

Date of Hearing: May 13, 2015

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Maienschein, Chair

AB 341 (Achadjian) – As Amended May 5, 2015

SUBJECT: Financial affairs: reports.

SUMMARY: Extends the amount of time for local agencies to report financial information to the State Controller for the publication of local financial transactions. Specifically, **this bill:**

- 1) Extends the amount of time a local agency has to furnish to the Controller a report of all the financial transactions during the preceding fiscal year (FY) from 90 or 110 days to seven months, after the close of each FY.
- 2) Requires the report to contain underlying data from audited financial statements prepared in accordance with generally accepted accounting principles, if the data is available.
- 3) Allows a legislative body to post the report in a conspicuous location on its Internet Website or to furnish hardcopies to any person requesting it.
- 4) Requires a local agency to submit to the Controller information on annual compensation, pursuant to the requirements in existing law, for the previous calendar year no later than April 30.
- 5) Requires the Controller to compile and publish reports of the financial transactions of each county, city, and special district on or before November 1 of each year following the end of the annual reporting period, instead of on or before August 1, September 1, and October 1, respectively.
- 6) Repeals a provision of law which establishes separate reporting requirements for a local agency reporting to the Office of Statewide Health Planning and Development and for a community redevelopment agency.
- 7) Makes other technical and conforming changes.

EXISTING LAW:

- 1) Requires the officer of each local agency who has charge of the financial records to furnish to the Controller a report of all the financial transactions of the local agency during the next preceding FY.
- 2) Requires the report to be furnished within 90 days after the close of each FY and to be in the form required by the Controller. Requires the report to be furnished within 110 days after the close of each FY if the report is filed in electronic format as prescribed by the Controller.
- 3) Requires the report to contain specified contents and requires the report to contain additional information for cities.

- 4) Requires the Controller to compile and publish reports of the financial transactions of each county, city, and special district, respectively, within this state, together with any other matter he or she deems of public interest, and requires the reports to include the appropriations limits and the total annual appropriations subject to limitation of the counties, cities, and special districts.
- 5) Defines local agency to mean "any city, county, any district, and any community redevelopment agency required to furnish financial reports," pursuant to specified sections of existing law.
- 6) Requires the Controller to prescribe uniform accounting and reporting procedures applicable to special districts, except for those that substantially follow a system of accounting prescribed by the Public Utilities Commission or the Federal Power Commission, and requires the Controller to prescribe these procedures only after consultation with and approval of a local governmental advisory committee established in current law.
- 7) Requires the legislative body of the local agency to prepare copies of the report and requires the legislative body's clerk to provide a copy to any person requesting it. Authorizes a charge, not to exceed twenty-five cents, for each copy of the report.

FISCAL EFFECT: None

COMMENTS:

- 1) **Background.** Existing law requires the officer of each city, county, and special district, who has charge of the financial records of the agency, to furnish to the State Controller a report of all the financial transactions of the local agency during the next preceding FY, within 90 or 110 days of the close of each FY. Current law also requires the Controller to compile and publish reports of the financial transactions of each county, city, and special district. The annual financial transactions data published by the Controller is the most comprehensive, and in some cases, the only source of financial data for California's local governments. The Legislature, Legislative Analyst's Office, local officials, grand juries, policy organizations, and other observers all rely on these reports.
- 2) **Bill Summary.** This bill makes a number of changes to the timelines established in existing law for local agencies to submit their annual financial transactions report to the Controller. This bill extends the amount of time to seven months after the close of each FY that local agencies have to provide the annual financial transactions reports to the Controller. Under this bill, the report must contain underlying data from audited financial statements prepared in accordance with generally accepted principals, if the data is available. Upon completion of the report, this bill allows a local agency to post the report on its website or provide hardcopies to those individuals requesting copies. This bill makes conforming changes to the publishing requirements for the Controller.

This bill also establishes a separate reporting date for local agencies to submit information required by existing law regarding compensation to the Controller for the previous calendar year, no later than April 30.

This bill is sponsored by the League of California Cities.

- 3) **Author's Statement.** According to the author, "For most local agencies, an [FY] ends between June 31st and July 1st. Upon conclusion of the [FY], local agencies are required to submit financial information to the Controller's Office within 90 days. The Controller's Office then publishes certain financial information about selected districts for public view on the Controller's website. While they are required to submit this information within 90 days, most local agencies have a third party auditor come in to perform a complete audit report. However, the audits are not often completed until December-January.

"As a result, local agencies often resubmit their reports with additional or corrected information found in the audit to the Controller's Office after the audit is completed. Submitting incomplete or unaudited data can create confusion for the public and additional work for both the State Controller's office and the local agency staff to update information to reflect final audits.

"This bill will extend the deadline which a local agency is required to submit the report to the Controller's office. The bill will require that the report will contain data from audited financial statements if the data is available. This will give local agencies additional time to work with an auditor if they choose to, in order to ensure that accurate data is available for the public's view."

- 4) **Arguments in Support.** Supporters argue that this bill increases transparency, provides more accurate information to the public, and saves local agencies time and resources.
- 5) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

League of California Cities [SPONSOR]
California Special Districts Association
California State Association of Counties

Opposition

None on file

Analysis Prepared by: Misa Lennox / L. GOV./(916) 319-3958