

National Federation of Municipal Analysts
Recommended Best Practices in Disclosure for State Government
General Obligation and Appropriation Debt



Since its inception in 1983, the National Federation of Municipal Analysts (NFMA), has been at the forefront of efforts to improve disclosure of credit and market risks that have faced analysts and investors in the taxable and tax-exempt municipal bond markets. The NFMA’s work in this regard has been recognized by other industry associations and by various regulatory bodies. The NFMA organization is composed of nearly 1,400 members, primarily research analysts, who evaluate credit and other risks of municipal securities. These individuals represent mutual funds, insurance companies, broker/dealers, bond insurers, and rating agencies, among other stakeholders.

One of the main initiatives of the NFMA is intended 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 broad, disclosure-related issues to more detailed, sector-specific work such as these Recommended Best Practices (RBPs) in Disclosure papers. 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 website at www.nfma.org.

In order to develop RBPs in Disclosure for a specific sector, NFMA analysts work with non-analyst professionals such as municipal issuers, industry groups, bond counsel, underwriters, and so on, who specialize in the particular area of the disclosure to develop best practices guidelines. RBPs are descriptions of the sector-specific financial and operating information needed to enable investors and other market participants to assess risk. The NFMA believes that the best practice in disclosure is one that provides a steady flow of timely information from borrowers to the market. Initial drafts of the RBPs in Disclosure are widely circulated, and input is then solicited from interested parties during an industry comment period. The paper is then revised to incorporate the feedback received. For certain sectors, Comment and Response papers are drafted; these papers, which provide additional information on the comments received, are available on the NFMA website.

This paper presents the RBPs in Disclosure for State General Obligation and Appropriation Debt. This document is to be used in conjunction with, not to supplant, the guidance provided in the amendments to SEC Rule 15c2-12, which mandates an issuer’s commitment to provide continuing disclosure of financial and operational information on an annual basis (see <http://www.sec.gov/> for further information about these amendments). The NFMA’s disclosure efforts are a continuous process, and the guidelines provided in this paper will be revisited and changed as market conditions warrant. We encourage interested parties to submit comments at any time to Lisa Good at lgood@nfma.org for consideration in the development of future versions of these RBPs in Disclosure.

It is important to note that the NFMA RBPs 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.

THE NEED TO IMPROVE BEST PRACTICES DISCLOSURE IN STATE GOVERNMENT GENERAL OBLIGATION AND APPROPRIATION DEBT

The following *Recommended Best Practices in Disclosure for State Government General Obligation and Appropriation Debt* applies to a broad range of state issuers and debt issues of varying sizes and complexity. These guidelines are applicable to debt secured by a general obligation or appropriation pledge and are repaid from state general fund resources, which often include income, sales, and corporate taxes and other revenues. The guidelines also apply to moral obligation debt and pension obligation bonds because they are usually repaid from state general fund resources.

Although the NFMA recognizes that not all requested information will be available from all issuers and that 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 in fulfillment of their fiduciary obligations when reviewing, researching, and analyzing state credits. Although municipal market disclosure has improved with the adoption by the Securities and Exchange Commission (SEC) of the 1994 Amendments to Rule 15c2-12, analysts, investors, and other interested parties still find that the quality and timing of disclosure need further improvements for them to be effective at assessing and monitoring credit risk. Difficulties inherent in the quality and timing were readily apparent from the widespread disruption that began in the capital markets beginning in 2008. The severe erosion in the credit quality of the banks and financial guarantors exposed material weaknesses in what had been common disclosure practices. Investors in insured bonds swiftly found themselves holding low-rated or non-rated bonds with little available information associated with the underlying credits.

As a result, investors and securities regulators alike placed renewed focus on disclosure practices and underlying municipal credit quality. In 2010 the SEC issued its *Rules to Enhance Municipal Securities Disclosure*, and in 2012 the SEC completed its *Report on the Municipal Securities Market* with a focus on market structure and disclosure. Timeliness and comparability of financial information were found to be issues of concern in both SEC reports, as was the less than optimal disclosure of pension funding and other post-employment benefits (OPEBs). Among its recommendations, the SEC suggested that Congress grant it the authority to improve disclosures and practices in the municipal market—a clear indication that past disclosure practices are no longer acceptable. These events have resulted in changes to the breadth, depth, and frequency of information now required by municipal bond analysts. Deficiencies in disclosure practices underscored by the 2008 capital markets crisis are addressed in this RBP paper.

TIMING AND DISTRIBUTION OF DISCLOSURE

Our RBPs are intended to be utilized in primary offering documents such as official statements, and with secondary market disclosure on both an annual and an interim basis. The most common secondary disclosure document is the Comprehensive Annual Financial Report (CAFR), which includes audited financial statements typically produced on an annual basis. Our RBPs also include secondary market disclosure that is provided in interim disclosure documents. Although not required by SEC Rule 15c2-12, the NFMA encourages the timely dissemination of financial information to the market through the submission of interim disclosure documents. Interim disclosure documents are intended to provide updated financial information on at least a quarterly basis, although a monthly basis is preferable. Although such a document would be produced on a monthly or quarterly basis,

most financial information would be included in a specific interim disclosure document report only if that item had changed since the last document was produced. Cash flow statements should be included in each interim disclosure document. It is not expected that financial information provided in an interim disclosure document would be audited. Most information provided in the interim disclosure documents should already be produced by state financial officers.

Our RBPs in this area are as follows:

1. Audited financial statements should be available to interested parties within six months of the issuer's fiscal year end.
2. Any event notices, including those required under SEC Rule 15c2-12, should be released in accordance with the Rule and should be noted in the interim disclosure document either next to or immediately following the event notice.
3. In addition to dissemination to the Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access (EMMA) website (available at <http://emma.msrb.org/Home>), the issuer is strongly advised to post these disclosure documents through whatever electronic media are available, such as its own website or similar Internet sites.

The NFMA encourages issuers and/or their representatives to respond verbally and/or in writing to bondholder questions about credit matters on outstanding obligations.

HOW TO USE THIS PAPER

There are eight major sections of this paper, each containing the specific items deemed to be necessary to meet the NFMA's RBPs. These sections are:

- I. General Disclosure Items
- II. Demographics/Economy
- III. Financial Statements
- IV. General Revenue Base
- V. Expenditures
- VI. Debt and Financial Obligations
- VII. Pensions and Other Post-Employment Benefits (OPEBs)
- VIII. Cash Flow Financings

To the left of each item under the major headings, an "X" in the box indicates whether the item is to be disclosed in the Official Statement, the Annual Disclosure (Audited Financial Statements), and/or in Interim Disclosure Documents. We recommend that **those items marked with an asterisk (*) be included in the Annual Disclosure and/or Interim Disclosure Documents when the information originally disclosed has changed.** These items should be in both the official statement and updated in secondary market information or interim disclosure, but, as mentioned above, all the information should be made available on a timely and easily accessible basis.

An appendix follows the eight major sections. This consists of 12 charts that provide examples of formats in which the recommended information can be usefully and efficiently presented.

As previously stated, the NFMA RBPs in Disclosure are not intended to be one-size-fits-all recommendations. All the information requested may not apply to every transaction in the sector.

I. GENERAL DISCLOSURE ITEMS

This first section presents items that are fundamental to providing a useful set of disclosure documents for all bond issues regardless of size, frequency of issuance, or bond structure.

Official Statement	Annual Disclosure	Interim Disclosure	
X			<i>Index or table of contents:</i> Include an index or table of contents that lists each substantive item in the offering.
X	*	*	<i>Ratings:</i> Include ratings and outlooks on both identified bond insurer/credit enhancer (e.g., letter of credit/standby bond purchase agreement, or LOC/SBPA, provider), if applicable, and underlying issuer. Secondary market disclosure should include any known rating and/or outlook changes.
X			<i>Introduction:</i> This should be an overview of the offering expressed in plain English. A brief discussion of security provisions, including a cross reference to market and risk factors if these appear anywhere in the document, should be provided.
X	*		<i>Description of the security and nature of the obligation:</i> A detailed recital of the security provisions of the transaction that include: (a) a clear description of the general obligation or appropriation pledge, (b) if there is a full faith and credit pledge, (c) if it is self-supporting or non-self-supporting, (d) the priority of general obligation or appropriation debt service payments from the general fund, (e) mechanics of the pledge and priority of debt service in the budget, (f) appropriation and allocation of general fund or other pledged resources to the debt service funds, and (g) the legal authority to use state resources to pay debt service. If the security carries enhancement or bond insurance, a full description of the nature and terms of the guarantee, enhancement, or bond insurance should also be included. In this case, a sample policy should be included as an Exhibit.
X			<i>Applicable to appropriation obligations:</i> Debt service reserve fund requirements and the capability to issue a reserve fund credit facility should be disclosed. If a facility will be used, indicate both the type of facility and the percentage and dollar amount of the reserve fund that will be funded by the facility. Also include information on minimum ratings that must be maintained for any facility or substitute and detail the replacement of the facility as required. Identify the nature of and limitations on any obligation to appropriate any revenues that will be the source or repayment for the obligation (e.g., abatement risk in California).

