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PART 4—With Exhibits 8-9

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Comments on Proposed Amendments to Rule 15c2-12, SEC Rel. No. 34-80130 (File No. S7-01-17)

Ladies and Gentlemen:

Thank you for this opportunity to comment on the amendments proposed by the Securities and Exchange Commission to the Commission's Rule 15c2-12, 17 C.F.R. §240.15c2-12, Municipal securities disclosure.

I have been involved in varying capacities in the municipal securities market since 1973, and consider myself to be qualified to provide both an historical perspective and constructive comments. My experience includes, on one hand, working closely with issuers (and borrowers) as legal counsel and as financial advisor, and on the other hand, investing in municipal securities.

The Commission's proposal identifies key information that, when material, reasonable investors want to know, both in primary offerings and in the secondary market.[1] Reasonable investors in the secondary market would not want to purchase bonds, or want their bond funds to purchase bonds, issued by issuers that, since the date of bond issuance, entered into substantial undisclosed private debt, issued undisclosed private debt with a senior priority of payment, became the subject of an undisclosed crushing judicial award, or while in financial difficulty, modified the terms of other debt to avoid a default. Yet, today, there are issuers (and borrowers) that do not disclose such occurrences to the secondary market.

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[1] Although I am generally supportive of the content of the Commission's proposal, I am disappointed that the Commission is not proposing to eliminate the requirement for issuer disclosure of rating changes, given that the rating agencies now provide that same information to EMMA. The redundancy causes unnecessary burdens on issuers.

I also believe that the Commission has under estimated the amount of time that the proposal will require for compliance.

EXHIBITS TO LETTER OF COMMENT OF ROBERT DOTY

List of Exhibits (File S7-01-17)

Exhibit No.	Source	Title	Year Published
1	Robert Doty	Municipal Securities Market Recognition of Market Guidance	2017
2	Municipal Finance Journal	15-Year Anniversary of the Disclosure Guidelines for State and Local Government Securities	1991
3	Municipal Finance Officers Association	Disclosure Guidelines for State and Local Government Securities	1976
4	Municipal Finance Officers Association	Guidelines for Use by State and Local Governments in the Preparation of Yearly Information Statements and Other Current Information	1978
5	Municipal Finance Officers Association	Disclosure Guidelines for State and Local Government Securities	1979
6	Government Finance Officers Association	Disclosure Guidelines for State and Local Government Securities	1988
7	Government Finance Officers Association	Disclosure Guidelines for State and Local Government Securities	1991
8	National Federation of Municpal Analysts	Recommended Best Practices in Disclosure for General Obligation and Tax-Supported Debt	2001
9	American Bar Association and National Association of Bond Lawyers	Excerpt from Disclosure Roles of Counsel in State and Local Government Securities Offerings	2009

EXHIBIT 8

NATIONAL FEDERATION OF MUNICIPAL ANALYSTS, RECOMMENDED BEST PRACTICES IN DISCLOSURE FOR GENERAL OBLIGATION AND TAX-SUPPORTED DEBT (2001)

National Federation of Municipal Analysts

Recommended Best Practices in Disclosure for General Obligation and Tax-Supported Debt

The National Federation of Municipal Analysts (NFMA) is an organization of nearly 1,000 members, primarily research analysts, who evaluate credit and other risks of municipal securities. These individuals represent, among others, mutual funds, insurance companies, broker/dealers, bond insurers, and rating agencies.

One of the main initiatives of the NFMA is to promote timely and complete disclosure of the financial and operating information needed to assess the credit quality and risk of a municipal debt issue. The NFMA's efforts have ranged from global disclosure-related issues to more detailed, sector-specific work such as these Recommended Best Practices in Disclosure. For further information on the NFMA's continuing work in the area of disclosure, please see the "disclosure guidelines" and "position statements" pages of the organization's web site at www.nfma.org.

In order to develop our Recommended Best Practices in Disclosure, diverse groups of NFMA analysts worked with non-analyst professionals in each sector to develop "best practices" guidelines for certain market sectors. These Recommended Best Practices are descriptions of the sector-specific financial and operating information needed to help analysts do their jobs. The NFMA believes that the best practice in disclosure will always be the one that provides a steady flow of timely information from borrowers to the market. Initial drafts of our Recommended Best Practices in Disclosure were widely circulated, and an industry comment period was used to seek input from interested parties. Subsequent to the comment period, the papers were revised. For certain sectors, Comment and Response papers were drafted; these papers are available on the NFMA web site, providing additional information on the comments received.

Following is the most recent version of the Recommended Best Practices in Disclosure for this sector. This document is not intended to supplant the amendments to SEC Rule 15c2-12, but to be used in conjunction with the guidance provided in those amendments. It is important to note that the NFMA's disclosure efforts are a continuing process. These guidelines are not static documents, and will be revisited and changed as market conditions warrant. We encourage interested parties to submit comments at any time to lgoodnfma@adelphia.net, so that they can be considered in the development of future versions of these Recommended Best Practices in Disclosure.

The NFMA Recommended Best Practices in Disclosure are not intended to be "one size fits all" recommendations, and all the information requested may not apply to every transaction in the sector. We encourage the providers of information to indicate when a specific item requested in the Recommended Best Practices is not applicable to a specific transaction.

December 2001

Introduction

The following Recommended Best Practices in Disclosure for General Obligation and Tax-Supported Debt apply to a broad range of issuers and debt issues of varying sizes and complexity. These guidelines are applicable to debt that may be primarily repaid from general property taxes and other general fund revenues, including appropriation-backed debt and similar instruments. However, these recommendations are not intended to be applied to land-secured or tax increment financings for which other guidelines exist. Further, specific narrowly defined tax revenue pledge obligations, such as sales tax revenue bonds, are also outside the scope of this document.

