

Bond Case Briefs

Municipal Finance Law Since 1971

Detroit Bondholders to Wait Nearly a Year for Annual Financials.

Detroit's record bankruptcy hasn't solved once financial problem that's plagued the city for at least a decade: Getting its annual financial report done on time.

Mayor Mike Duggan's administration will miss a March 31 deadline for releasing audited statements for the fiscal year that ended in June, the city said in a regulatory filing. The report is expected to be ready by May 31, the city said, because of holdups from the water and sewer department and library system.

Such delays are legion in the \$3.7 trillion municipal market, especially when it comes to distressed borrowers at the greatest risk of defaulting. That's in part because the Securities and Exchange Commission has no direct power to crack down on governments that drag their feet in making routine disclosures, unless it finds evidence of fraud.

Municipal issuers "substantially lag" corporate borrowers when it comes to delivering timely financial reports, according to Richard Ciccarone, president of Merritt Research Services LLC who found that municipal audits typically don't come out until about six months after the year ends. That's three times longer than the deadline the SEC imposes on the largest corporations.

"Detroit isn't the only one, but because the city is trying to rebuild its credibility in the market after going into bankruptcy, it's important for them to keep their word," said Ciccarone. "When they promise to do something, it's important for them to do that."

The SEC, which in a 2012 report said the current regulations leave investors without information they need to make decisions, has been trying to change that through tougher enforcement of the rules it imposes on underwriters. Before selling bonds, those firms have to determine that the governments plan to disclose annual reports and other material information that could affect the value of their bonds.

Detroit hasn't complied during the past five years "in all material respects with its obligations," according to its bond documents when it borrowed \$245 million as it emerged from bankruptcy in 2014.

"Now that it has exited bankruptcy the city expects to be in a position to file its annual updates at least within nine months after its fiscal year end going forward," the city said in its bond documents.

That hasn't happened yet. John Naglick, Detroit's finance director, said in a statement that it's alerting investors because "officials know we cannot make the 270 day time frame."

Bloomberg Business

by Darrell Preston

March 24, 2016 — 12:25 PM PDT

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com