Official Statement	Annual Disclosure	Interim Disclosure	
X			<i>Authorization and purpose of the issue:</i> In addition to detailed information about the statutory authority for issuing the debt, important features to include in this section are (a) whether the financing is new money, a refunding, or combination thereof; (b) voter authorization—where the authorization is from voter approval, provide the total number of eligible voters or the percentage of voter turnout and the number of votes received both for and against the measure; (c) use of proceeds—provide a summary of the principal purposes for which the proceeds are to be used, being as explicit as possible about the projects to be financed; and (d) specifically mention any projects (and their cost) that involve private use or any public/private partnerships.
X			<i>Book-entry-only system description:</i> Although this information is obtained from the depository trust company, it should be routinely checked for accuracy so that any changes are properly included.
X	*		<i>Certification (if applicable):</i> Provide a representation that the obligations have full force and effect of the applicable laws; any pending litigation regarding issuance of this and/or any other debt, as well as if there is any pending litigation regarding repayment of any obligation; and provide a description of any substantive, material items not included in the offering document that will be signed and delivered at the closing and if any materials or documents are incorporated by reference.
X	X	*	<i>Events notices:</i> 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	*	*	<i>Continuing disclosure:</i> The Official Statement should include the continuing disclosure undertaking or indicate its exemption from SEC Rule 15c2-12. In addition, a statement regarding compliance with prior undertakings (that have been implemented for a minimum of five years prior to any bond offering), filings of events notices along with an explanation of any noncompliance, and details about the procedures that have been put in place to ensure future compliance with the disclosure undertakings should be included. The statement should also identify the individual or entity responsible for disclosure filings, and the state’s contact information should be provided.

Official Statement	Annual Disclosure	Interim Disclosure	
X	*		<p><i>Default events:</i> Identify events of default. Provide a discussion of any special provisions that may affect remedies or recovery upon default. These would include all information about the types of remedies available to bondholders, such as any limitation to <i>mandamus</i> actions or an absence of the right to accelerate payment of the debt.</p>
X	X	*	<p><i>Programs and procedures to assist problematic entities:</i> Identify special state-level programs or procedures for assisting distressed municipalities, state agencies, and so on. Provide a discussion of prior and/or current assistance including subsidies, state guarantees, credit enhancement programs, and moral obligation pledges, including deficiency replenishment obligations. Discuss vulnerabilities to any off-balance sheet obligations. Identify current costs incurred, if any, and expected near-term costs in providing any forms of assistance. Indicate whether Chapter 9 is permitted under state law and identify the party or parties responsible for its authorization. Disclose any attempted or actual prior local municipal bankruptcies and their ultimate outcome. Discuss the financial impact of these bankruptcies to the state's economy.</p>
X	X	*	<p><i>Pending referendums or other measures:</i> Include notice of any pending referendums or measures and results subsequent to election 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.</p>
X			<p><i>Legal matters and tax matters:</i> Include a statement that the offering is legal, valid, and binding on the issuer, as well as what, if any, tax-related issues are addressed (i.e., the issue is federally tax exempt, subject to the alternative minimum tax, state income tax exempt). 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 and that may require a consultation with their tax advisor. The name, city, and state of any lawyers or law firms that are giving the opinions described should be included.</p>
			<p>In addition, if the obligations are being offered on the basis that interest on them will be exempt from gross income for federal income tax purposes, the projects to be financed or refinanced with the proceeds of the obligations should be reviewed with a nationally recognized bond counsel and a statement to that effect provided; this statement should include a covenant by the issuer that these projects will not be used in a manner that will adversely impact the treatment of interest on the obligations for federal income tax purposes.</p>

Official Statement	Annual Disclosure *	Interim Disclosure *	
			<p><i>Legal and tax status:</i> Changes in the legal or tax status of the bonds should be disclosed. The disclosure should include notice of any legal opinions regarding the validity or tax-exempt status of the transaction or any required tax call that is rendered subsequent to the initial sale of the securities. This disclosure should be made available as soon as practicable. It should indicate if bonds are currently under IRS audit or have been in past, and should indicate settlement, if any.</p> <p>The following eleven questions should be asked and the responses clearly indicated for all Build America Bonds (BABs) and other direct subsidy debt issues:</p>
X	*		1. Has there been a proper designation in the resolution or trust agreement as a BAB obligation?
X	*		2. Has the issuer established procedures for filing the necessary 8038-CP with the IRS?
X	*		3. Is the BABs subsidy pledged to repayment of bonds? If yes, to which bonds has the subsidy been pledged?
X	*		4. If pledged, declare whether the subsidy payment is being sent directly to trustee or paying agent for deposit into interest account.
X	*		5. If the BABs subsidy is not pledged to bond issue, is its use otherwise restricted?
X	*		6. Are the BABs issues classified as either direct-pay or subsidy?
	X	*	7. Has the US Treasury offset any subsidy payment?
X	X	*	8. Would any triggers result in the loss/reduction of subsidy payment?
X	X	*	9. Are there any redemption provisions, including make-whole provisions? If so, identify them.
			10. Are there any triggers that could result in acceleration of the bonds? If so, identify them.
			11. Are there any bond calls? If so, discuss them.
X	X	*	<p><i>Litigation and resolution:</i> Fully describe any known or pending litigation that may have a potential materially adverse financial impact on the state or its operations. Include actual or potential loss amount and possible impact as a percentage of the budget.</p>

Official Statement	Annual Disclosure	Interim Disclosure
-----------------------	----------------------	-----------------------

X			<p><i>Risk factors/Special considerations:</i> Although not typically applicable to general obligation issues, this section of the disclosure document will be important for appropriation debt (i.e., leases in California) as well as for other special types of debt to which this RBP paper applies (i.e., limited tax debt, etc.). This section should provide a plain English explanation of the specific risks—that is, the abatement risk—inherent in the unique features of the debt. It should include a cross reference to the Market & Risk Factors section that is found in the offering statement. Risk factors should include a disclosure of an issuer’s vulnerability to natural occurrences (i.e., earthquakes, flooding, hurricanes, etc.) if such risks exist that would materially change the pledged revenues for the bonds. A discussion of mitigations in place will provide context for such occurrences.</p>
---	--	--	--

This section would be invaluable to retail investors who may have a more limited knowledge of the risks inherent in the transaction than an institutional investor has.

X	*	*	<p><i>Professionals involved in the financing:</i> Provide the name of the firm and the individuals at that firm, along with the city and state of their office, for each professional who assisted in the preparation and sale of the securities. A website address with current contact information (e.g., e-mail, phone number) should be included. This would include parties such as a financial advisor, underwriter, remarketing agent, credit enhancer, bond counsel, underwriter’s counsel, disclosure counsel, and so on. Identify 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 able to answer questions related to the disclosure document (i.e., Investor Relations). If there are any known or potential conflicts of interest among the professionals and/or the issuer, these should be clearly described.</p>
---	---	---	--

X			<p>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, LOC provider or credit enhancer), along with a website address with current contact information (e.g., e-mail, phone number), should be included.</p>
---	--	--	--

II. DEMOGRAPHICS/ECONOMY

Much of the following information may already be in the statistical section of the issuer's Comprehensive Annual Financial Report (CAFR). Where that is the case, it is preferable for the statement to include the CAFR information in its entirety, although it may be referenced. It is recognized that, depending on the size 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. Issuers may include substantially similar information prepared by an alternative authoritative source (e.g., state agency, state economic council, or statistics that are regularly compiled and published by a university).