While the NFMA recognizes that not all requested information will be available to all issuers and some recommended items are specific to state statutes, these guidelines are meant to capture the key information that analysts deem necessary to gain a fuller understanding of the credit quality of the debt issues covered. Issuers may find that some of the recommendations are similar to that required under the recently adopted GASB 34: Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Except when noted, where similarities exist, the issuer need only provide reference to the applicable disclosure in its audit or other documentation. In some instances, display of historic data is recommended for five years in contrast to the GAAP reporting requirements of 10 years. This recommendation reflects the size constraints of the physical document, and is not an endorsement to reduce historic information reported in primary documents. As with all disclosure, information that is irrelevant can be distracting, and often works against the purposes of disclosure as it relates to the credit quality of a security.

Timing and Distribution of Disclosure

Our Recommended Best Practice is as follows:

1. Audited Financial Statements and other secondary market disclosure items should be available to interested parties within six months of the issuer's fiscal year end.
2. Any material event notices, including those required under SEC Rule 15c2-12, should be released as soon as practicable after the information becomes available.

To ensure timely publication of disclosure items, the issuer is strongly advised to use whatever electronic media are available, such as its own web site or similar Internet sites, in addition to dissemination to the Nationally Recognized Municipal Securities Information Repositories. In addition, we recommend that issuers and/or their representatives respond verbally and/or in writing to bondholders, underwriters, potential investors, or other market participants about credit matters. To the extent that information at the time conveyed was non-public material information, efforts should be undertaken to make that information immediately available to the entire market, at a minimum by transmission to all NRMSIRs.

How to Use this Paper

There are seven major sections of this paper, each containing the specific items viewed as necessary to meeting the NFMA's Recommended Best Practices. Those sections are:

I. General Disclosure Items
II. Demographics/Economy
III. Financial Statements
IV. General Revenue Base
V. Expenditures
VI. Debt and Financial Obligations
VII. Cash Flow Financings

To the left of each item under the major headings there is an "X" in the box indicating whether the item is to be disclosed in the official statement used in the primary offering or in secondary market disclosure (that which occurs after the initial issuance of the subject securities). There are many items that should be in both the official statement and secondary market information, but as mentioned above, all the information should be made available on a timely and easily accessible basis.

Official Statement	Secondary Market	
		I. General Disclosure Items
X		• Index/Table of Contents
X		• Introduction: This should be an overview of the offering expressed in plain English. One important feature would be a cross reference to Risk Factors if such are included anywhere in the document.
X		• Description of the Security and Nature of the Obligation: A detailed recital of the security provisions for the subject transaction, such as whether the obligation is unlimited or limited tax-backed; if the issuer is pledging its full faith and credit to debt repayment; and the nature of and limitations on any appropriations that will secure the obligation. If the security carries a state guarantee/enhancement or bond insurance, a full description of the nature and terms of the guarantee, enhancement, or bond insurance, should be included.

Official Statement	Secondary Market	
X	*	• Indicate whether the state legislature where the issuer is located has adopted the proposed revision to Article 9 of the Uniform Commercial Code that eliminates the exclusion of governmental liens on revenues and other governmental assets. If the revision has been adopted, state whether curative language reinstating the exclusion has also been enacted. If the revision has not been adopted, state whether the revision (with or without curative language) has been introduced for enactment in the state legislature. If the revision has been adopted without curative language, describe which party is responsible for filing the financing and continuation statements required to perfect the liens.
X		• Authorization and Purpose of the Issue: In addition to giving detailed information about the statutory authority for issuing the debt, important features to include in this section are: 1) voter authorization—where the authorization is from voter approval, give the total number of eligible voters or percentage voter turnout and number of votes received both for and against the measure; 2) use of proceeds—either a summary of the principal purposes for which the proceeds are to be used, trying to be as explicit as possible about the projects to be financed (e.g., street improvements, rehabilitation of city hall, purchase of equipment); alternatively, where there are a multiplicity of projects (as where a state is funding portions of multiple authorizations each approved for multiple projects), a description of the general categories of property to be financed (and an offer to furnish to interested persons more detail about the projects proposed to be financed in the form of the issuer's capital plan or other document in the issuer's possession containing such information); 3) to the extent that 10% or more of the proceeds of the obligations are being used for a project (or projects) being acquired or constructed as a public/private partnership or which is to be managed by a private entity, a general description of the arrangement with the private entity, the cost of the subject portion of the overall project and any potential material liability of the issuer relating to the project or the arrangement with the private entity. See also "Legal Matters and Tax Matters" below.

**As to asterisked items, secondary market disclosure is recommended when there have been material changes from the information originally disclosed.*

Official Statement	Secondary Market	
X		• Book-Entry-Only System description: While this information is obtained from The Depository Trust Company, it should be routinely checked so that any changes are properly included.
X		• Certification (if applicable): A representation regarding whether the obligations have full force and effect of the applicable laws; whether there is any pending litigation regarding issuance of this and any debt, as well as repayment of any obligation; and a description of any substantive, material items not included in the offering document that will be signed and delivered at the closing.
	X	• Material Events Notices: Issuers are encouraged to provide timely and complete ongoing information of material events and other substantive developments that will facilitate an efficient market for their debt and enhance market acceptance of future debt issuances.
X		• Continuing Disclosure: The Official Statement should include the continuing disclosure undertaking or indicate the exemption from SEC Rule 15c2-12. In addition, a statement regarding compliance with prior undertakings, along with an explanation of any noncompliance and the procedures that have been put in place to ensure future compliance with the disclosure undertakings should be included.
X	*	• Discussion of any special provisions that may affect remedies or recovery upon default. This would include any information about the types of remedies available to bondholders, such as a limitation to mandamus actions or no right to accelerate payment of the debt.
X	X	• Notice of any pending referendums or measures that may affect the financial future or organizational structure of the subject entity. Issuers should provide the name and reference or other identifying number(s) or character(s), and if possible, a brief description of any pending measures or referendums.

