information they contain.
- *Increased usage.* The difficulties inherent in obtaining any published document pose a significant barrier to usage by ordinary citizens. An additional barrier arises when a government must charge for the budget document or the CAFR to recover the cost of printing or copying. Both barriers are eliminated when the budget document and the CAFR are presented on the government's Web site.
- *Application of analytical tools.* The availability of the budget document and the CAFR in electronic form makes it easy for users to employ computerized tools to find, extract, and analyze the data contained in these often lengthy documents.
- *Avoidance of disclosure redundancy.* Most information of use to potential purchasers of a government's debt securities is already available in either the budget document or the CAFR. In particular, the statistical section of the CAFR is a rich source of data for investors and analysts. Consequently, the routine presentation of both documents on the government's Web site may help to avoid redundancy and assist in complying with federally mandated disclosure requirements.

¹ "The mission of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process." [emphasis added]

² NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, paragraph 135

³ GASB *Codification*, Section 2200.101.

- *Savings.* The length and detail typical of the budget document and the CAFR often make both expensive to print. Electronic publication can help to reduce this cost.

Recommendation. GFOA recommends that every government publish its budget document and its CAFR on the government's Web site. GFOA further recommends that governments comply with the following guidelines when presenting these documents on its Web site⁴:

- The electronic budget document and the electronic CAFR should be identical to the printed versions of these documents;
- The Web site should prominently notify users that the information in the CAFR has not been updated for developments subsequent to the date of the independent auditor's report;
- The Web site should prominently inform users whether the budget document presented represents the preliminary budget or the approved budget;
- If a government elects to present the budget documents and CAFRs of prior years, the Web site should clearly identify these documents as "dated information for historical reference only" and clearly segregate them from current information. A "library" or "archive" section of the Web site is advisable for this purpose;
- The security of the Web site should be evaluated to protect it from manipulation by external or unauthorized persons;
- Furthermore, GFOA commits itself to taking the following steps to encourage the presentation of the budget document and the CAFR on a government's Web site:
- GFOA will accept electronic submissions of the budget document and the CAFR in its professional recognition programs;
- GFOA will provide a link on its Web site to budget documents and CAFRs that are available on government Web sites.

Approved by the GFOA's Executive Board, February 28, 2003.

⁴ This best practice is not designed to address the special needs of governments wishing to use their Web site to meet their disclosure requirements under Securities and Exchange Commission (SEC) Rule 15c2-12. Accordingly, governments with public debt outstanding are urged to consult GFOA's best practice on *Using a Web Site for Disclosure*. Issuers of public debt also should familiarize themselves with SEC's Interpretive Release on the "Use of Electronic Media" (see www.sec.gov/rules/interp/34-42728.htm), and GFOA's best practice on *Using a Web Site for Disclosure*.



GOVERNMENT FINANCE OFFICERS ASSOCIATION BEST PRACTICE

Web site Presentation of Official Financial Documents (2009)

Background. The Government Finance Officers Association (GFOA) has long encouraged governments to demonstrate accountability and transparency by making financial information of the highest quality readily accessible to citizens and other interested parties. A government's Web site is especially well suited for this purpose. Benefits of using the government's Web site to communicate financial information include:

- **Heightened awareness.** Many potential users of a government's financial information may only discover that it is available because they find it on the Web site.
- **Universal accessibility.** Information furnished on a Web site is readily available to a wide range of potential users (e.g., citizens, rating agencies, regulatory agencies, other governments, and the press) without charge.
- **Increased potential for interaction with users.** A Web site can offer two-way, multi-conversational, or interactive formats. This capacity may be especially helpful for proposed documents or for citizen surveys.
- **Enhanced diversity.** A Web site may offer the possibility of providing the same financial information in a variety of languages, which may be needed pursuant to the policies of a particular governmental entity.
- **Facilitated analysis.** Computerized tools can be used to find, extract, and analyze data presented in electronic form.
- **Increased efficiency.** Presenting all financial information in a single location can help to avoid calls for redundant specialized reports (e.g., reproducing data already presented in the comprehensive annual financial report or the budget document).
- **Lowered costs.** Electronic publication can be accomplished relatively quickly and can reduce or eliminate many of the costs associated with producing a hardcopy report, including those associated with handling and mailing the reports.
- **Contribution to sustainability.** Using a Web site to disseminate financial information may reduce paper consumption, thereby contributing to the core value of sustainability.
- **Broadened potential scope.** The use of hyperlinks allows for easy referencing of relevant information from other sites.

While posting financial documents on a Web site is a tremendous resource to citizens and an important investor relations tool, governments should be reminded that it does not meet the continuing disclosure responsibilities for issuers of municipal debt set forth in Securities and Exchange Commission Rule 15c2-12.⁵

⁵ Governments with public debt outstanding are urged to consult GFOA's best practice *Using a Web Site for Disclosure*. Issuers of public debt also should familiarize themselves with SEC's Interpretive Release on the "Use of Electronic Media" (see www.sec.gov/rules/interp/34-42728.htm).