Official Statement	Annual Disclosure	Interim Disclosure	
X			<i>A concise general history of the issuer:</i> This should include the location, major industries, and demographics.
X		*	<i>Description of the governmental structure/organization:</i> This should include the branches of state government; the powers and sources of authority; geographical boundaries; a list of primary services that the state provides; and a list of principal officers and administrators. Interim market disclosures should include any significant changes to these parties.
X	X	*	<i>General description of the economic base:</i> This should include current land use (percentage of land that is designated commercial, residential, industrial, agriculture, utility, etc.), major industries, transportation, and land use limitations or similar information regarding the underlying tax base. Information on the classification methodology used should be provided.
X	X	*	<i>Discussion of the state's economic development initiatives:</i> Describe efforts made at economic development and the broadening of the tax base that can assist a state in weathering recessionary challenges while simultaneously meeting its service and debt payment mandates.
X	X	*	<i>Discussion of any state economic reports/forecasts and/or outlooks:</i>

Official Statement	Annual Disclosure	Interim Disclosure
-----------------------	----------------------	-----------------------

The most recent data from the US Census Bureau should be provided for the following seven items:

- | | | |
|---|---|--|
| X | * | 1. The population data for the last decennial and previous five years, US Census data, and the most recent year's estimate. Include relevant growth rate comparisons to the state or the nation. |
| X | * | 2. A breakdown of the percentage of population by age group (0–18; 19–65; over 65). This will be particularly important if the issuer has income tax as a revenue source. These data should be disclosed for the state and the nation as well to determine migration patterns, in and out. |
| X | * | 3. Per capita income. |
| X | * | 4. Median household income. |
| X | * | 5. Breakdown of wealth by income bracket. |
| X | * | 6. Percentage of population at or below the poverty level. |
| X | * | 7. Breakdown of population by level of education. |

For years between decennial censuses, provide the following information from authoritative sources:

- | | | |
|---|---|---|
| X | X | 1. Any relevant non-US Census population data for non-decennial years for the state, region and nation. |
| X | X | 2. Per capita income from the Bureau of Economic Analysis (BEA) or other authoritative sources. |
| X | X | <i>Construction statistics:</i> Ten-year history of construction statistics, if available, showing number and value of permits, preferably by type (residential, commercial, etc.). |
| X | X | <i>Taxable sales history:</i> Ten-year history of taxable sales (dollar volume). |
| X | X | * <i>Private sector employers:</i> Top ten private sector employers with number of employees and nature of business. Any recent or pending changes in top employers should be disclosed, as well as the number of public employees. |

Official Statement	Annual Disclosure	Interim Disclosure	
X	X		<i>Unemployment statistics:</i> Ten years of annual unemployment statistics and statistics for the most current year on a month-by-month basis. Unemployment rates should be for the subject state as well as, if appropriate, the region or the nation. Include unemployment data by sector.
X	X		<i>Sector breakdown:</i> Breakdown of sector employment by general categories for public and private industry. See <u>Chart 1</u> in the Appendix.
X	X		<i>Personal Income Tax Filers.</i> See <u>Chart 2</u> in the Appendix.
X	X		<i>Sales Tax Permits and Liabilities.</i> See <u>Chart 3</u> in the Appendix.

III. FINANCIAL STATEMENTS

Official Statement	Annual Disclosure	Interim Disclosure	
X	X	*	<p><i>Audited financial statements:</i> Each offering statement should include the most recent annual audited financial statements and, if available, unaudited interim statements for the preliminary official statement (POS), 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. Where available, the Comprehensive Annual Financial Report (CAFR) should be included. Any interim disclosure document (i.e., any changes in revenue consensus, economic forecast, capital plans) produced after the audited financial statements have been submitted should indicate the date on which the audit had been submitted.</p>
X	X		<p><i>Management discussion and analysis of financial results (MD&A):</i> This section should include a discussion of any events or situations that may have a bearing on the issuer’s ability or willingness to fulfill its responsibilities in terms of the timely repayment of the obligation.</p>
X		*	<p><i>Management administrative policies and procedures:</i> A discussion of management and administrative policies and procedures relating to financial oversight should include the budgetary process as it may affect the repayment of debt, voter approval requirements, financial controls, and monitoring provisions.</p>
X	X	*	<p>Continuing disclosure commitment and status of compliance with commitment</p>
		*	<p><i>Significant events:</i> Any reporting of significant events as provided in the Issuer’s Continuing Disclosure Commitments.</p>
			<p>The following additional information should be provided if not included in the annual audit:</p>
X	X		<p><i>I.</i> A description of the programs that are covered by the major operating funds in the basic financial statements.</p>

Official Statement	Annual Disclosure	Interim Disclosure	
X	X		2. The period of availability used for recognition of revenues in the governmental fund financial statements. For example, some revenues are viewed as available after the close of a fiscal year. For instance, tax collections outstanding for up to 60 days after the close of the fiscal year are typically counted as available for that given fiscal year since they are considered highly collectable.
X	X	*	3. The current year's summary budget (both original and final) and the subsequent year's budget, if adopted; this includes the general fund and any major operating funds, including projected general fund balance. Updated information should be included in interim disclosure statements following the adoption of the budget and including mid-year and emergency adjustments.
X	X	*	4. Periodic budget cash flows, preferably on a monthly basis but no less than quarterly. Also year-to-date budgeted cash flow compared with year-to-date actual cash flow and actual interest income compared with budgeted income. Identify major revenue sources equal to 10% of general fund revenues or the top five categories of major sources of revenue. Indicate use of internal or external borrowable resources.

IV. GENERAL REVENUE BASE

Because the debt service for most state general obligation bonds and appropriation debt is funded from a state’s general fund, disclosure should focus on the resources that support the general fund. If there is a specific pledged revenue supporting a general obligation bond or appropriation debt program, information on that revenue source should also be disclosed. Even with a double-barreled bond, secured by a dedicated tax such as a sales tax but ultimately secured by the full faith and credit of a state, disclosure beyond the sales tax may be appropriate.

Official	Annual	Interim
Statement	Disclosure	Disclosure

A. Major Revenue Sources

After the appropriate revenue sources have been determined, the following should be disclosed:

X	X	*	<p><i>Revenue categories:</i> Identify any category of revenue that represents more than 10% of the source of fund revenues, or the top five revenue sources, whichever is larger in terms of dollar contribution. To the extent that a category of revenues encompasses several distinct sources of revenue, they should each be disclosed separately. The most important example here is the category of taxes, which may be consolidated as a single line item in the financial statements. To the extent that the entity collects a variety of taxes or other revenue (such as income tax, sales tax, business taxes, severance taxes, etc.), the obligation is secured by or repaid from all these tax revenues; and if any of these exceeds 10% of the relevant revenues or the top five sources of revenues, whichever is larger in terms of dollar contribution, then separate disclosure relating to each of the tax items would be appropriate. Any variance from budget should be discussed.</p>
X			<p><i>Legal basis for revenue:</i> A discussion of the legal basis for revenue should reference the relevant state constitutional or statutory provisions, significant court interpretations, and local law. Special attention should be given to any legal or practical distinction made as to the allocation of the tax—for example, in cases where there is a limited levy for operating purposes and an unlimited levy for debt service, and so on. The issuer should disclose any legal limitations to the amount of a specific revenue that may be raised or any limitation to the rate at which, or the period over which, a tax or assessment may be levied. Sunset provisions should be disclosed here, and any capacity remaining under the limitation should be identified.</p>
	*	*	<p><i>Change in legal basis for revenue:</i> Identify any and all changes in the legal basis for revenue.</p>

Official Statement	Annual Disclosure	Interim Disclosure	
X	X	*	<i>Method of assessing the revenue:</i> Items such as tax rates, tax base, assessment, and other relevant valuation practices should be identified, as well as equalization or other adjustments to the method of levy. For specific disclosure recommendations, see the specific sections on income tax, sales tax, corporate tax, federal grants, other revenues and financing sources, and investments below. Audit programs and remedies for under-collection should also be discussed.
		X	<i>Current versus budget and prior amounts:</i> Year-to-date major revenues versus the budget and prior year amounts should be included in interim disclosure statements.
X	X		<i>Historical data:</i> Ten years of historical data for all relevant revenue sources should be made available. This can be accomplished by providing, on a single page, a chart of all the revenues and expenses for each of the last ten years.
X	*	*	<i>Major changes:</i> To the extent that there is a change of $\pm 5\%$ in annual revenues from any one major revenue source, a discussion of the leading factors behind such changes should be included.
X	X		<i>The top ten payers for major revenue sources:</i> To the extent that information about the top ten payers is not available because of laws protecting taxpayer confidentiality, either a statement to that effect should be made to indicate that this is the case or an identification of the top payers by sector type should be made.
X	X	*	<i>Limitations:</i> Specify any legislative or statutory limitations and provisions for roll-backs; indicate if there is a need for public hearings prior to overriding any express limitations and include a description of tax rate setting, levy, and current and total collection practices and collection accounting. Identify any rate, growth, or levy limits.
X		*	<i>Distribution of taxes:</i> Describe how the various taxes are distributed to the state and what governmental entity collects the taxes. Indicate whether the distribution is prorated or guaranteed, the timing of collection, and who is responsible for collecting delinquencies. Indicate whether that entity fronts for collections for the state or other entities.