**As to asterisked items, secondary market disclosure is recommended when there have been material changes from the information originally disclosed.*

Official Statement	Secondary Market	
X		• Legal Matters and Tax Matters: A statement regarding whether or nor the offering is legal, valid and binding on the issuer, as well as what, if any, tax related issues are addressed (i.e. federally tax exempt, subject to the alternative minimum tax, state income tax exempt, and/or bank qualified). The information in this section should be as complete as possible so that a user may gain a full appreciation for the tax issues involved with owning this security. Further, the name, city and state of any lawyers or law firms that are giving the opinions described should be included. In addition, if the obligations are being offered on the basis that interest on the obligations will be exempt from gross income for federal income tax purposes, the section should include a statement to the effect that the projects to be financed or refinanced with the proceeds of the obligations have been reviewed with a nationally-recognized bond counsel and, based upon such review, it is not expected that either the proceeds of the obligations or the projects financed or refinanced with the proceeds of the obligations will be used in a manner that will adversely impact the treatment of interest on the obligations for federal income tax purposes.
	X	• Notice of any legal opinions regarding the validity or tax-exempt status of the transaction rendered subsequent to the initial sale of the securities should be made available as soon as practicable.
X	X	• Litigation and Resolution: Fully describe any known or pending litigation that may have a materially adverse financial impact on the issuer or its operations.
X		• Risk Factors/Special Considerations: While this will not typically apply to general obligation issues, it will be important for appropriation debt (i.e. leases in California) as well as for other special types of debt to which this paper applies (i.e. limited tax debt, etc). This section of the disclosure document should provide a plain English explanation of the specific risks inherent in the unique features of the debt. Done well, this section would be invaluable to retail investors who may have a more limited knowledge of the risks inherent in the transaction.

Official Statement	Secondary Market	
X		• Professionals Involved in the Financing: Provide the name of the firm and the individuals along with the city and state of their office for each professional who assisted in the preparation and sale of the securities. This would include parties such as a financial advisor, underwriter, remarketing agent, credit enhancer, bond counsel, underwriter's counsel, etc. If there are any known or suspected conflicts of interest among the professionals and/or the issuer such should be clearly described.
	X	• Provide the name of each firm and the individuals who are successors to the original professionals participating in the financing (e.g., trustee, remarketing agent, dissemination agent, credit enhancer).

II. Demographics/Economy

Much of the following information may already be in the statistical section of the issuers Comprehensive Annual Financial Report (CAFR). Where that is the case, the entity should include that information in its entirety and not by reference. It is recognized that, depending on the size, nature and location of the issuing entity, not all of the following statistical information will be available. However, issuers are encouraged to disclose as much of the recommended information as is reasonably available and may include substantially similar information prepared by an authoritative source (e.g. statistics regularly complied and released by a university).

Additionally, where available, statistics should always be provided for the specific issuing entity (e.g. the city). The issuer may choose to provide comparative data for related entities (e.g. the county, the metropolitan statistical area (MSA).

Official Statement	Secondary Market	
X		• A concise general history of the issuer.
X		• Description of the governmental structure/organization. This should include the form of government; powers and sources of authority; geographical boundaries; shared governmental authority, list of primary services that the entity provides; and list of principal officers and administrators.

Official Statement	Secondary Market	
		• A discussion of management and administrative policies and procedures relating to financial oversight of the entity, including:
X		1. Budgetary process as it may affect the repayment of debt, voter approval requirements, financial controls and monitoring provisions;
X	*	2. Identification of key leadership and administrative personnel with term or replacement provisions, as well as the name, title, telephone number, e-mail and mail address of a contact person who will be available to answer questions related to the disclosure document.
	X	3. Identification of the Investor Relations personnel including name and telephone number.
		• General description of the economic base. This should include land use (percentage commercial, residential, etc.), major industries, transportation, and land use limitations or similar information regarding the underlying tax base.
		• The following most recent data from the US Census Bureau:
X	*	1. The population data from the last four decennial US Censuses plus current US Census Bureau population estimates.
X	*	2. Breakdown of percentage of population by age group (0-18; 19-65; over 65). This will be of particular importance if the issuer has income tax as a revenue source.
X	*	3. Average annual income.
X	*	4. Breakdown of wealth by income bracket.
X	*	5. Percentage of population at or below poverty level.
X	*	6. Breakdown of population by level of education.

**As to asterisked items, secondary market disclosure is recommended when there have been material changes from the information originally disclosed.*

Official Statement	Secondary Market	
		• For years between decennial censuses, the following information from authoritative sources:
X	X	1. Any relevant non-US Census population data for non-decennial years.
X	X	2. Per capita income from the Bureau of Economic Analysis (BEA) or other authoritative sources.
X	X	3. Effective Buying Income.
X	X	• Ten-year history of construction statistics, if available, showing number and value of permits, preferably by type (residential, commercial, etc.).
X	X	• Ten year history of retail sales (dollar volume) within the subject area.
X	X	• Top 10 private and top 10 public sector employers with number of employees and nature of business.
		•
X	X	• Where there are public employees of the subject entity, a discussion of union membership, contract termination dates, status of expired contracts (negotiation, arbitration, etc.) and history of work stoppages, if any.
X	X	• Ten years of annual unemployment statistics and the most current year on a month-by-month basis; unemployment rates should be for the subject entity as well as, if appropriate, the county or metropolitan statistical area, and state.
X	X	• Breakdown of sector employment by general categories for public and private industry.
X	X	• Discussion of any proposed annexations.