Recommendation. The GFOA encourages every government to use its Web site as a primary means of communicating financial information to citizens and other interested parties. Furthermore, the GFOA recommends that a government comply with the following guidelines when presenting official financial documents on its Web site:

Formatting. The practical usefulness of a document is enhanced when a government observes the following formatting conventions:

- **Consistency with hardcopy version (if any).** If a document is issued in hardcopy form, the Web site version should be identical.⁶ Any subsequent changes should be made to both.
- **Legibility.** Font size, page layout (i.e., portrait versus landscape), and direction should be consistent throughout the report.
- **Pagination.** Pages should be numbered sequentially.
- **File size.** A single electronic file should be presented for the entire document. Individual files for the various components of large reports might also be presented in view of the limitations that some users face when attempting to download or receive large files. In such situations, the number of individual files should not be so great as to make it difficult to review the material or relate the various sections to one another.

Technological Infrastructure. A number of issues related to a government's technological infrastructure should be considered when presenting financial documents on the government's Web site:

- **Security.** The security of the Web site should be evaluated and all reasonable steps should be taken to protect documents from unauthorized changes.
- **Placement.** A link to the document should appear prominently on the homepage or there should be some other tool for easily locating the document (e.g., internal search tool).
- **Software compatibility.** The software used should be suitable for the particular information being presented and be broadly compatible with other commonly used software.
- **Features.** The downloaded file should allow for basic features such as zooming and continuous page format (e.g., so rows on financial schedules can be viewed on facing pages). A search mechanism should also be available within the document.
- **Instructions.** General user instructions (e.g., how to download Adobe software) should be provided. A notation also may be needed to direct the user on how best to view the document (e.g., laptop or desktop computer versus a handheld device).
- **Linking.** The table of contents should allow the user to go to specific pages with a click of the mouse. The inclusion of bookmarks also can enhance flexibility and maneuverability in navigating the document.
- **Testing.** Web site-based financial documents should be tested to ensure that they will function with different computer operating systems.

Electronic financial reporting language. Governments should monitor developments in standardized electronic financial reporting (e.g., extensible business reporting language [XBRL]) and apply that language to their electronic document process when appropriate.

Distribution. Electronic publication can also help the government meet the objective of providing financial information on a timely basis. Once published electronically, potential users should be informed that financial documents are available at the Web site. Local newspapers, cable television, council

⁶ However, slight variations that may be necessary for practical reasons to prepare the hardcopy information for publication as an electronic document are acceptable. In cases where there is some type of auditor association with a document, it can be helpful to reach an upfront agreement with the auditor on the nature of the revisions that are acceptable in the preparation of the electronic document.

meetings, mailings, and the printed document itself (if prepared) can be used for this purpose. For users without access to the Internet, other electronic media (e.g., CDs or flash drives) should be made available at locations such as local libraries or the city hall. Before electronic publication, the government should consult with their counsel to ensure that any legal issues related to the distribution of the financial information have been appropriately addressed, including compliance with all applicable provincial, state and federal laws and regulations (e.g., American Disabilities Act).

Information disclaimer. If applicable, the Web site should prominently notify users that the information in the financial document has not been updated for developments subsequent to its issuance.

Historical information. If a government elects to present documents of prior years, the Web site should identify those documents as “dated information for historical reference only” and clearly segregate them from current information. A “library” or “archive” section of the Web site is advisable for this purpose.

References.

- GFOA Best Practices
 - Improving the Timeliness of Financial Reports (2008)
 - Using a Web Site for Disclosure (2002)
 - Sustainability (2002)
- *Extensible Business Reporting Language (XBRL) Web site*, <http://www.xbrl.org/Home/>

Approved by the GFOA’s Executive Board, February 27, 2009.



COMPONENTS OF THE CAFR STATISTICAL SECTION

Financial Trends

- Net Assets by Component (10 years)
- Changes in Net Assets (10 years)
- Fund Balances of Governmental Funds (10 years)
- Changes in Fund Balances of Governmental Funds (10 years)

Revenue Capacity

- General Governmental Tax Revenues by Source (10 years)
- Assessed Value and Estimated Actual Value of Taxable Property (10 years)
- Property Tax Rates - Direct and Overlapping Governments (10 years)
- Principal Property Taxpayers (current year and nine years prior)
- Property Tax Levies and Collections (10 years)

Debt Capacity

- Ratios of Outstanding Debt by Type (10 years)
- Ratios of General Bonded Debt Outstanding (10 years)
- Direct and Overlapping Governmental Activities Debt (current year)
- Legal Debt Margin Information (10 years)
- Pledged-Revenue Coverage (10 years)

Demographic and Economic Information

- Demographic and Economic Statistics (10 years)
- Principal Employers (current year and nine year prior)

Operating Information

- Full-time Equivalent City Government Employees by Function (10 years)
- Operating Indicators by Function (10 years)
- Capital Asset Statistics by Function (10 years)