Official Statement	Annual Disclosure	Interim Disclosure	
X	X	*	<i>Specific tax collection:</i> If there is any legal or practical distinction made in the way a specific tax is allocated, show the breakdown of such for each year as the percentage allocation of taxes and any year-over-year changes in allocation percentages.
X	X	*	<i>Tax appeals information:</i> Provide an explanation of any tax appeals process and a discussion of substantive pending appeals. Discuss potential liability. Identify reserves and indicate whether or not the state has the ability to issue debt to satisfy any claims. Where the state has financed tax refunds, a schedule of the amounts of such financings should be disclosed.
B. Income Tax			
X	X		<i>Components of income taxes:</i> If income taxes are a source of revenue, identify and discuss the components (e.g., earned income, personal income, etc.). As with other revenues, if the information is available, the issuer should provide a ten-year history of the components as well as any rate changes.
X	X		<i>Definition of income tax:</i> Identify taxable income for the prior ten years, including gross income less deductions and exemptions or as otherwise specifically defined by state statute.
X	*		<i>Income tax rates:</i> Identify tax rates for the past ten years, both the personal income tax receipts and withholding component.
X	X	*	<i>Income tax restrictions:</i> Discuss any restrictions on the right of the state to amend, repeal, modify, or otherwise alter the personal income tax. Discuss any recent or proposed alterations.
X	X	*	<i>Tax collection:</i> Identify who collects the tax and the frequency of distribution of collected taxes to different bond issues for the past ten years.

Official Statement Annual Disclosure Interim Disclosure

C. Sales Tax

X	X		<i>Legal basis and type:</i> Identify 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	*	<i>Restrictions on state’s rights:</i> Discuss any restrictions on the right of the state to amend, repeal, modify, or otherwise alter the sales tax. Discuss circumstances under which monies held in the sales tax fund may be paid over to the general fund. Discuss recent alterations.
X	X		<i>Collection and distribution:</i> Identify who collects the tax, the frequency of distribution, and whether the tax is point-of-origin or formula driven. Describe the process of point-of-origin collection and also describe the formula (its components) driving collection and distribution.
X	X		<i>Historical and comparative data:</i> Provide a table of the current and last nine years of total receipts and sales tax rates, with the rates separated by any legal or practical distinction made as to their allocation, including any changes to the tax rates. The table should include year-to-date actual monthly collections compared with budgeted projections, as well as the percentage of aggregate annual tax collections for the past ten years.
X	X		<i>Performance:</i> Indicate the sales tax’s performance through recessionary times if one has occurred in the past ten years. Major changes (greater than 10%) from one year to the next—either positive or negative—should be disclosed, with an explanation for the change. Identify any permanent structural change to the amount of revenue collected or the base on which these revenues are collected and project their impact on future budgets. Collection rates are useful indicators of efficiency of the tax.
		*	<i>Exceptions:</i> Disclose exclusions, exemptions, or sales tax holidays. Discuss any change in the sales tax rate.
X	X		<i>Sales over time:</i> Identify retail sales over time and the type of tax generators (i.e., restaurants vs. shopping malls) that will help direct the type of sensitivity that might occur.
X	X		<i>Sales tax by industry:</i> Provide sales tax revenue by industry/commodity and tax liability by industry or other categories of sales. Disclose ten-year historical tax collection rates.

Official Statement Annual Disclosure Interim Disclosure

D. Corporate Taxes

X	X		<i>Legal basis and type:</i> Identify the legal basis for the collection of corporate taxes and the types of activities that are deemed taxable as well as significant exemptions.
X	X	*	<i>Restrictions on state’s rights:</i> Discuss any restrictions on the right of the state to amend, repeal, modify, or otherwise alter the corporate tax. Discuss circumstances under which monies held in the corporate tax fund may be paid over to the general fund. Discuss recent alterations.
X	X		<i>Collection and distribution:</i> Identify who collects the tax, its frequency of distribution, and whether it is formula driven. Describe the tax and also describe the formula (its components) driving collection and distribution. Discuss any change in the corporate tax rate.
X	X		<i>Performance:</i> Indicate the corporate taxes’ performance through recessionary time if one has occurred in the past ten years. Major changes (greater than 10%) from one year to the next—either positive or negative—should be disclosed, with an explanation for the change. Identify any permanent structural change to the amount of revenue collected or the base on which these revenues are collected and project their impact on future budgets. Collection rates are useful indicators of efficiency of the tax.
X	X	*	<i>Historical and comparative data:</i> Provide a table of the current and last nine years of total receipts and corporate taxes, with the rates separated by any legal or practical distinction made as to their allocation, including any changes in the tax rate. The table should include year-to-date actual collections compared with budgeted projections, as well as the percentage of aggregate tax collections for the past ten years.
X	X		<i>Corporate tax by type:</i> Provide corporate tax revenue by industry/commodity and tax liability by industry or other relevant categories. Disclose ten-year historical tax collection rates.

E. Federal Grants

*	*		<i>Grant value and recipients:</i> Identify the dollar value of federal grants and
---	---	--	--

Official Statement	Annual Disclosure	Interim Disclosure
-----------------------	----------------------	-----------------------

the top five governmental agency recipients. Broadly identify the purposes for which federal grants may be used (i.e., health, income security, education, housing, etc.).

X	*	*
---	---	---

Grant restrictions and possible loss: Discuss restrictions on the use of grants and identify circumstances under which grant revenues may be reduced or removed entirely. Discuss alternatives that can be used to replace any reduced or lost federal grants. Discuss any state matching funds requirements.

X		
---	--	--

Grants and other revenues: If material, stack-rank federal grants against major state revenues such as income and sales taxes. (Stack-rank denotes an exact order; it is a ranking of best to worst, a discrete number or largest to smaller federal grants as they compare against other major revenue sources.) Disclose federal grants as a percentage of gross state product.

X	X	
---	---	--

Grant receipt history: If material, provide the ten-year history, if available, of state grant receipts and the percentage of total operating revenues.

X	X	
---	---	--

Grant use controls: Disclose the internal controls of the state that are in place to ensure accountability for grant use. Disclose whether the state, its agencies, and its institutions meet the requirements of the Single Audit Act and Circular A-133. If not, explain the applied remedy.

F. Other Revenues and Financing Sources

If interfund transfers are a significant source of revenues to a general fund and the financial statements consolidate all transfers into a single item, are made outside the normal course of business, or are not paid within one year, 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.

Official Statement	Annual Disclosure	Interim Disclosure	
X	X		3. Identification of the amounts transferred from other funds 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 and recurring basis.
	X	*	6. Description of the intent and amount of interfund transfers when the purpose of the transfer is inconsistent with the activity of the fund making the transfer.

G. Investments

X	*		<i>Investment methods:</i> Discuss the state's methods for handling the investment of both its short-term operating cash and its longer-term holdings.
X	*		<i>Investment committee:</i> If there is an investment oversight committee, provide the names and titles of the committee members as well as an overview of the methods employed to review the issuer's investments.
X	*	*	<i>Outside managers:</i> If the state invests in or employs outside money managers, the identity of the manager(s) and nature of the investments should be disclosed. Thereafter, any change in the methods, terms, or parties involved in the investment decision-making process should be disclosed.
X		*	<i>Outside manager selection and fees:</i> Discuss state policy governing the selection of outside money managers and fee structures. Describe the substance and frequency of performance evaluations. Discuss performance benchmarks and the process for removing poor-performing managers. Identify specifically for what managers are held accountable. Disclose, for instance, aggregate fees that appear disproportionate to rates of returns.
X	*	*	<i>Investment policy:</i> Provide the permitted investment policy with details of the various investment options, including whether or not the entity is authorized to hold derivatives.
X	X	*	<i>Asset classes:</i> Specify permitted asset classes and liquidity. Identify investment returns by asset class compared with budget projections.

