



**JOHN CHIANG**  
TREASURER  
STATE OF CALIFORNIA

March 30, 2017

The Honorable John M. W. Moorlach  
California State Senate  
State Capitol, Room 2048  
Sacramento, CA 95814

RE: SB 742 (Moorlach): City treasurers - SUPPORT

Dear Senator Moorlach:

I am pleased to support your SB 742, which would require cities that issue bonds to comply with the Generally Accepted Accounting Principles (GAAP) used by governmental entities. This requirement would provide investors and the public with necessary transparency and consistency in cities' financial records.

Under current California Government Code, there is no requirement for cities to follow GAAP. In the absence of requirements to comply with GAAP, cities may be permitted to adopt an alternative method of accounting. This lack of uniformity in accounting methods can cause confusion when evaluating or comparing cities. Additionally, since cities can change their accounting methods, financial information may be inconsistent and therefore less transparent to the public.

Furthermore, many cities throughout California have large unfunded pension liabilities and should report those obligations in the consistent and transparent manner that GAAP standards require. Full knowledge of all debts and liabilities is imperative to making an informed choice on whether or not to purchase city bonds. Without the requirement that all other major jurisdictions use, cities may fail to disclose future pension obligations, leaving investors with the potential for a highly inaccurate understanding of the city's financial situation.

Sincerely,

A handwritten signature in blue ink that reads "John Chiang".

JOHN CHIANG  
California State Treasurer

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