Official Statement	Secondary Market	
		III. Financial Statements
X	X	• Audited Financial statements: Each offering statement should include the annual audited financial statements, with the related notes and appropriate auditors opinion, and Required Supplementary Information, for the most recent audit period. Once the debt is in the marketplace, annual audits should be provided to investors within six months of the fiscal year end.
X	X	• Management Discussion and Analysis of Financial Results: This section should include discussion of any events or situations that may have a bearing on the issuer's ability to fulfill its responsibilities regarding timely repayment of the obligation. If the issuer follows GASB 34, the issuer may provide a cross-reference to the MD&A if this topic is addressed therein.
		• The following additional financial information should be provided if not included in the annual audit:
X	X	1. Description of the activities accounted for in specific columns in the basic financial statements;
X	X	2. The period of availability used for recognition of revenues in the governmental fund financial statements;
X	X	3. The detail of significant individual receivables and payables where balances reported on statements of net assets and balance sheets are aggregations of individual accounts;
X	X	4. If the disclosure document is being prepared in the period starting in Q4 of a the fiscal year and any time prior to publication of that year's audited financial statements, the issuer should include a budget based estimate of that fiscal year's results as well as the adopted budget for the next fiscal year. If an estimate of year-end results is not available that should be stated.
X	X	5. The current year's summary budget and the subsequent year's budget, if adopted.

Official Statement	Secondary Market	
X	X	6. Prospectively, as GASB 34 is implemented and the entity accumulates entity-wide information, it should present historical entity-wide financial information in a separate table in addition to presenting tabular form historical general fund financial information. This should be cross-referenced to the reconciliation in the audit that explains any substantive differences between categorizations in the statement of activities and the fund financial statements.
		• As to the implementation of GASB 34, the following financial information should be included in the offering statement:
X	X	1. The date or dates at which GASB 34 will be implemented as to both general implementation and retroactive reporting of existing general infrastructure (i.e., where the entity fits in the phase-in schedule). If the entity will comply earlier this should be noted.
X	X	2. If all or selected parts of GASB 34 will not be implemented, an explanation concerning non-compliance.
X	X	3. A discussion of which capital assets are being depreciated and how they will be valued if other than on the basis of historic records. Of particular concern would be the valuation of general infrastructure networks and subsystems. If certain capital assets are being depreciated based on historic records and others on some other basis, this should also be noted. If the "modified approach" is adopted, this should be noted.

IV. General Revenue Base

While these guidelines are focused on what is commonly referred to as general obligation debt, the title of this section reflects the fact that this sector of the market now covers a number of different types of securities. For debt that is secured exclusively by a limited or unlimited pledge of property taxes, the relevant revenue base for disclosure will be the more traditionally defined notion of "tax base". But the disclosure for debt, such as lease and other appropriation-based obligations, or secured by other revenues, should reflect the resources that generate general fund revenue available to pay debt service. Even with a traditional property tax-secured general obligation bond, disclosure beyond the property tax base may be appropriate if the obligation is ultimately secured by the full faith and credit of the issuer. As mentioned in the Introduction, specific narrowly defined tax revenue pledge obligations, such as sales tax revenue bonds, are outside of the scope of this document.

Official Statement	Secondary Market	
		A. Major Revenue Sources
		After the appropriate revenue sources have been determined, the following should be disclosed:
X	X	• Any category of revenue that represents more than 15% of the source of fund revenues, or the top 5 revenue sources, which ever is larger in terms of dollar contribution. To the extent a category of revenues encompasses several sources of revenue, they should be disclosed separately. The most important example here is the category of "taxes", which are often consolidated as a single line item in the financial statements. To the extent that the entity collects a variety of taxes (such as property tax, sales tax, business taxes, utility taxes); the obligation is secured by or repaid from all these tax revenues; and any of these exceeds 15% of the relevant revenues or the top 5 sources of revenues, which ever is larger in terms of dollar contribution, then separate disclosure relating to each of the tax items would be appropriate.
X		• Legal basis for revenue. This discussion should reference the relevant state constitutional or statutory provisions, significant court interpretations, and local law. There should be special attention given to any legal or practical distinction made as to the allocation of the tax, such as in cases where there is a limited levy for operating purposes and an unlimited levy for debt service, etc. The entity should disclose any legal limitations on the amount of a specific revenue that may be raised or any limitation on the rate at which or period over which a tax or assessment may be levied. Additionally, any capacity remaining under the limitation should be identified.
X		• Method of assessing the revenue. This would include such items as tax rates, tax base, assessment or other relevant valuation practices, and equalization or other adjustments to the method of levy. For specific disclosure recommendations see Property Tax and Sales Tax sections below. Audit programs and remedies for under collection should be discussed.
X	X	• Five years of historical data for all relevant revenue sources. This can be accomplished by providing on one page a chart of all the revenues and expenses for each of the last five years.

Official Statement	Secondary Market	
X	X	• Major changes. To the extent that there is a change of ±10% in annual revenues in any one major revenue source, a discussion of the leading factors behind such changes.
X	X	• The top payers for major revenue sources. To the extent that this information is not available due to laws protecting taxpayer confidentiality, a statement to that effect should be made to indicate that this is the case.