X	*		<i>Investment holdings:</i> Identify the method and frequency of valuing investment holdings. Indicate whether marked to market accounting is employed.
X	X		<i>Asset class deletion:</i> Where investments are material relative to the size of the state's operating revenues, identify and quantify specifically any class of investments held during the fiscal year but not at year-end (e.g., derivatives).
X	X	*	<i>Budgeted to actual interest comparison:</i> Compare budget with actual interest income. Identify the targeted percentage rate of return and dollar amount built into budget. Discuss mitigants to any shortfall.

V. EXPENDITURES

Official Statement	Annual Disclosure	Interim Disclosure	
X	X		<i>Expenditure items:</i> For each item of expenditure on the statement of revenues and expenditures—such as Medicaid, higher education, and public assistance—provide a short explanation of its composition as well as information about any trends. The trend information should include only 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 state.
X	X		<i>Interest and principal expenditures:</i> Identify annual interest and principal expenditures for prior and current year for each type of general fund-backed bond (i.e., GO, appropriation, etc.).
X	X	*	<i>Legal basis of expenditures:</i> Provide evidence of 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 funding should be disclosed (e.g., Medicaid). Expenditures related to dedicated revenue programs should also be discussed.
		X	<i>Current versus budget and prior amounts:</i> Year-to-date major expenditures versus budget and prior year amounts should be included in interim disclosure statements. Remedies for over-expenditures should be discussed.
X	*	*	<i>Performance:</i> Provide indicators of expenditure performance through recessionary times. Identify percentage drop in revenues that would lead to a reduction in or postponement of expenditure categories. Identify legislative mechanisms that require automatic changes in expenditures. Specify current examples of these mechanisms.
X	X		<i>Expense categories:</i> Provide identification of any of the expense categories that are funded from sources other than general revenues and the specific funding sources. Also, if appropriate, there should be a cross-reference to the statement of activities in the audit. Historical data that depicts historical funding information should be provided so that trends in expenses can be seen as changes occur in revenues. For instance, if a portion of the cost associated with public safety expenses in a given year is expected to be covered from a multi-year grant from the federal government, the dollar amount and length of the funding should be disclosed. Also, any public information regarding future funding of the expense should be presented.

Official Statement	Annual Disclosure	Interim Disclosure	
X	*	*	<i>Automatic changes:</i> Any information regarding possible automatic changes to any expenditure category in the event of a revenue shortfall should be clearly stated; any current examples should be identified.
X	X		<i>Issues regarding public employees:</i> Where there are public employees of the subject entity, a discussion of union membership, any salary increases or benefits provided for in adopted agreements, contract termination dates, status of expired contracts (negotiation, arbitration, etc.) and history of work stoppages, if any, should be included. Identify special pension provisions such as extraordinary cost of living adjustments (COLAs; see the discussion of Pensions and OPEBs in Section VII).

VI. DEBT AND FINANCIAL OBLIGATIONS

The debt section of the disclosure should describe all types of debt obligations that may have recourse to the general fund. Include financial obligations that are intended to be repaid over time, such as capital or operating 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 funds), and major contingent liabilities (i.e., state guarantees of local school district debt, state 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 (contingent/guaranteed debt). Disclose total debt as a percentage of gross state product (GSP). The intention is to present information that will give the reader a full appreciation of the scope and magnitude of the debt and contingent financial obligations owed by the state, and to allow for a full evaluation of the debt burden facing the state’s residents. Pensions and OPEB obligations are specifically addressed in Section VII and are not covered here.

Official Statement	Annual Disclosure	Interim Disclosure	
X	X	*	<i>Debt items:</i> Itemize all outstanding long-term debt and other capital financial obligations that are secured by general fund revenues (see Chart 4 in the Appendix). If this information is in the CAFR or the audited financial statements, an issuer may provide a cross-reference rather than fill out a separate chart.
X	X	*	<i>Short-term debt:</i> With respect to all short-term obligations (both fixed and variable rate), information going back at least five years from the date of the disclosure document should be provided; this should include the size and frequency of issuances. Cash flow notes should be accompanied by at least five years of historical data (actual versus projections) and current estimates. See Chart 5 in the Appendix.
X	X	*	<i>Debt outstanding:</i> Separately, identify other forms of debt outstanding that are not necessarily backed by the general fund. Clearly identify instances where the debt carries a secondary pledge of payment from the general fund in addition to a separate revenue pledge (a “double-barreled” bond). These additional obligations can be disclosed in a chart form. See Chart 6 in the Appendix.
X	X		<i>Temporary “loans”:</i> Provide information about any "loans" to related governmental agencies, (i.e., a general fund "loan" to its economic development agency).
X	X	*	<i>Debt limitations:</i> Provide a statement of legal or voter-approved debt limitations, and also a description of any formal debt policies or limits.
X	X		<i>Guaranteed amounts:</i> Disclose contingent/guaranteed debt dollar amounts and the nature of such guarantees.

Official Statement	Annual Disclosure	Interim Disclosure	
X	X	*	<i>Debt service schedule:</i> Provide an aggregate debt service schedule of annual principal and interest. Include the schedule of annual principal and interest payments on contingent liabilities (including moral obligations), guarantees, capital, and operating leases. See <u>Charts 7 and 8</u> in the Appendix.
X	X	*	<i>Capital plan:</i> Provide a discussion of the state’s capital plan. Identify the portion of the plan that is to be funded through debt issuance as well as the pay-go funded portion. See <u>Chart 9</u> in the Appendix.
X	X	*	<i>Defaults and their remedy:</i> Identify any existing and past monetary defaults and remedy. Identify events that would accelerate the payment of the entire amount of outstanding debt.
X	X		<i>Unissued debt:</i> Indicate the amount of authorized unissued debt and its purpose. Identify the dollar limit of additional debt and instances supporting additional debt.
X	X	*	<i>IRS audits:</i> Discuss any current and/or past IRS audits and their outcome. Discuss also any recent and/or on-going audits by the State Comptroller or Attorney General, and any other state entities or agencies.
X	X	*	<i>Variable rate obligations:</i> For variable rate obligations, identify the type of liquidity support, if any (LOC; SBPA; self-liquidity), including the liquidity provider and credit rating and the expiration date of the credit or liquidity facility. Indicate the length of the term out period (the period of time over which an issuer must repay its LOC in order to retire bonds when there has been a failed remarketing) for potential bank bonds, the maximum interest rate during reimbursement period for bank bonds, 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. Refer to NFMA’s <i>Recommended Best Practices in Disclosure for Variable Rate Demand and Short-Term Securities</i> (available at http://www.nfma.org/assets/documents/RBP/rbpvrdofinal8.12.pdf) for additional details.

The following nine items are elements that need to be disclosed for variable rate obligations:

- | | | | |
|---|--|--|--|
| X | | | I. Sources of payment of tender price and the priority in which funds may be used should be disclosed. Legal provisions should be provided. |
|---|--|--|--|

Official Statement	Annual Disclosure	Interim Disclosure	
X			2. Indicate if failure of the credit or liquidity provider to pay tender bonds is an event of default. Means of recourse against the bank for non-payment should be described. Describe the method of determining a default rate if a new one is not established or if the tender price is not paid by the obligor or liquidity provider.
X			3. Identify terms and conditions under which the bondholders must be notified regarding the substitution or release of the credit enhancer or liquidity provider for a tender or put feature.
X	X		4. Report the creation of or change in a control relationship between a credit facility or liquidity facility provider and the obligor. Identify and provide background on the ultimate obligor. Disclose if the credit enhancer or bondholders control remedies and whether bondholders are authorized to control if the enhancer is in default.
		*	5. Identify variable rate debt that has been changed into long-term debt.
X			6. Discuss appropriate structural requirements that will enable the investor to continue to be paid by the third-party LOC even while the obligor is in bankruptcy proceedings.
X			7. Disclose any conditions or terms of the LOC that would affect the investor's security.
X			8. Terms of the LOC should include expiration date; renewal or extension provisions; circumstances that permit termination of the LOC such as mode changes or defeasance of the bonds; the type and timing of payments to be made by the LOC; principal coverage; and both the number of days and the maximum interest rate at which interest payments would be covered. Reinstatement provisions should be disclosed. The remedy for any notice of non-reinstatement by the Trustee and the period during which the remedy can be implemented should also be disclosed.
X	X	*	9. If multiple providers are involved, each provider should be identified along with its degree of participation on both a dollar and a percentage basis, as well as if the third-party obligations are joint or joint and several. The mechanics of adding or substituting providers should be discussed, along with any such change that would lead to a mandatory tender.

