



BEST PRACTICE

Using the Comprehensive Annual Financial Report to Meet SEC Requirements for Periodic Disclosure (1996 and 2006) (CAAFR)

Background. Securities and Exchange Commission (SEC) Rule 15c2-12 requires that issuers of municipal securities or obligated persons undertake in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information to various information repositories. Rule 15c2-12 does not establish a standardized format for the presentation of periodic financial disclosures. Rather, the required annual financial information may be presented through any disclosure document or set of documents, whatever their form or principal purpose, that includes the necessary information. The appropriate means of meeting periodic disclosure requirements is determined by each government in consultation with appropriate legal counsel.

The Government Finance Officers Association (GFOA) is on record recommending that all state and local governments prepare and publish a comprehensive annual financial report (CAFR).¹ GFOA believes that the CAFR should be the normal means for a government to meet its financial reporting responsibilities.

Recommendation. GFOA recommends that governments subject to SEC Rule 15c2-12 consider using the CAFR as their disclosure document for providing information useful to existing and potential investors in the secondary market and meeting their obligation to provide annual disclosure for the secondary market, as required by Rule 15c2-12. All the same, for practical reasons, governments that elect to use the CAFR in this manner should be sure that the undertaking commits the government only to the periodic disclosure of specified annual financial information as provided in the amendments to Rule 15c2-12, and not to the periodic issuance of a CAFR.

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

¹ See GFOA's best practice on "Governmental Accounting, Auditing, and Financial Reporting Practices" (1983 and 1997).