B. Property Tax

X	X	• To make the presentation as clear as possible, we encourage the use of charts, examples of which are set forth as Charts 1 and 2 in the Appendix.
X	X	• The general nature of the property tax: specifically any legislative or statutory limitations, provisions for roll-backs, if there is a need for public hearings prior to overriding any express limitations, and a description of assessments, tax rate setting, levy, collection practices and collection accounting. Also, information about any delinquency make-up provision by or for another governmental entity, such as Teeter Plans in California.
X	X	• Define terms, such as whether the amount shown is current or total taxes, whether or not current collections are net of tax appeals, if delinquent tax data includes penalties and interest, or how and when property is sold to cover delinquencies.
X	X	• Provide a five year property tax history, including tax rates, collections, and delinquencies.
X	X	• If there is any legal or practical distinction made in the way the tax is allocated, show the breakdown of such for each year.
X	X	• The general nature of the property tax base, such as a breakdown of property valuation by major classification. Information on the classification methodology should also be provided; for example, what is included within the category of unsecured or personal property, utilities, etc.
X	X	• An explanation of any property tax appeals process and a discussion of substantive pending valuation appeals.

Official Statement	Secondary Market	
X	X	• Where a revaluation has recently been completed, a discussion of appeals (both percentage of property appeals by category and dollar value by category (i.e. residential, commercial, industrial)) should be provided.
X	X	• Where the entity has financed tax refunds, a schedule of the amounts of such financings.
X	X	• To the extent that a greater than average share of the property valuation is in other than secured or real property, then additional discussion of this property may be appropriate. For example, if personal or unsecured property valuation is greater than 10% of total assessed valuation, additional disclosure regarding this portion of the property tax base may be warranted.

C. Sales Tax

Official Statement	Secondary Market	
X	X	• The legal basis for the collection of sales tax, and the types of sales transactions that are deemed taxable as well as significant exemptions.
X	X	• A table of the current and last 4 years of total receipts and sales tax rate with a separation of the rates by any legal or practical distinction made as to their allocation.
X	X	• Major sales tax payers. In many states, sales tax payments are not a matter of public record. The issuer is responsible for balancing such restrictions with the needs of investors to understand the risks associated with a security. Among the ways that an issuer could reconcile such conflicts would be to disclose a breakdown by industry/commodity or other categories of sales; make a statement regarding what percentage of total sales tax revenues are generated by the largest taxpayer or taxpayers without actually naming the entity; and/or present other information that provides the concentration of sales tax payers.

D. Other Revenues and Financing Sources

To the extent the issuer has any of the following items among its total general fund revenues and the specific information is readily available the disclosure report should include a discussion of the following:

Official Statement	Secondary Market	
X	X	• Income Taxes: If income taxes are a source of revenue, there should be a discussion of the components (e.g. earned income, capital gains.) As with other revenues, if the information is available, the issuer should provide a five-year history of the components as well as any rate changes.
		• Interfund Transfers: If, interfund transfers are a significant source of revenues to a general fund and the financial statements consolidate all transfers into a single item, the disclosure document should provide additional information on significant transfers, if relevant, such as:
X	X	1. An analysis of interfund payables and receivables by individual major fund, non-major funds in the aggregate, internal service funds in the aggregate and fiduciary fund type;
X	X	2. Description of the purpose for interfund balances that are not expected to be repaid within one year from the date of the financial statements;
X	X	3. Identification of the amounts transferred from other fund by individual major fund, non-major funds in the aggregate, internal service funds in the aggregate and fiduciary fund type;
X	X	4. Description of the principal purposes of the interfund transfers;
X	X	5. Description of the amount of significant transfers that are not expected to occur on a routine basis;
X	X	6. Description of the intent and amount of interfund transfers when the purpose of the transfer was inconsistent with the activity of the fund making the transfer.
		E. Investments
X	*	• A discussion of the issuer's methods for handling the investment of both its short term operating cash and its longer-term holdings.
X	*	• If there is an investment oversight committee, the names and titles of the committee members as well as an overview of the methods employed to review the issuer's investments.

**As to asterisked items, secondary market disclosure is recommended when there have been material changes from the information originally disclosed.*

Official Statement	Secondary Market	
X	*	• If the issuer invests in or employs outside money managers, the identity of the manager(s) and nature of the investments. Thereafter, if there is a change in the methods, terms or parties involved in the investment decision-making process, such should be disclosed.
X	*	• The permitted investment policy including whether or not the entity is authorized to hold derivatives.
X	*	• The method and frequency of valuing investment holdings.
X	X	• Where material relative to the size of the entity's operating revenues, specifically identify and quantify any class of investments held during the fiscal year but not at year end (e.g. derivatives).

V. Expenditures and Other Uses

For each expense category or substantial program best practice disclosure would call for the following:

Official Statement	Secondary Market	
X	X	• For each item of expenditure as seen on the statement of revenues and expenditures, a short explanation of the composition of the item as well as information about any trends. For instance, for state issuers, items such as Medicaid, K-12 education, public assistance; or for local issuers items such as General Government, Public Safety—Fire, Public Safety—Police, Public Works, etc. The trend information should only be that which is known and publicly available, such as newly adopted changes in salaries for a class of employee or a change in the amount of pension contributions made by the issuer.
X	X	• Debt service interest and principal expenditures.
X	X	• The legal or statutory basis for any expenditure that is specifically driven by changes in revenue. For example, a mandatory program that generally relies on federal or state funding should be disclosed. Expenditures related to dedicated revenue programs should also be discussed.