Official Statement	Annual Disclosure	Interim Disclosure	
X	X	*	<p><i>Direct bank loans and bonds:</i> For direct bank loans and direct purchase bonds, discuss the governing law, the purpose of the loan and bonds, and the security for and source of repayment, identifying third-party guarantees, if any. Include the tax status of any interest paid. Indicate whether each is issued on parity with outstanding debt or senior to outstanding debt, and provide any supplement to the bond indenture. Discuss the use of proceeds, security pledge, covenants, and the maturity and amortization schedule. Indicate any “most favored nation” or similar clause. Identify interest rate(s) and index rate(s) used (such as SIFMA, LIBOR, Bank Rate), fixed or floating, interest rate cap(s), term and structure (short amortization period or hard put), participating banks, administrative details, and up-front fees. The circumstances of acceleration, default triggers, triggers to increase interest rates, performance covenants, and remedies should be provided. Identify cross-default provisions, terms of future agreements, and extraordinary calls on liquidity (such as mandatory purchase).</p> <p>The above-mentioned items aid in the facilitation of a fair and efficient market by disclosing material information to existing bondholders that may impact security, ratings and pricing. Disclosures would apply whether a bank loan is treated as a “loan” or a “security” under federal securities law. Refer to the <i>Recommended Best Practices for Disclosures in Direct Loan Purchase Bonds, Bank Loans and Other Bank Borrower Agreements</i>, draft dated March 3, 2015.</p> <p>The following two items aid in the facilitation of a fair and efficient market:</p> <ol style="list-style-type: none"> 1. Provide the dollar amount and percentage of direct placements to total debt portfolio, including the dollar amount and percentage of expiring bank facilities, or bank financial support agreements, by year. Provide information regarding changes, additions to, or reductions in direct bank loans and direct purchase bonds. 2. Provide management disclosure describing the source of liquidity in the event of an acceleration or non-extension. Provide pro forma coverage and liquidity (number of days of cash on hand) calculations assuming an acceleration or non-extension upon the maturity of the loan. <p><i>Swaps and derivatives:</i> Provide information regarding existing and forward starting swaps and all other derivatives including, for each identified bond issue: the counterparty, the liquidity provider and credit</p>
X	X	*	
X	X	*	

Official Statement	Annual Disclosure	Interim Disclosure
-----------------------	----------------------	-----------------------

rating, the swap terms (synthetic floating rate or synthetic fixed rate), the current notional amount, the swap execution date/start date/termination date, the floating rate index and percent, termination and default events, collateral posting requirements by rating levels, the amount of collateral currently posted, and the current swap market value. Provide information if the counterparty has been replaced or been downgraded below investment grade or any other changes in terms or conditions. See also the NFMA’s *Recommended Best Practices in Disclosure for Variable Rate Demand and Short-Term Securities* dated August 8, 2012.

The following four items describe specific disclosure requirements for swaps and derivatives:

- | | | | |
|---|---|---|---|
| X | X | | <ol style="list-style-type: none"> 1. Describe the capacity, power, and legal authority of the issuing entity to engage in swap transactions. Describe the process by which swap contracts are evaluated, approved, and monitored, and include any formal swaps policy. Identify the lien status of particular swap transactions within the structure of the governmental entity’s financings. Discuss any legal issues arising under municipal swap market documentation. |
| X | X | * | <ol style="list-style-type: none"> 2. Provide a comprehensive disclosure of swap transactions identifying both transactions entered into to modify the risk of future interest rate changes on a series of bonds and those entered into for balance sheet management reasons. This will assist in evaluating the entity’s asset-liability management philosophy. |
| X | X | * | <ol style="list-style-type: none"> 3. Provide cash flows related to the swaps and the impact those payments may have on financial results. Disclose how any up-front payment received by the issuer through a swap or in exchange for a swaption has been used to meet the issuer’s budgetary or cash flow needs or in the funding of capital projects. |
| X | X | * | <ol style="list-style-type: none"> 4. Discuss the mechanism for any termination payment that might ultimately be due from the issuer. |

VII PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (OPEBs)

States may find that some of the following recommended pension and OPEB disclosures are similar to those provided in GASB Statements. States are encouraged to continue to disclose many of the important elements of funding-based approach reporting, especially actuarially determined liabilities and required contributions as well as funded levels of all state pension and OPEB obligations. The NFMA also recommends displaying historic data for a ten-year period. States need only provide reference to the applicable disclosure in its audit, CAFR, or other documentation, including actuary studies (these can be cross-referenced, or a link may be provided). Examples of existing and alternative presentation formats that attempt to capture the relevant data are provided in the charts in the Appendix.

Official Statement	Annual Disclosure	Interim Disclosure
X	X	*

Pension plans and benefits: The pension discussion should include a brief description of the pension plans and benefit levels, including information about defined benefit and defined contribution plans, the actuarial assumptions made, and the plan’s funding history. See **Chart 10** in the Appendix for a brief example of basic benefit information including the assumed discount rate and amortization period.

Describe the plan’s legal status and priority of payment compared with that of other obligations such as debt service. Identify the authority under which benefit provisions and funding requirements are established or may be amended. Discuss funding policy and annual costs. Include the following: annual required contribution, annual pension cost, contributions made, increase or decrease in net pension obligation, net pension obligation at the beginning of the year, net pension obligation at the end of year, actuarial accrued liability, funded ratio, covered payroll, and the unfunded actuarial accrued liability (UAAL) as a percentage of covered payroll. Also describe recent plan changes and changes in assumptions that may affect the size of the unfunded liability. Describe investment policy, asset allocation, and liquidity and investment rate (actual versus budget). Describe the excess earnings policy, if any. Discuss any pension plan reserves and their use. If there is an actuarial report under separate cover, it can be incorporated by reference as well as other third-party reports. To facilitate access to the document, include contact name and phone number or provide link.

Some of the following information is not always available in the CAFR or with issuer-specific details. It would be helpful to include the following eight items in the official statement and continuing disclosure document. If available, reference to an attached document is sufficient:

X	X	*	1. Significant assumptions used in the measurement of the net pension liability. These include assumptions related to the discount rate and the impact of 1% increase or decrease in the
---	---	---	--

Official Statement	Annual Disclosure	Interim Disclosure	
			discount rate on net pension liability; net pension liability and deferred outflows of resources and deferred inflows of resources; and net pension liability as a percentage of the covered-employee payroll.
X	X		2. Ten-year history of funded ratio, unfunded liabilities, and assets for each plan. Actuarial projected liabilities and projected, funded ratios should be included, as well as assumed and actual investment return rates for pension fund assets. See Chart 11 in the Appendix.
X	X		3. Ten-year history of the state's portion of the actuarially required contribution and of the actual amount contributed for each plan. See Chart 12 in the Appendix.
X	X	*	4. Identify the year in which the plan's net assets (net plan position) no longer cover total pension liabilities on a currently projected basis. Identify the average remaining years of employment of employees (active and inactive) plus retirees.
X	X		5. Ten-year projection of the actuarially required contributions and benefit costs.
X	X	*	6. Description of recent plan changes that may affect the size of the unfunded liability, future contributions, or asset values. Changes in the investment assumptions; changes in professional management, if any; and changes in actuarial rates should be duly noted. Any eligibility changes should be highlighted. Any provision for COLAs should be disclosed. Whether said COLAs are ad hoc or are by formula should also be disclosed. Any statutory or constitutional protection of these adjustments should be indicated.
X	X	*	7. Describe the basis upon which annual pension payments may be amortized as opposed to paid in the current fiscal year. Identify the allowable amortization period. Discuss the ten-year history of any amortizations, identifying dollar amounts and fiscal years. Discuss any payment defaults and the remedy.
X	*		8. Calculate and include taxes or other assessments on the provision of pension in the projection of benefits for inclusion in the measurement of the state's pension liability.
X	X	*	<i>Other post-employment benefits:</i> The OPEB discussion should incorporate a brief description of all other post-employment benefit plans, including information about employer contributions, actuarial

Official Statement	Annual Disclosure	Interim Disclosure
-----------------------	----------------------	-----------------------

assumptions, and funding history. Discuss the legal status and priority of payment compared with that of other obligations, including debt service. See **Chart 10** in the Appendix for a brief example of basic benefit information, including the assumed discount rate and amortization period.

