

# **Bond Case Briefs**

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## **U.S. States, Local Gov'ts Slow to Post Finance Reports.**

Oct 8 (Reuters) – U.S. states and local governments are taking nearly a year to release annual financial statements, according to a report released on Tuesday as federal regulators crack the whip on giving municipal bond investors timely information.

In the first half of 2013, issuers on average posted audited financial statements 339 days after the close of their fiscal years, according to the Municipal Securities Rulemaking Board, the \$3.7 trillion market's self-regulator.

That is exactly the same as in 2012, a full month longer than it took in 2011 and roughly three times as long as federal securities regulators would prefer. In 2010, the first year the MSRB assembled the data, states and local governments posted audited statements 329 days after the close the fiscal year.

Even unaudited reports are taking longer: 260 days so far in 2013 versus 249 in 2012, 222 in 2011, and 226 in 2010.

Tuesday's report comes amid a campaign by the Securities and Exchange Commission to push issuers to post current and accurate financial information.

In May the SEC charged Harrisburg, Pennsylvania, with fraud for misleading statements made by city officials about its crumbling financial condition. The regulators said they were forced to use those statements to determine fraud because Harrisburg was remiss in filing annually required financial information.

While there are no federal reporting deadlines, as there are for publicly traded companies, and no penalties for late filings, the SEC encourages municipal bond issuers to post annual reports within 120 days of the end of their fiscal years.

Still, many issuers do not file audited financial reports until they are preparing a new bond sale, the MSRB report showed. Then they cram in years of information at once.

So far this year, these "catch-up" reports account for about 16.4 percent of the audited financial statements filed, compared with 18.5 percent last year.

Until recently regulators and investors largely relied on a private research firm, Merritt Research Services, to analyze the speed of audits, using its database of more than 8,000 financial reports.

Merritt, which measures the timeliness of reports somewhat differently, recently said that in 2012 the median time for states to turn in audited financial reports was 174 days after the close of their fiscal years, nearly twice the time of their corporate equivalents. For cities, the median was 171 days.

Richard Ciccarone, the firm's president, expects issuers to speed up annual reports in light of the Harrisburg decision, with the full effects becoming apparent in 2014 and 2015.