**As to asterisked items, secondary market disclosure is recommended when there have been material changes from the information originally disclosed.*

Official Statement	Secondary Market	
X	X	• Identification of any of the expense categories that are funded from other than general revenues, the specific funding sources. Also, if appropriate, there should be a cross-reference to the Statement of Activities in the audit. Prospectively, as GASB 34 is implemented and the entity accumulates historical data, it should provide historical funding information so that trends in expenses can be seen as changes occur in revenues. For instance, if 50% of the cost associated with adding police officers to Public Safety expenses in a given year is expected to be a covered from a multi-year grant from the federal government, the amount and length of the funding should be disclosed. Also, any public information regarding future funding of the expense should be presented.
X	X	• Any information regarding the possible automatic changes to any expenditure category in the event of a revenue shortfall.
X	X	• Complete description of pension plans. Where the pension plan's financial statements are included in the entity's audit, it is acceptable to cross reference to the audit. Where the audit for the pension plan is a separate document and not included in the disclosure document, consistent with GASB Statement 25, the pension plan's Required Supplementary Information should be included the body of the disclosure document.
X	X	• A discussion of post retirement benefits, other than pensions. Further, there should be a description of how each is, or expected to be funded and the dollar cost of providing those benefits for the last five years.

VI. Debt and Financial Obligations

Presentation of debt information should include all types of debt, such as general obligation, special assessment, sales tax revenue, etc., as well as any other financial obligations which are intended to be repaid over time, such as leases (including any capital leases that are subject to annual appropriation), moral obligations (where the entity promises, subject to appropriation, to replenish the debt service reserve fund), or other major contingent liabilities to secure other debt (i.e., state guarantees of local school district debt, local government deficiency make-up agreements for authorities etc.). It is important to include any obligations that may have been issued by another entity if the repayment obligation is or could be that of the entity responsible for the disclosure document. The intention is to present information that will give the reader a full appreciation of the scope and magnitude of the set and contingent financial obligations owed by the issuer and to allow for full evaluation of the debt burden facing the issuer's residents and taxpayers. Examples of presentation formats that attempt to capture the relevant data as set forth in the charts in the Appendix.

Official Statement	Secondary Market	
X	X	• Amount of authorized debt (as defined by state or local statutes) and amount outstanding as of the date of the disclosure.
X	X	• Itemize all outstanding long-term debt and other capital financial obligations that are secured by General Fund revenues. See Chart 3 in the Appendix. If this information is in the CAFR or Audited Financial Statements an issuer may provide a cross-reference rather than fill out a separate chart.
X	X	• With respect to all short-term obligations, information going back at least five years from the date the disclosure document should be provided. See Chart 4 in the Appendix.
X	X	• Separately, identify other forms of debt outstanding that are not necessarily backed by the General Fund. Where the debt carries a secondary pledge of payment from the general fund (a "double barreled" bond), this should clearly identified. These additional obligations can be disclosed in a chart form. See Chart 5 in the Appendix.
X	X	• Information about any "loans" to related governmental agencies, (i.e., a general fund "loan" to its redevelopment agency).
X	X	• Statement of legal debt limitation.
X	X	• Overlapping and, if appropriate, underlying debt identified by entity.
X	X	• For variable rate obligations identification of the liquidity support, if any, including the liquidity provider, the expiration date of the liquidity facility, and the events of immediate termination and suspension. Also, describe any put features, such as daily or weekly puts and the terms by which interest rates change.
X	X	• Total Debt Service Schedule. See Chart 6 in the Appendix.
X	X	• Information regarding existing and executory swaps, including, in respect to each identified bond issue, the counter-party, the liquidity provider, the swap terms (synthetic floating rate or synthetic fixed rate), the swap execution date/start date/ termination date, the floating rate index and percent, and termination and default events.
X	X	• A discussion of the entity's capital plan. See Chart 7 in the Appendix.

Official Statement	Secondary Market	
X	X	• Any existing bond covenant actual and/or technical defaults.

VII. Cash Flow Financing

The following are specific *additional* recommended best practice in disclosure for issuers that borrow funds on a short-term basis, generally with repayment within two years of issuance. These recommendations apply to short-term financings other than Bond Anticipation Notes.

Official Statement	Secondary Market	
X		• For the last two fiscal years, comparison of each year's operating budget to actual results, accompanied by a discussion of the assumptions used in preparing the original budgets.
X		• A cash flow statement for the current fiscal year with the comparable period for the prior year, including a discussion of the need for the financing and any additional information which explains the current cash position. Where the cash flow borrowing matures after the close of the current fiscal year, to the extent that the term of the pledged revenue_extends beyond the fiscal year, these cash flow statements should be prepared for the entire period that the notes are outstanding. It is important that the cash flow is presented on a month-to-month basis with greater specificity within a particular month or months if the date of the maximum deficit is not the last day of the month. Clearly identify which_Funds are included in the cash flow document. Within this disclosure particular attention should be given to providing:
X	X	• Quarterly Cash Flow Statements: For cash flow financings only, where there are quarterly statements prepared for public distribution, they should be made available to investors and other interested parties within 60 days of the end of each fiscal quarter. If projections were previously provided, this disclosure should include a discussion of any material variances from the projections.
X		1. Sufficient detail to identify major sources and uses of receipts which would be available to pay debt service or to pay working capital expenditures in lieu of financing proceeds, including any anticipated additional cash flow financings and investment earnings.
X		2. A comprehensive discussion of the assumptions used in the development of the projections, including but not limited to, expected timing of receipts and expenditures, restricted versus unrestricted funds, contractual obligations and status of union contracts, etc., and

Official Statement	Secondary Market	
X	X	3. Provisions for repayment of the financing(s) which describes any escrow requirements or other set asides, if any.
X		• A comparison of forecasted to actual cash flows for the prior two fiscal years including a discussion of material variances. A discussion of the relationship between the cash flow statement and the annual audited statements should be included.
X	X	• A full description of how the cash flow receipts, balances and any set-asides will be invested.
X	X	• Discussion of any policies that may exist regarding the maintenance of working capital reserves as well as a chart for the working capital balances for the prior 5 fiscal years.
X	X	• Discussion of any anticipated program changes that could impact program funding (i.e. welfare to work, Medicaid and/or changes in intergovernmental funding), if any.
X		• If the cash flow statements show an ending cash deficit during the period in which the cash flow borrowing is to be repaid, there should be a full discussion of what will cause the deficit and how the issuer will cover it.
X		• To the extent the issuer has the legal ability to borrow internal or external resources to cover any cash flow deficit, there should be a full description of the legal framework for such borrowing as well as five years of data indicating the amount of such borrowable funds (i.e. a chart that shows the fund balances of other legally available funds for each of the last five years).