Include a brief description of the types of benefits and the authority under which benefit provisions and funding requirements are established or may be amended. Identify the authority under which benefit provisions and funding requirements are established or may be amended. Identify those liabilities outside formal written communications with employees that are understood by the employer and employee to be part of the compensation package. Discuss funding policy and annual costs. Include the annual required contribution, the annual OPEB cost, contributions made, the increase or decrease in net OPEB obligation, the net OPEB obligation at the beginning of year, the net OPEB obligation at the end of year, the actuarial accrued liability, funded OPEB plan assets, unfunded actuarial accrued liability, funded ratio, covered payroll, and the UAAL as percentage of covered payroll. Describe the investment policy, asset allocation, and liquidity and investment rate (assumed versus actual). Also describe recent plan changes and changes in assumptions that may affect the size of the unfunded liability. Describe the excess earnings policy, if any. Discuss any OPEB plan reserves and their use. If available, reference to an attached document is sufficient. If there is an actuarial report under separate cover, it can be incorporated by reference as well as by other third-party reports. To facilitate access to the document, include contact name and phone number or provide link.

Some of the following information is not always available in the CAFR or with issuer-specific details. It would be helpful to include the following seven items in the official statement and continuing disclosure document. If available, reference to an attached document is sufficient:

- | | | | |
|---|---|---|--|
| X | * | * | 1. Significant assumptions used in the measurement of the net OPEB liability. These include assumptions related to the discount rate and the impact of 1% increase or decrease in the discount rate on net OPEB liability. |
| X | X | | 2. Ten-year history of funded ratio, unfunded liabilities, and assets for each plan. Projections for future funded ratios should also be included. See Chart 11 in the Appendix. |
| | | | 3. Identify year in which the plan’s net assets (net plan position) no longer cover total OPEB liabilities on a currently projected basis. Identify the average remaining years of employment of |

Official Statement	Annual Disclosure	Interim Disclosure	
			employees (active and inactive) plus retirees.
X	X		4. Ten-year history of the state’s portion of the actuarially required contribution and of the actual amount contributed for each plan. See <u>Chart 12</u> in the Appendix.
X	X		5. Ten-year projections of the actuarially required contributions and benefit costs.
X	X	*	6. Description of recent plan changes that may affect the size of the unfunded liability, future contributions or asset values, and actuarial rates should be duly noted. Indicate any changes in investment assumptions, including asset allocations or professional management. Any provision for COLAs should be disclosed. Whether said COLAs are ad hoc or are by formula should also be disclosed. Statutory or constitutional protection of these adjustments should be indicated.
X	X	*	7. Calculate and include taxes or other assessments on the provision of OPEBs in the projection of benefits for inclusion in the measurement of the employer’s OPEB liability.

VIII CASH FLOW FINANCINGS

The following are specific additional RBPs 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 (i.e., RANS, TRANS, TANS, warrants, and other cash management notes).

Official Statement	Annual Disclosure	Interim Disclosure	
X	*	*	<i>Comparison of budgets:</i> Compare each year’s original and revised operating budgets with actual results for the prior two fiscal years. Accompany this with a discussion of the assumptions used in preparing the original budgets. Discuss mid-year budget revisions including emergency budget changes.
X			<i>Project cash flow:</i> Provide a projected cash flow statement for the current fiscal year, with the comparable actual and projected cash flow statements for the prior two years. Include a discussion of the need for the financing and any additional information that 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 for which 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 the following four items:

X	X	*	<i>1. Monthly/quarterly cash flow statements:</i> For cash flow financings only, where there are monthly/quarterly statements prepared for public distribution, they should be made available to investors and other interested parties within 30 days if preparing monthly statements and within 60 days if preparing quarterly statements. If projections were previously provided, this disclosure should include a discussion of any material variances from the projections. Include comparison of year-to-date budget versus year-to-date actual.
X		*	<i>2. Provide sufficient detail to identify major sources and uses of receipts that 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</i>

Official Statement	Annual Disclosure	Interim Disclosure	
			investment earnings. Identify major revenue sources representing 10% of the general fund or the top five categories of revenue sources.
X	*	*	3. Identify major revenue sources representing 10% of the general fund or the top five categories.
X			4. 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, and so on. Include key assumptions behind the various projections from a macro viewpoint.
X	X		<i>Repayment provisions:</i> Indicate provisions for repayment of the financing(s) and describe any escrow requirements or other set asides, if any.
X			<i>Forecasted to actual comparison:</i> Provide a comparison of forecasted to actual cash flows for the prior two fiscal years; include a discussion of material variances and of the relationship between the cash flow statements, the annual audited statements, and the current budget.
X	X		<i>Investment decisions:</i> Provide a full description of how the cash flow receipts, balances, and any set-asides will be invested.
X	X		<i>Capital reserves:</i> Discuss any policies that may exist regarding the maintenance of working capital reserves and provide a chart for the working capital balances for the prior five fiscal years.
X	X	*	<i>Anticipated changes:</i> Discuss any anticipated program changes that could impact program funding (i.e., welfare to work policies, Medicaid, and/or changes in intergovernmental funding).
X		*	<i>Deficit causes and plans to cover:</i> If the cash flow statements show an ending cash deficit during the period in which the cash flow borrowing is to be repaid, provide a full discussion of what will cause the deficit and how the state will cover same. If the cash flow differs materially from the current budget, explain the variance. Cash deficiency mitigants should be discussed.
X			<i>Covering a deficit:</i> To the extent that the state has the legal ability to borrow internal or external resources to cover any cash flow deficit, provide 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

Official Statement	Annual Disclosure	Interim Disclosure
-----------------------	----------------------	-----------------------

available funds for each of the last five years). Timing of repayment of those resources should be discussed.

Appendix: Disclosure Presentation: Existing and Alternative Formats

This appendix presents examples of formats for presenting the relevant data that are needed to comply with the recommended best practices set out in this paper. Some of the charts show data that are representative only; an issuing entity would need to provide data specific to its situation. Some of the charts are blank; these are intended as format suggestions, and can be modified to adapt to particular circumstances.

Chart 1

Employment by Industry

	2005		2014	
	Employees	Total State Employment (%)	Employees	Total State Employment (%)
Industry				
Services	5,513,200	37.2	5,977,200	41.4
Government				
Federal	197,000	1.3	192,800	1.3
Military	56,800	0.4	62,300	0.4
State and Local	2,193,300	14.8	2,143,600	14.8
Retail trade	1,582,200	10.7	1,532,000	10.6
Manufacturing	1,631,800	11.0	1,245,800	8.6
Information, finance, and insurance	1,075,800	7.3	948,400	6.6
Construction and utilities	829,200	5.6	612,100	4.2
Wholesale trade	652,100	4.4	659,000	4.6
Transportation and warehousing	436,200	2.9	413,500	2.9
Farming	372,700	2.5	385,300	2.7
Real estate	268,200	1.8	245,500	1.7
Natural resources and mining	23,100	0.2	28,500	0.2
Total	14,831,600	100.0	14,446,000	100.0

Chart 2

Personal Income Tax Filers and Liability by Income Level (\$000s)