Appendix

These charts are meant to be used as a reference, however each reporting entity should customize each chart to accurately reflect how it accounts for certain data, such as assessed valuation.

Chart 1
Property Tax Base Values

YEAR	TYPE OF PROPERTY				VALUATION		
	Residential	Industrial	Commercial	Personal	Assessed	Full	Equalized

Note: It is important to include an explanation of the how the various forms of valuation are calculated as well as how often it is done.

Chart 2
Top 10 Property Tax Payers

	Property Taxpayer	Industry	Assessed Valuation	% Total AV
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

Chart 3
Long Term Debt and Financial Obligations

Type of Obligation	Date Issued	Final Maturity	Interest Rate	Amount Issued	Amount Outstanding
GO Bonds - Limited Tax	2/1/1998	2/1/2018	3.85% - 5.15%	$20MM	$19MM
GO Bonds - Unlimited Tax	9/1/1999	9/1/2020	various	$15 MM	$15 MM
COP	6/1/1999	6/1/2024	3.90% - 5.35%	$35 MM	$35 MM

Chart 4
Short Term Debt and Financial Obligations:

Type of Obligation	Date Issued (or Incurred)	Final Maturity (or Term)	Interest Rate	Amount Issued	Amount Outstanding
TAN	7/2/1999	6/30/2000	3.10%	$65 MM	$0
TAN	7/5/2000	6/30/2001	3.05%	$65 MM	$65 MM
TAN	9/1/2000	8/31/2001	3.06%	$30 MM	$30 MM
Capital Lease	10/15/2000	10/15/2005	5.45%	$5 MM	$4.6 MM

Chart 5
Other Outstanding Debt

Type of Obligation	Date Issued	Final Maturity	Interest Rate	Amount Issued	Amount Outstanding
Sales Tax Bonds	9/1/1997	8/1/2007	3.80% - 5.10%	$10MM	$8 MM
Special Assessment Bonds	8/1/2000	8/1/2020	5.20%	$25MM	$25MM
Water Revenue Bonds*	10/1/2000	10/1/2025	5.30%	$5 MM	$5MM

* These bonds also carry a pledge of the issuer's General Obligation unlimited taxing ability in the event the water system revenues are insufficient to cover timely repayment of principal and interest.

Chart 6
Total Debt Service Schedule:

Year	General Obligation		COP/Lease		Total Debt Service
	Principal	Interest	Principal	Interest	
2001					
2002					
2003					
2004					
2005					
2006-2010					
2011-2015					
2016-2020					

Chart 7
Five -Year Capital Improvement Program
(FY2001 - 2005; $Mil)

PROJECTS	FISCAL YEAR					
	2001	2002	2003	2004	2005	Total
Road Improvements	$1.5	$0.5	$2.0	$2.0	$2.0	$8.0
Renovate Police Station	0.0	0.0	0.0	2.5	0.5	3.0
Expand Sewer Plant	0.0	0.0	5.0	1.0	1.0	7.0
School Roofs	0.7	0.3	1.0	0.0	0.0	2.0
TOTAL	2.2	0.8	8.0	5.5	3.5	20.0
FUNDING						
GO Bonds	$2.0	$0.0	$2.8	$3.5	$2.0	$10.3
Revenue Bonds	0.0	0.0	3.5	1.0	0.8	5.3
Grants	0.0	0.0	1.0	0.5	0.2	1.7
Pay As Go	0.2	0.5	0.7	0.5	0.5	2.4
TOTAL	2.2	0.5	8.0	5.5	3.5	19.7

Appendix A

NFMA Recommended Guidelines on Operating Data

General Obligation and Tax Supported Debt

The Appendix contains *NFMA Recommended Guidelines on Operating Data for General Obligation and Tax Supported Debt* and is provided as an addendum to the *NFMA Recommended Best Practices in Disclosure Guidelines for General Obligation and Tax Supported Debt ("RBP").* These guidelines serve to summarize and conveniently tabulate certain key utilization statistics, operating data, and supplemental financial information set forth in the RBP for use in both primary and secondary market disclosure. This Appendix is not intended to be a "one size fits all" solution for providing this data consistent with the RBP. Issuers or obligors are encouraged to modify and supplement this Appendix in accordance with their own disclosure requirements and information profile. **To obtain more complete disclosure guidelines, issuers and obligors are urged to consult the *NFMA Recommended Best Practices in Disclosure Guidelines for General Obligation and Tax Supported Debt*.**

NFMA Recommended Guidelines on Operating Data

General Obligation Bonds and Tax Supported Debt

Part 1: Operating Data

Issuer Name	
Financial Officer Contact	
Telephone No.	( )
Fiscal Year End	
Website URL *(if available)*	http://www.

	Last Five Years					Comparative Benchmarks	
Economic Data	FYE	FYE	FYE	FYE	FYE	US	State
Per Capita income							
% Population below Poverty Level							
Median Household Income							
Ten Year History of Retail Sales							
Top 10 public/private employers							
• Name of employer							
• Number of employees							
Average annual Unemployment Rate							
Employment Mix by Industry							
Building Starts by Permits							
• Residential							
• Commercial							
• Industrial							
Monthly Unemployment Rates	Jan	Feb	Mar	Apr	May	June	
	Jul	Aug	Sep	Oct	Nov	Dec	
Demographic Statistics							
Decennial Population data							
Population Schedule by Age Group							
Population Schedule by Education							
Interim Population Data							

NFMA Recommended Guidelines on Operating Data

General Obligation Bonds and Tax Supported Debt

Part 2: Supplemental Financial Information

General Fund and Revenue Base Data	Last Five Fiscal Years				
	FYE	FYE	FYE	FYE	FYE
General Fund Revenues by Source					
General Fund Expenditures Categories					
Current Tax Collection Rate					
Tax Collection Rate					
Unreserved Fund Balance					
Unreserved Fund Balance/Expenditures					
(Note: Revenues should include Other					
Sources and expenditures should					
inlude Other Uses)					

Property Tax Base Values

Year	Real Property			Personal Property	Valuation	
	Residential	Commercial	Industrial		Assessed	Full

Top Ten Property Taxpayers

Company	Tax Assessment	No of Employees	Industry

EXHIBIT 9

EXCERPT FROM
AMERICAN BAR ASSOCIATION AND NATIONAL ASSOCIATION OF BOND LAWYERS, DISCLOSURE ROLES OF COUNSEL IN STATE AND LOCAL GOVERNMENT SECURITIES OFFERINGS (2009)

DISCLOSURE
Roles of
COUNSEL

In State and Local Government Securities Offerings

THIRD EDITION

AMERICAN BAR ASSOCIATION
Section of
State and Local
Government Law

ABA Section of State and Local Government Law
ABA Section of Business Law,
Committee on Federal Regulation of Securities
National Association of Bond Lawyers

draft bond purchase agreements that impose on the issuer an updating obligation that extends through the Rule 15c2-12(b)(4) period.[16]

In light of the diversity of municipal transactions, it is not possible to provide precise guidance as to the particulars of adequate due diligence that can be applied in every instance. It is important to note that in 1973, at the SEC's request, the NASD proposed a Rule of Fair Practice that would have set forth the basic investigation an underwriter should conduct in connection with a public offering. The rule was not adopted out of concern that the use of a checklist would make the due diligence investigation too systematic and inflexible and unresponsive to the unique characteristics of each transaction. Several organizations, however, have developed voluntary disclosure guidelines. For example, GFOA has issued extensive voluntary guidelines for primary offerings of municipal securities. NFMA has published voluntary disclosure guidelines[17] covering industry-specific sectors, including, among others, housing, student loans, transportation, health care, water and sewer, and hospital transactions. Standard & Poor's *Municipal Finance Criteria* provides a detailed analysis of the criteria that the rating agency examines in providing its ratings for a wide variety of municipal financings, and also provides a useful sector-by-sector analysis.

It is not possible to provide a comprehensive checklist. There are certain basic categories of actions, however, that should be considered in connection with most financings, although the importance or relevance of any particular item will depend upon the facts and circumstances of the particular financing. Some are clearly more relevant to a revenue financing than a general obligation issue, and other distinctions will make these items, and others not mentioned, more or less important:

- Discussions with key executive and financial officials, department heads, or personnel
- Discussions with board members, if appropriate
- Inquiry into possible conflicts of interest
- Rating agency guidelines and requests

16. In addition, MSRB Rule G-32 requires underwriters of new issue municipal securities to deliver Official Statements (if prepared) to customers no later than the settlement date. Such delivery may be accomplished by advising the customer how to obtain the Official Statement from EMMA.

17. National Federation of Municipal Analysts, Compilation of Recommended Best Practices in Disclosure (2004).

- Examination of board minutes, and executive and other key committee minutes and reports, for an appropriate period of time (frequently, five years)
- Examination of current budgets and past performance against budgets
- Examination of audits (including management letters) for five years, or other time period determined to be appropriate for the transaction, and income tax returns (where relevant), and discussions with external auditors
- Review of unaudited stub period financial statements
- Review of (1) changes in auditors by the issuer, if applicable, within the preceding five-year period, or other time period determined to be appropriate for the transaction, and (2) the reasons therefor
- Examination of litigation documents and litigation letters submitted in connection with audits, and discussions with general and litigation counsel
- Examination of indentures, relevant borrowing agreements, lending agreements, major leases, major or key contracts, and other material purchase and sale contracts
- Review of retirement plans and other postemployment benefits, including unfunded liabilities, and actuarial reports
- Review of off–balance sheet items
- Physical examination of key tangible assets and real property
- Review of tax status and tax-exemption of interest on the securities
- Weighing the materiality of the information based upon the security for the bonds—e.g., full faith and credit, airport revenues, etc.
- Review of "industry" background material to discover problems facing the "industry"
- Review of current economic trends and forecasts that may bear on the ability of the issuer to repay its debt
- Review of prior offering documents, and an explanation of any revisions
- Review of any annual financial information or material event notices filed pursuant to Rule 15c2-12

This list is not intended to be exhaustive, and care and judgment are called for in framing and pursuing the due diligence inquiry. In the event that at any point during the due diligence process, or at any time through the end of the underwriting period, an underwriter or its counsel uncovers an issue that may be material, whether as a financial matter or because of its reflection on management, the underwriter and its counsel should make whatever additional inquiry and review whatever additional documents are necessary to make their own preliminary determination. If after discussing this issue