			2013			
			Number of Filers	Total (%)	Tax Liability	Total (%)
Under		\$5,000	1,221,731	8.2	\$8,720	0.0
\$5,000	to	\$9,999	1,153,272	7.8	\$8,591	0.0
\$10,000	to	\$14,999	1,275,013	8.6	\$18,875	0.0
\$15,000	to	\$19,999	1,248,312	8.4	\$53,407	0.1
\$20,000	to	\$24,999	1,068,572	7.2	\$109,802	0.2
\$25,000	to	\$29,999	913,655	6.2	\$172,999	0.4
\$30,000	to	\$39,999	1,480,970	10.0	\$565,360	1.3
\$40,000	to	\$49,999	1,143,984	7.7	\$838,311	1.9
\$50,000	to	\$99,999	3,066,034	20.7	\$6,154,040	13.8
\$100,000	and	Over	2,242,883	15.1	\$36,542,341	82.2
Total			14,814,426	100.0%	\$44,472,446	100.0%

Chart 3**Sales Tax Permits and Tax Liability by Industry (\$000s)**

	2013			
	Number of Permits	Total (%)	Tax Liability	Total (%)
Retail and Food Services				
Food services and drinking places	92,370	9.4	\$3,205,153	10.7
Motor vehicle and parts dealers	32,727	3.3	\$2,959,723	9.9
General merchandise stores	15,684	1.6	\$2,895,238	9.7
Gasoline stations	10,096	1.0	\$2,826,656	9.5
Clothing and clothing accessories stores	65,734	6.7	\$1,704,214	5.7
Building materials, garden equipment & supplies	17,035	1.7	\$1,546,929	5.2
Food and beverage	29,900	3.1	\$1,424,213	4.8
Miscellaneous store retailers	118,369	12.1	\$1,035,606	3.5
Electronic and appliances stores	21,984	2.2	\$859,314	2.9
Sporting goods, hobby, book & music stores	27,724	2.8	\$647,842	2.2
Health and personal care stores	21,188	2.2	\$595,369	2.0
Furniture and home furnishings stores	18,252	1.9	\$546,437	1.8
Nonstore retailers	178,056	18.2	\$176,913	0.6
All other outlets	328,928	33.6	\$9,410,642	31.5
Total	978,047	100.0	\$29,834,249	100.0

Chart 4

Long-Term Debt and Financial Obligations

Type of Obligation	Date Issued	Final Maturity	Interest Rate (%)	Amount Issued (\$ millions)	Amount Outstanding (\$ millions)
GO Bonds: Self-supporting	2/1/98	2/1/18	3.85– 5.15	\$20	\$19
GO Bonds: Non self-supporting	9/1/99	9/1/20	various	\$15	\$15
COP	6/1/10	6/1/30	3.90– 5.35	\$35	\$35
POB	7/1/11	7/1/41	5.30– 5.55	\$65	\$65

Chart 5**Short-Term Debt and Financial Obligations**

Type of Obligation	Date Issued (or Incurred)	Final Maturity (or Term)	Interest Rate (%)	Amount Issued (\$ millions)	Amount Outstanding (\$ millions)
TAN	7/2/2009	6/30/2011	3.10%	\$65	0
Loans	7/5/2011	6/30/2012	3.05%	\$65	\$65
CP	9/1/2011	8/31/2012	3.06%	\$30	\$30
Capital Leases	10/15/2011	10/15/2013	5.45%	\$5	\$4.6

Chart 6

Other Outstanding Debt and Contingent Liabilities

Type of Obligation	Date Issued	Final Maturity	Interest Rate	Amount Issued (\$ millions)	Amount Outstanding (\$ millions)
Sales Tax Bonds	9/1/2009	8/1/2029	3.80%– 5.10%	\$10	\$8
Income Tax Bonds					
Pool /Trust Bonds					
State Agency Bonds					
GO Backed Revenue Bonds	10/1/2011	10/1/2030	5.30%	\$5	\$5
Guaranteed/Contingent	1/1/2012	1/1/2031	4.15%– 4.30%	\$65	\$65

Chart 7

Total Debt Service Schedule (\$000s)

Year	General Obligation		COP/Leases		Aggregate Debt Service	Contingent/Guarantee		Aggregate Debt Service
	Principal	Interest	Principal	Interest		Principal	Interest	
2013								
2014								
2015								
2016								
2017								
2018								
2019								
2020								
2021								
2022								
2023								
2024								
2025								
2026								
2027								
2028								
2029								
2030								
2031								
2032								

Chart 8

Total Debt Service Schedule, Continued (\$000s)

Year	POB		Pools/Trusts		Aggregate Debt Service	State Agencies		Total Aggregate Debt Service
	Principal	Interest	Principal	Interest		Principal	Interest*	
2013								
2014								
2015								
2016								
2017								
2018								
2019								
2020								
2021								
2022								
2023								
2024								
2025								
2026								
2027								
2028								
2029								
2030								
2031								
2032								

Chart 9

Five-Year Capital Improvement Program (\$ millions)

Projects	Fiscal Year					Total
	2012	2013	2014	2015	2016	
Transportation	\$1.5	\$0.5	\$2.0	\$2.0	\$2.0	\$8.0
Infrastructure Renewal	\$0.0	\$0.0	\$0.0	\$2.5	\$0.5	\$3.0
Environmental	\$0.0	\$0.0	\$5.0	\$1.0	\$1.0	\$7.0
Housing	\$0.7	\$0.3	\$1.0	\$0.0	\$0.0	\$2.0
Education	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Public Health/Safety	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
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
GO Backed Revenue Bonds	\$0.0	\$0.0	\$3.5	\$1.0	\$0.8	\$5.3
State Agency Bonds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Grants	\$0.0	\$0.0	\$1.0	\$0.5	\$0.2	\$1.7
Pay As Go	\$0.2	\$0.8	\$0.7	\$0.5	\$0.5	\$2.7
Total	\$2.2	\$0.8	\$8.0	\$5.5	\$3.5	\$20.0

Chart 10

Key Actuarial Assumptions

	Plan A	Plan B
Valuation Date	6/30/2009	6/30/2009
Actuarial Cost Method	Entry Age Normal	Frozen Entry Age
Amortization Method	Level Percent of Payroll	Level Dollar Amount
Amortization Period	25 year	30 year
Actuarial Asset Valuation Method	Fair Value	Fair Value
Investment Rate of Return	8%	6%
Inflation rate	3.50%	2.50%

Chart 11

Funded Status (\$000s): Present ten years where available

Plan A					
Actuarial Valuation Date	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012
Fiscal Year	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013
Actuarial Value of Assets	\$3,850	\$4,081	\$4,489	\$4,938	\$4,296
Actuarial Accrued Liability	\$4,812	\$5,294	\$5,611	\$5,948	\$6,305
Unfunded Actuarial Accrued Liability	\$962	\$1,213	\$1,122	\$1,010	\$2,009
Funded Ratio	80%	77%	80%	83%	68%
Assumed Investment Rate of Return	8.50%	8.50%	8.50%	8.50%	7%
Actual Investment Rate of Return	7%	6%	12%	4%	-16%

Plan B					
Actuarial Valuation Date	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012
Fiscal Year	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013
Actuarial Value of Assets	\$2,259	\$2,395	\$2,635	\$2,898	\$2,522
Actuarial Accrued Liability	\$2,406	\$2,647	\$2,806	\$2,974	\$3,153
Unfunded Actuarial Accrued Liability	\$147	\$252	\$171	\$76	\$631
Funded Ratio	94%	90%	94%	97%	80%
Assumed Investment Rate of Return	8.50%	8.50%	8.50%	8.50%	7%
Actual Investment Rate of Return	7%	6%	12%	4%	-16%

Chart 12

Required Contributions (\$000s): Present ten years where available

Plan A	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Actuarial Required Contribution	\$165	\$167	\$175	\$200	\$215
Total Actual Contribution	\$159	\$167	\$175	\$100	\$115
% Contributed	90%	100%	100%	50%	53%
% Covered payroll					

Plan B	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Actuarial Required Contribution	\$81	\$84	\$88	\$111	\$121
Total Actual Contribution	\$81	\$84	\$88	\$111	\$121
% Contributed	100%	100%	100%	100%	100%
% Covered payroll					

Copyright 2015 National Federation of Municipal Analysts. All Rights Reserved.

NFMA constituent societies, individual members or their firms may not agree with all provisions in these RBPs. The NFMA is not a regulatory agency and compliance with the RBPs advanced herein does not constitute a “safe harbor” from any State or Federal rules and regulations. Nothing in this paper is to be construed as an offer or recommendation to buy or sell any security or class of securities.